

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RIDGELEA INVESTMENTS,) CASE NO.
INC. FOR ALTERNATIVE RATE ADJUSTMENT) 2009-00500

COMMISSION STAFF'S FOURTH INFORMATION REQUEST
TO RIDGELEA INVESTMENTS, INC.

Ridgelea Investments, Inc. ("Ridgelea"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 8, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Ridgelea shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Ridgelea

fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

All tax identification numbers, along with social security numbers, date of birth, and e-mail addresses of individuals, should be redacted from material to be filed herein. Otherwise, careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Ridgelea's Responses to the Commission's July 14, 2010 Order, item 4, Adjustment C, Fuel and Power Expense, and to item 3, the invoices from Blue Grass Energy. Ridgelea is proposing to increase its fuel and power expense by \$111 to reflect the 6 percent increase in electricity rates Blue Grass Energy received on April 1, 2009. Calculate the impact the April 1, 2009 increase in Blue Grass Energy's rates will have on Ridgelea's fuel and power expense by applying the April 1, 2009 rates to the actual kWh that was used by Ridgelea in the test period. Provide copies of all workpapers, assumptions, and calculations used by Ridgelea in developing its response.

2. Refer to Ridgelea's Responses to the Commission's July 14, 2010 Order, item 4, Adjustment D, Maintenance of Treatment and Disposal Plant and to item 2, Notes for Routine Maintenance Fees. Ridgelea states that in 2009 it made cash payments totaling \$6,900 to three outside contractors for certified plant operations. According to Ridgelea, the cash payments were made to the certified operators after checks were written to its owner, Chuck Hungler.

a. Provide a detailed explanation as to why Ridgelea agreed to the arrangement to make cash payments to its certified plant operators.

b. Provide documentation to show that the \$6,900 in cash payments to Ridgelea's certified operators were actually paid and received by each operator.

3. Refer to Ridgelea's Responses to the Commission's July 14, 2010 Order, item 4, Adjustment G, Miscellaneous General Expense; item H, Amortization Expense; item 3, invoices to document the 2009 legal fees of \$14,108; and to the Application, Exhibit 2, the Agreed Order with the Energy and Environment Cabinet. In 2009 Ridgelea paid \$9,400 to Hazelrigg and Cox to negotiate the Agreed Order, and \$4,708 to Bingham-McHale in connection with the action to revoke the Operator Certification of Mr. Hungler. Ridgelea is proposing to remove the \$14,108 in legal fees from operating expenses and to amortize those fees over five years.

a. The Agreed Order states that "An Administrative Complaint filed by the Cabinet in this action enumerates numerous Notices of Violation ("NOV") issued against the Defendants and/or the owners of waste water treatment plants operated by the Defendants." Provide a list of the referenced NOV's. For each NOV, identify the waste water treatment plant where the NOV occurred, and the party responsible for the NOV.

b. Explain in detail why the legal fees incurred to defend the actions of Mr. Hungler and Perfect-A-Waste Sewage Equipment Company should be borne by Ridgelea's ratepayers.

c. Explain in detail why the legal fees incurred in connection with Mr. Hungler's operator certification were recorded as an operating expense of Ridgelea.

4. Refer to Ridgelea's Response to the Commission's July 14, 2010 Order, item 4, Adjustment F, Outside Services Employed. Ridgelea states that it "retained the consultant who prepared this rate case at a fee of \$250 per month to improve its documentation for regulatory purposes, as well as to provide bookkeeping and financial services on an ongoing basis."

a. Identify the consultant that is referenced by Ridgelea, state the date the consultant was hired to perform the bookkeeping and financial services, and provide a detailed list of the services that the consultant is currently providing to Ridgelea.

b. Provide a signed copy of the contract between Ridgelea and the referenced consultant.

c. Provide documentation to show that the \$250 per month bookkeeping and financial services fee is reasonable.

5. Refer to Ridgelea's Response to the Commission's July 14, 2010 Order, item 4, Adjustment G, Miscellaneous General Expense. Ridgelea is proposing to include office rent of \$100 per month to recover the cost of: the use of an office, a phone, a cell phone, standard office equipment, and office utilities.

a. Provide a schedule listing by month the following costs incurred by Mr. Hungler in calendar years 2008 and 2009:

- (1) Office rent;
- (2) Telephone;
- (3) Cellular Telephone;
- (4) Utilities (Gas, Electricity, Etc.);
- (5) Equipment; and

(6) Furnishings.

b. Identify all affiliated and/or nonaffiliated companies that share the office with Ridgelea.

c. Provide the rent/office overheads paid by each affiliated or nonaffiliated tenant during the calendar years 2008 and 2009.

d. Provide a list of the tenants that share the office with Ridgelea. For each tenant listed, identify if the tenant is affiliated with Ridgelea or Mr. Hungler.

e. Identify the total square footage of the office and the amount that is occupied by each tenant listed in the response to 5(d).

6. The office rent paid to Mr. Hungler is considered a less-than-arm's-length transaction;¹ provide documentation to show that the pro forma office rent of \$1,200 is reasonable.

7. Refer to Ridgelea's Response to the Commission's July 14, 2010 Order, item 7. According to the depreciation schedule, the Sewer Plant Equipment was installed at the Mulberry treatment plant on June 11, 2003 and the depreciation life is seven years. Given that the sewer equipment plant should be fully depreciated in 2010, explain why depreciation expense for this capital item should be included in Ridgelea's pro forma operating expenses.

8. Refer to Ridgelea's Response to the Commission's July 14, 2010 Order, item 8.

a. In its response, Ridgelea states that the plant acquisition adjustment of \$7,279 is being amortized over the remaining life of the assets purchased. By dividing the

¹ The current owner of the office and Ridgelea are affiliated.

\$815 amortization expense by the \$7,279 plant acquisition adjustment, the amortization period would be 8.9 years. State the correct amortization period that is being used by Ridgelea and explain how that period was developed.

b. In Case No. 9059,² the Commission determined that, “The burden of proof is upon the utility to justify its investment at the price in excess of the net original cost based on economic and quality of service criteria.” To meet this burden of proof, the Commission established the criteria a utility must meet in order to recover any investment in excess of the net original cost (“plant acquisition adjustment”). Provide evidence to show that Ridgelea has met the following criteria:

(1) The purchase price was established upon arm’s-length negotiation.

(2) The initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers.

(3) Operational economies can be achieved through the acquisition.

(4) The purchase price of utility and non-utility property can be clearly identified.

(5) The purchase price will result in overall benefits in the financial and service aspects of the utility’s operations.

9. Refer to Ridgelea’s Response to the Commission’s July 14, 2010 Order, item 11. On August 25, 2010, the Bullock Pen Water District (“Bullock Pen”) submitted its

² Case No. 9059, An Adjustment of Rates of Delta Natural Gas Company, Inc. (Ky. PSC Sep. 11, 1985).

application for Commission approval of the Water Shut Off Agreement that was entered into on July 22, 2010 with Ridgelea.³

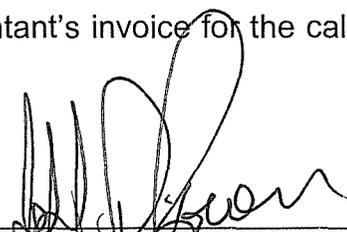
a. Affirm if the billing and collection fee being charged by Bullock Pen to Ridgelea remains \$2.00 per bill.

b. If the response to item 9(a) is no, provide the current billing and collection fee that is being charged by Bullock Pen.

c. Given the July 22, 2010 Agreement with Bullock Pen, are the customer billing and collection services being provided by Bullock Pen and the Farmdale Water District identical? Identify any differences between the services that will be provided by the two vendors.

10. In its Response to the Commission's July 14, 2010 Order, item 2, Ridgelea states that the \$1,275 in property taxes paid to Franklin County was for the 2008 calendar year. Provide the invoice for the 2009 property taxes from Franklin County.

11. In its Response to the Commission's July 14, 2010 Order, item 3, Ridgelea provided the invoice from Robert E. Faesy, Jr., CPA, for the preparation of the calendar year 2008 financial statements. Provide the accountant's invoice for the calendar year 2009 financial statements.



Jeff Derouen
Executive Director
Public Service Commission
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DATED: SEP 17 2010

cc: Parties of Record

³ Case No. 2010-00343, Application for Approval of Agreement and Deviation from 807 KAR 5:006 § 14.

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