

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RED BARN WASTE)	
MANAGEMENT, LLC FOR APPROVAL OF)	
THE TRANSFER OF OWNERSHIP AND)	CASE NO. 2006-00284
OPERATING INTERESTS OF CHIMNEY)	
ROCK WASTE MANAGEMENT, LLC)	

COMMISSION STAFF'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Chimney Rock Waste Management, LLC ("Chimney Rock") and Red Barn Waste Management, LLC ("Red Barn") (jointly, "Applicants") 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. Applicants have responded to Commission Staff requests via e-mail that have not been officially submitted into the current case record. Provide copies of all

correspondence Applicants have given to Commission Staff that has not been officially filed in the case record.

2. KRS 278.020(6) provides that the Commission must find that the proposed transaction “[i]s to be made in accordance with law, for a proper purpose and is consistent with the public interest.” Applicants generally state that Chimney Rock desires to terminate operation of the wastewater facility and that it is in the public’s best interest to transfer ownership to Red Barn ensuring that the customers of Chimney Rock continue to receive wastewater service in the same manner and at the same rate.¹

a. Provide a list and detailed description of each benefit that the owners of Red Barn can provide that Chimney Rock is currently unable to provide.

b. If there is an urgent need for system repairs, does the owner of Red Barn have the necessary financial reserves and is he willing to loan the limited liability company the funding necessary to assure continued operation of the plant?

3. Refer to the Application, Exhibit 8, Red Barn’s proposed journal entry to record the purchase of Chimney Rock’s facilities.

a. As of December 31, 2005, Chimney Rock reported utility plant of \$37,236 and accumulated depreciation of \$30,497 resulting in a net utility plant balance of \$6,739.² Given these balances, explain why Red Barn is proposing to record utility plant of \$10,000.

¹ Application at 1.

² Annual Report of Chimney Rock Waste Management, LLC to the Kentucky Public Service Commission for the Year Ended December 31, 2005 (“2005 Annual Report”) at 2.

b. Explain how Red Barn determined that \$10,000 of the purchase price should be allocated to the sewer utility plant account.

c. In its journal entry, Red Barn includes a note payable of \$8,000.

Provide the following information regarding the note payable:

- (1) The note payable source.
- (2) Term of the note payable.
- (3) Annual interest rate.
- (4) Anticipated date the note payable will be obtained.
- (5) A copy of any written debt agreement between the parties.

d. According to the proposed journal entry, Red Barn is paying \$2,000 in cash to purchase Chimney Rock. Identify the source of the \$2,000 contribution toward the purchase of Chimney Rock.

4. In its July 7, 2006 filing, Applicants state that as of June 2006, Chimney Rock owed Chimney Rock RV Park ("RV Park") \$7,127.33. However, when providing assistance in preparing the 2005 Annual Report, Staff determined that the amount Chimney Rock owed RV Park was \$17,103.45 at December 31, 2005.³ Factoring in the 2006 payments, Staff determined that the payable to the RV Park as of June 30, 2006, is \$16,754.45. Explain if this is the actual amount that Chimney Rock owes the RV Park. If the actual payable is different, provide a detailed calculation and explanation of

³ Owners Fee	\$ 2,301.00
Office Rent	383.48
Legal Fees (paid by the RV Park)	4,517.53
KPDES Permit (paid by RV Park)	741.75
Insurance	56.68
Plant Items (purchased by RV Park)	7,603.01
Loan from RV Park	+ 1,500.00
Total	<u>\$ 17,103.45</u>

the difference. If the Staff's calculation is correct, will Red Barn take on the additional accounts payable that is owed to the RV Park?



Beth O'Donnell
Executive Director
Public Service Commission
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Dated: July 27, 2006

cc: Parties of Record