

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE VERIFIED JOINT APPLICATION OF ELK)	
LAKE PROPERTY OWNERS' ASSOCIATION,)	
INC. AND KENTUCKY-AMERICAN WATER)	
COMPANY FOR THE APPROVAL OF THE)	CASE NO.
TRANSFER OF THE OWNERSHIP OF THE)	2002-00094
ASSETS OF ELK LAKE PROPERTY)	
OWNERS' ASSOCIATION, INC. DEVOTED TO)	
THE PROVISION OF WATER SERVICE TO)	
KENTUCKY-AMERICAN WATER COMPANY)	

COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
TO ELK LAKE PROPERTY OWNERS ASSOCIATION
AND KENTUCKY-AMERICAN WATER COMPANY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Elk Lake Property Owners Association ("Elk Lake") and Kentucky-American Water Company ("Kentucky-American") (collectively Applicants) file the original and 8 copies of the following information with the Commission within 10 days of the date of this request, with copies to all parties of record.

As used in these interrogatories, all references to Elk Lake customers shall mean and include those customers currently being served by Elk Lake and future customers who, but for the transfer, would have been served by Elk Lake.

Administrative Regulation 807 KAR 5:011, provides in relevant part as follows:

Section 11. Change of Ownership; Adoption Notice.
(1) In case of change of ownership or control of a utility, or when a utility or part of its business is transferred from the operating control of one company to that of another, the company which will thereafter operate the utility business must use the rates, classifications and administrative regulations of the former operating company (unless authorized to change by the commission), and shall issue, file and post an adoption notice, on a form furnished by the

commission, adopting, ratifying and making its own all rates, rules, classifications and administrative regulations of the former operating utility, on file with the commission and effective at the time of such change of ownership or control.

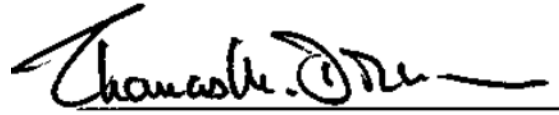
Section 14. Deviation from Rules. In special cases, for good cause shown upon application to and approval by, the commission may permit deviations from these rules.

When viewed together, from your application and the asset purchase agreement attached as Exhibit 1, Staff has concluded that the Applicants intend that, upon transfer of Elk Lake's water distribution facilities and assets to Kentucky-American, Kentucky-American will continue to furnish water to Elk Lake customers. Staff further concludes that the Applicants intend that the service to Elk Lake customers shall be provided at the same rates currently being charged by Elk Lake under its filed tariff, except for a \$3.00 monthly fee that will be terminated, until new rates for the Elk Lake customers are approved by this Commission. However, the service shall be provided in accordance with Kentucky-American's classifications and regulations that are set forth in Kentucky-American's filed tariff.

1. With respect to the conclusion stated in the preceding paragraph, state whether Staff is correct in its interpretation of the Applicants' intent.

2. If the answer to Item 1 is affirmative, state what effect, if any, the application of Kentucky-American's classifications and regulations will have upon the rates that Elk Lake's customers, or any of them, will be charged after the transfer.

3. State whether the Applicants contend that the transfer will comply with Section 11 of Administrative Regulation 807 KAR 5:011 and, if not, whether they intend to request a deviation in accordance with Section 14 of that regulation.

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", written over a horizontal line.

Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40601

Dated: April 17, 2002

cc: All Parties of Record