

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FOREST HILLS DEVELOPERS)
SEWAGE TREATMENT PLANT FOR AN)
ADJUSTMENT OF RATES PURSUANT TO THE) CASE NO. 94-264
ALTERNATIVE RATE FILING PROCEDURE FOR)
SMALL UTILITIES)

O R D E R

On August 30, 1994, the Commission established a procedural schedule for this proceeding. At that time the Commission stated that Commission Staff would prepare a written report containing its findings and recommendations on Forest Hills Developers, Inc.'s ("Forest Hills") application for rate adjustment. Commission Staff has advised the Commission that, because Forest Hills has failed to comply with its requests for information and documents,¹ it is unable to prepare the written report.

Not wishing to delay the review of Forest Hills' application, the Commission will dispense with the requirement for a written report from Commission Staff. The Commission finds that, in lieu of such report, that the procedural schedule should be modified to permit additional discovery.

¹ On August 3, 1994 and August 16, 1994, Commission Staff requested that Forest Hills provide certain information and documents related to its operation. See Exhibits A and B to this Order. Forest Hills has yet to comply with these requests.

IT IS THEREFORE ORDERED that:

1. Ordering Paragraphs 2 through 7 of the Commission's Order of August 30, 1994 are vacated.

2. Each party may, on or before October 31, 1994, serve upon any other party requests for production of documents and written interrogatories to be answered by the party served within 10 days of service.

3. Each party may, on or before October 31, 1994, take the testimony of any person by deposition upon oral examination pursuant to notice or by agreement.

4. Each party shall, on or before November 12, 1994, serve upon the other parties a written summary of the testimony of those witnesses which it expects to call at the formal hearing, copies of all exhibits to be introduced at that hearing, and all preliminary motions and objections, except objections to exhibits. All exhibits shall be appropriately marked.

5. All other provisions of the Commission's Order of August 30, 1994 remain in full force and effect.

Done at Frankfort, Kentucky, this 11th day of October, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 613
FRANKFORT, KY. 40602
(502) 564-3940

August 3, 1994

Ken Dowell
10101 Linn Station Rd.
Suite 550
Louisville, KY 40223

Dear Mr. Dowell:

Pursuant to our discussion during my review of Forest Hills Developers, Inc. Sewage Treatment Plant on July 28, I have the following questions. Your response to these questions will assist me in completing my review.

1. Who owns Hardin Sanitation?
2. Provide a copy of the 1993 service contract with Hardin Sanitation.
3. Provide the name of the new service company and a copy of the new service contract.
4. Provide detailed invoices and explanations for the 1993 accrual of \$57,366 payable to Hardin Sanitation in account - 617013, Other Collection System Expense. The explanation "for services not included in the service contract" as indicated on the invoices previously provided is inadequate. How many of these maintenance related items would be expect to recur in a normal year?
5. Provide detailed invoices for the amounts accrued in account - 101832, Major Repairs-Lagoons for 1993 and prior periods. Did Forest Hills receive independent bids for the work performed by Hardin Sanitation?
6. In reference to the payable to Hardin Sanitation of \$208,624.10, provide the loan agreement between Hardin Sanitation and Forest Hills Developers.
7. How long had the Forest Hills Treatment Plant been in operation before the Lagoon Repairs were started? What was the major contributing factor that necessitated such a large repair?

EXHIBIT A

8. How many citations related to quality of service has Forest Hills Treatment Plant been assessed in past and current years by governmental agencies? Give a brief summary of each.
9. Provide an itemized listing of legal fees included in the 1993 expense of \$15,521.26 and what service was provided for each of those fees. Include amounts for previous rate case, current rate case, any litigation associated with service, etc. Provide the same information for 1993 accounting expenses of \$5,721.45
10. What does Forest Hills Treatment Plant rent from 4-SQ MINI-ST? Be specific in your response. If its for office rent give square footage of occupancy. Who owns 4-SQ MINI-ST? What is the basis for determining that \$7,200 annually is a reasonable rate?
11. Why is it necessary for Forest Hills Treatment Plant to incur those expenses related to vehicles and a mobile phone when they have a service company performing all of the maintenance? What are the trucks and tractors used for? How often are they used? Who owns the title to this equipment?
12. Does Forest Hills Treatment Plant have any full time employees? Why did Forest Hills record Workers Compensation expense of \$8677
13. Provide a copy of the invoice from Eubank Hall and Associates for \$6,800. Provide a detailed explanation of the expenditure.

Your prompt cooperation on these issues will help me expedite the proceedings in case 94-264.

Sincerely,

Jack Scott Lawless, CPA
Jack Scott Lawless, CPA
Public Utility Financial
Analyst



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 613
FRANKFORT, KY. 40602
(502) 364-3940

August 16, 1994

Ken Dowell
10101 Linn Station Rd.
Suite 550
Louisville, KY 40223

Dear Mr. Dowell:

I am writing this letter to confirm our telephone conversation of August 12, 1994, during which I supplemented my August 3, 1994, letter with the following requested information:

1. Supporting documentation as to the original cost of all utility plant in service.
2. In reference to the back-hoe and mobile office. What are they used for? How often are they used by the Utility? Are they used for anything other than utility work? If so, how often? Who owns the title to this equipment? Are they recorded at original cost or historical cost?
3. Provide a list of any other plant items which are used by other affiliated companies. How often are they used by each company? Does the utility charge the other companies rent for such use? Explain.
4. Give a detailed listing of all utility plant in service and state whether each item is recorded on the utility's books at its original cost or its historical cost?
5. Provide a list detailing all utility plant items which were purchased from an affiliated company?

As we discussed, please provide all requested information no later than August 26, 1994.

Sincerely,

Jack Scott Lawless, CPA
Jack Scott Lawless, CPA
Public Utility Financial
Analyst