

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
VALLEY TREATMENT PLANT, INC.) CASE NO. 8853

O R D E R

IT IS ORDERED that Valley Treatment Plant, Inc. ("Valley Treatment") shall file an original and eight copies of the following information with the Commission by September 23, 1983. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. With regard to the expenses associated with rate case applications submitted under the alternative rate filing procedure, the Commission is of the opinion that such expenses should be limited to a maximum of \$1,000, to be amortized over a period of three years. As a result, fees that exceed this limit may be disallowed by the Commission for rate-making purposes, unless adequate justification is cited as to the necessity of services associated with these expenses. Therefore, in consideration of the position taken by the Commission regarding this expense, provide the following information:

(a) Any comments that Valley Treatment may wish to relate concerning this matter, particularly with regard to the level of rate case expense that has been incurred thus far in association with this case.

(b) A thorough explanation of the specific services associated with each group of hours reported per the response to Item 2 of the Commission's Order dated July 28, 1983.

(c) A copy of the invoice(s) submitted for expenses incurred through the end of July, 1983, as indicated per Item 2 of the response to the Commission's Order dated July 28, 1983.

2. With reference to Item 1 of the response to the Commission's Order dated June 30, 1983, provide a copy of the invoice for each of the following items:

(a) Payment of \$132.10 to Kentucky Sewer Service (check 194, 9-10-82).

(b) Payment of \$152.45 to Kentucky Sewer Service (check 1007, 10-14-82).

(c) Accounts Payable of \$229.17 to Andriot-Davidson's Service Co., Inc. (11-18-82).

3. With reference to the outstanding debt as reported per Schedule C of the application, and with regard to Item 10, Section B, C, and D of the response to the Commission's Order dated June 30, 1983, provide the following information:

(a) Documented evidence of each loan in the form of a copy of each fully executed promissory note dated February 11, 1983, including complete details as to the terms and conditions of each note.

(b) Complete details regarding the utilization of these loan funds by Valley Treatment.

(c) With regard to the discontinuance of the accrual of interest on these loans, cite the specific terms of the loan

agreement which authorize this procedure. If such terms do not exist, provide the basis upon which this accounting practice is justified.

4. With regard to the following expenses incurred during 1981, provide complete details as to the reason that these items are being charged as expenses of the December 31, 1982, test year.

(a) Per the response to Item 4, Section 1, of the Attorney General's June 29, 1983, information request--a statement from Presnell Associates, Inc., dated September 15, 1981, in the amount of \$283.09 for professional services rendered through August 31, 1981.

(b) Per the response to Item 4, Section 6, of the Attorney General's June 29, 1983, information request--Invoice No. 1230-15, from Andriot-Davidson's Service Co., Inc., in the amount of \$119.13, for plant supplies purchased from July through December of 1981.

(c) Per the response to Item 1, Section C of the Commission's July 28, 1983 information request--an invoice dated April 14, 1981, from Glasser Excavating for the amount of \$3,919.25, of which a court order required \$3,679.07 to be paid.

5. According to the response to Item 13 of the Commission's Order dated June 30, 1983, no sales agreement was formulated between Valley Treatment and Elvessa Development Corporation, as Apple Valley Subdivision and the associated wastewater treatment plant were purchased by Presbourg Partnership from American Fletcher Mortgage Company. Therefore, to establish an accurate record of the changes in ownership subsequent to

Elvessa Development's being placed in receivership, provide the following information:

(a) A detailed narrative explanation, including specific dates, that completely chronicles the sequence of events that occurred between the various parties or entities involved, which resulted in Presbourg Partnership's acquisition of Apple Valley Subdivision, Apple Valley Treatment Plant, Inc., and the ultimate incorporation of Valley Treatment. Those transactions entered into by Presbourg Partnership should be clearly distinguished from those entered into by Valley Treatment.

(b) A detailed description of all assets purchased from American Fletcher Mortgage Company, including the purchase price. Also, provide a complete detailed breakdown of the assets assigned to the development company and those assigned to the sewer operations as of the date of the formation of Valley Treatment to operate the sewage business.

(c) Details as to the ownership, as well as the principal officers, of each entity involved in the transactions described in Item 5(a).

(d) A copy of the purchase agreement that was negotiated between Presbourg Partnership and American Fletcher Mortgage Company, Inc.; however, if a formal agreement does not exist, provide a detailed narrative describing the terms and conditions of the sale.

(e) A copy of the deed(s) to all property acquired through the purchase of Apple Valley Subdivision and Apple Valley Treatment Plant.

(f) Documented evidence of the liability assumed by Presbourg Partnership, which is alluded to in the response to Item 13 of the Commission's Order dated June 30, 1983. Such documentation should include complete details as to the amount of the liability, as well as the terms and conditions of its repayment.

6. Provide a copy of the 1981 income tax return for Valley Treatment.

7. With regard to Item 1, Section 2, of the Attorney General's June 29, 1983, information request, provide the name and address of the construction contracting firm which constructed sewer lines and purchased plant capacity from Valley Treatment. Also, provide the names of the owners and principal officers of the firm.

8. Provide an explanation for the significant increase in sludge hauling cost which occurred from 1981 to 1982. In addition, for each calendar year 1978, 1979, 1980, and 1981, provide the number of loads of sludge hauled, the cost per load, and the number of gallons per load.

9. On your billing analysis, for commercial and public authority customers you show a total proposed revenue to be \$9,682. Please explain how you derived this figure using 192 bills and a rate of \$41.45.

10. Provide a monthly breakdown of the number of residential equivalents used by each commercial and other customers. By comparing the monthly water usage furnished by request dated June 16, 1983, to the billing analysis contained in

the application it appears you should have collected more than \$5,410 and that you would collect more than \$9,682 from these two classes of customers.

11. Provide detailed information as to how you estimate that commercial users are being underbilled 30 to 40 percent.

12. According to the response to Item 4, Section 7, of the Attorney General's information request of June 29, 1983, the fee charged per the statement of Kaelin, Bryne and Company, Inc. included charges for professional services rendered from February through December of 1981. Therefore, provide a breakdown of the hours and the corresponding fees for the services provided during 1981, as well as those provided during the test period.

13. With regard to the response to Item 4, Section 9, of the Attorney General's request of June 29, 1983, provide a detailed explanation concerning the discrepancy that exists between the statement from the Department of Public Health in the amount of \$1,400, and the Miscellaneous General Expense in the amount of \$727.21 per the test period statement of sewer operation and maintenance expenses.

Done at Frankfort, Kentucky, this 14th day of September, 1983.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary