

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RIDGELEA INVESTMENTS, INC. FOR PURCHASE OF SEWAGE TREATMENT FACILITIES OF MULBERRY ENTERPRISES, INC.))
)	CASE NO.
)	2003-00184
))

O R D E R

On May 30, 2003, Ridgelea Investments, Inc. (Ridgelea), a Kentucky corporation filed, pursuant to KRS 278.020(4) and (5), an application for Commission approval of its transfer, acquisition and purchase of Discharge Elimination Systems Facilities owned by Mulberry Enterprises, Inc. (Mulberry). The Office of the Attorney General requested and was granted the status of intervenor by Order dated June 12, 2003. There are no additional intervenors.

Commission Staff issued two sets of data requests to applicant on June 24, 2003 and July 30, 2003, respectively. Ridgelea had difficulty in responding to the request because the information needed was in the possession of the current owner, Mulberry. Ridgelea filed responses to data requests on July 7, July 15, and August 18, 2003. In the interim, Ridgelea moved the Commission for a 45-day extension from July 29, 2003, the statutory deadline for Commission action in the case, to September 12, 2003. On July 22, 2003, the motion and waiver was granted to allow Ridgelea to comply fully with data requests and to submit an acceptable third-party beneficiary agreement ensuring continuity of sewage service. 807 KAR 5:071, Section 3(1)(a).

A hearing was neither requested nor conducted, and the Commission makes its decision on the written record.

KRS 278.020(4) prohibits any person from acquiring or transferring ownership or control of any utility under the jurisdiction of the Commission without having received prior approval. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval. Ridgelea is a Kentucky corporation that owns, controls, operates, and manages facilities used for and in connection with the collection and treatment of sewage for the public for compensation and, as such, is subject to Commission jurisdiction pursuant to KRS 278.010(3)(f). The Commission finds that KRS 278.020(4) and (5) apply to the transaction proposed in this application and that Commission approval is required.

The requirements for determining if a transfer should be approved are contained in KRS 278.020(4) and (5). KRS 278.020(4) provides that the Commission must approve the transfer if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service. KRS 278.020(5) provides that the Commission shall approve the transfer if it finds that the transfer is in accordance with the law and is for a proper purpose and is consistent with the public interest.

The Commission takes notice that on April 10, 2001, in Case No. 2000-00330,¹ it issued an Order that authorized the transfer of all outstanding stock in and ownership rights of Ridgelea to Charles Hungler. Said stock ownership has changed little, if any, since the above-mentioned Order. The Commission found in Case No. 2000-00330

¹ Case No. 2000-00330, In the Matter of Ridgelea Investment Incorporated for Sale of Corporate Stock.

that Charles Hungler was licensed to operate a wastewater treatment plant by the Commonwealth of Kentucky. The recent Order also points out that he is the sole proprietor of Perfect-A-Waste. As part of the transfer, Ridgelea began to and continues to provide wastewater services to Grantland Estates Subdivision near U.S. Highway 25. Ultimately, the Order found that the requirements of KRS 278.020(4) and (5) (financial, technical, and managerial abilities to provide reasonable services) had been satisfied and approved the transfer of ownership and control of Ridgelea to Charles Hungler.

In the pending transfer case, the application² states that Ridgelea anticipates no increase in the current tariffs as a result of this transfer. But the current rate is misstated to be \$22.00 when it is actually \$22.10. Accordingly, the Commission finds that Ridgelea should file with the Commission an adoption notice pursuant to 807 KAR 5:011, Section 15(6).

Ridgelea's current post office address is 11264 Sebring Drive, Cincinnati, Ohio 45240. In this transaction, Ridgelea will serve the following subdivisions located in Franklin County: Farmgate, Edgewood and Meadowbrook. The Commission finds that Charles G. Hungler, Jr., also known as Charles Hungler, is a licensed operator of wastewater treatment facilities and finds that the wastewater facilities dealt with herein should be operated by a licensed operator at all times, even in the event that Mr. Hungler's license is jeopardized, suspended or revoked.

According to its annual report, on December 31, 2002, Ridgelea had total assets of \$95,007, total liabilities of \$87,712, and total equity of \$7,295. Ridgelea reported total

² Application at 2, para 7.

revenues of \$37,747 and net income of \$5,240. Ridgelea's current owner, Mr. Hungler, filed his tax return, which reports his personal income as well as \$144,208 in net income from his sole proprietorship, Perfect-A-Waste Sewage. Ridgelea has demonstrated that it has the financial ability to operate the Mulberry system.

Mr. Hungler is certified with a license by the Commonwealth of Kentucky that verifies that he has the technical ability to provide reasonable sewage service to the customers of Mulberry. This is further bolstered by the fact that he is rendering such services, as approved by the Commission, elsewhere. Therefore, the Commission finds sufficient evidence in the record to support the conclusion that Ridgelea has the financial, technical and managerial abilities to provide reasonable wastewater treatment facilities service and finds that the transfer of Mulberry to Ridgelea is in accordance with the law, is for a proper purpose, and is consistent with the public interest.

The purchase price of the assets is \$10,000. Mulberry's 2002 annual report shows utility plant at \$32,953 and accumulated depreciation of \$30,232 for a net book value of \$2,721. Subtracting the net book value from the purchase price of \$10,000 results in a plant acquisition adjustment of \$7,279.

Using December 31, 2002 current balances, Ridgelea's journal entry to reflect the purchase of Mulberry's assets would be credited as follows:

	<u>Debit</u>	<u>Credit</u>
Utility Plant in Service	\$32,953	
Plant Acquisition Adjustment	7,279	
Accumulated Depreciation		\$30,232
Debt		10,000

When recording the journal entry, Ridgelea should update the account balances as of the date of the transfer. The plant acquisition adjustment should be amortized over

the remaining life of the assets purchased. However, the amortization of the acquisition adjustment is approved in this proceeding for accounting purposes only, with the decision on rate-making treatment deferred to the next rate proceeding.

Mr. Hungler, d/b/a Perfect-A-Waste Sewage Equipment Company, will loan Ridgelea \$10,000 to purchase Mulberry's assets by using a \$35,000 line of credit with the Northside Bank and Trust Company in Cincinnati, Ohio. The utility did not request approval of financing in this proceeding and the Commission herein neither approves nor disapproves the financing. If the debt requires approval under KRS 278.300, Ridgelea should file for approval of the debt.

The Commission, having reviewed the record and having been sufficiently advised, HEREBY ORDERS that:

1. The proposed transfer of ownership and control of Discharge Elimination Systems Facility owned by Mulberry to Ridgelea is approved.
2. Ridgelea, on or before 30 days after the date of the issuance of this Order, shall file with the Commission the appropriate original third-party beneficiary agreement that will ensure continuity of wastewater treatment services.
3. Within 30 days from the date of the transfer, Ridgelea shall file a copy of the journal entry recording the transfer.
4. Within 10 days from the date of transfer, Ridgelea shall file an adoption notice, conforming to the requirements of 807 KAR 5:011, Section 15(6).

5. Mulberry shall be responsible for submitting to the Commission a financial report, as described in 807 KAR 5:006, Section 3, for the period in calendar year 2003 that it owned and operated the transferred assets.

6. The rate-making treatment of the plant acquisition adjustment and any associated costs (i.e., amortization and debt service) shall be deferred until Ridgelea's next rate case proceeding.

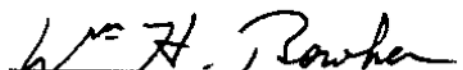
7. If the debt incurred by Ridgelea to purchase the assets requires approval under KRS 278.300, Ridgelea shall file an application requesting approval of same.

8. Ridgelea shall employ a certified sewage system operator to maintain the plant. In the event that the current certified operator is unable or unwilling to continue to serve, Ridgelea shall immediately hire another certified sewage treatment operator to maintain the facilities.

Done at Frankfort, Kentucky, this 12th day of September, 2003.

By the Commission

ATTEST:


Deputy Executive Director