

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF ASH AVENUE)	
SANITARY SEWER COMPANY AND)	
OLDHAM COUNTY SANITATION DISTRICT)	
FOR APPROVAL OF THE TRANSFER OF)	CASE NO. 2003-00262
WASTEWATER TREATMENT FACILITIES)	
PURSUANT TO STOCK PURCHASE)	
AGREEMENT BETWEEN THE PARTIES)	

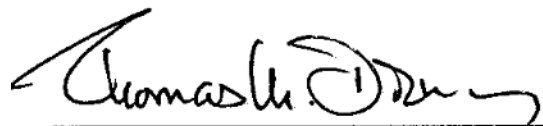
COMMISSION STAFF S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Ash Avenue Sanitary Sewer Company (Ash Avenue) and Oldham County Sanitation District (Oldham Sanitation) (jointly, Applicants) shall file with the Commission, within 14 days of the date of this request, the original and 8 copies of the following information, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who is responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Describe how Oldham Sanitation and Ash Avenue determined the purchase price set forth in the Agreement for Purchase and Sale of Corporate Stock.
2. Provide a list of the individuals involved in the negotiations between Oldham Sanitation and Ash Avenue, including the relationship of each to Oldham Sanitation and/or Ash Avenue.
3. Provide copies of any correspondence, memorandum or other documents describing the negotiations between Oldham Sanitation and Ash Avenue.
4. Why does Oldham Sanitation deem it appropriate and reasonable to pay \$616,000 for plant assets that had a recorded net utility plant value of \$66,298 at December 31, 2002 (original cost of \$344,994 less accumulated depreciation of \$278,696)?
5. Does Oldham Sanitation intend to seek rate recovery of the purchase price paid in excess of Ash Avenue's book value?
6. Provide a detailed description of how Oldham Sanitation proposes to finance its purchase of Ash Avenue's stock.
7. The Agreement for Purchase and Sale of Corporate Stock states that assets not used exclusively in the sewer business are excluded from the transfer. Provide a detailed depreciation schedule that specifies which assets are included in the transfer.
8. According to Ash Avenue's 2002 annual report, account 271, contributions in aid of construction, increased by \$115,500; however, utility plant in service did not increase. What accounted for the increase in account 271?

9. In Case No. 9059,¹ 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 Oldham Sanitation s proposed purchase of Ash Avenue s stock meets the following criteria:

- a. The purchase price was established upon arms-length negotiation.
- b. 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.
- c. Operational economies can be achieved through the acquisition.
- d. The purchase price of utility and non-utility property can be clearly identified.
- e. The purchase price will result in overall benefits in the financial and service aspects of the utility s operations.



Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

Dated: August 8, 2003

cc: Parties of Record

¹ See Case No. 9059, An Adjustment of Rates of Delta Natural Gas Company, Inc. (September 11, 1985).