

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**ELECTRONIC VERIFIED JOINT APPLICATION)
OF EASTERN ROCKCASTLE WATER ASSOCIATION) CASE NO. 2017-00383
AND KENTUCKY-AMERICAN WATER COMPANY)
FOR THE TRANSFER OF CONTROL AND ASSETS)**

**FIRST REQUEST FOR INFORMATION
TO THE JOINT APPLICANTS BY
JAMES E. BALLINGER AND THOMAS P. DUPREE, JR**

James E. Ballinger and Thomas P. Dupree, Jr. (collectively “Intervenors”¹), by counsel, propounds the following data requests upon the Joint Applicants. The Joint Applicants shall respond to these requests in accordance with the provisions of the Commission’s October 17, 2017, Order, applicable regulations, and the instructions set forth below.

INSTRUCTIONS

1. Please provide written responses, together with any and all exhibits pertaining thereto, separately indexed and tabbed by each response.
2. The responses provided should restate Intervenors’ request and also identify the witness(es) responsible for supplying the information.
3. If any request appears confusing, please request clarification directly from counsel for Intervenors.

¹ These individuals acknowledge that their Motion for Leave to Intervene is pending before the Commission at the time of filing of these requests for information.

4. Please answer each designated part of each information request separately. If you do not have complete information with respect to any item, please so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.

5. To the extent that the specific document, workpaper, or information does not exist as requested, but a similar document, workpaper, or information does exist, provide the similar document, workpaper, or information.

6. To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

7. If either of the respective Joint Applicants object to any request on any grounds, please notify counsel for Intervenors as soon as possible.

8. For any document withheld on the basis of privilege, state the following: date; author; addressee; blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

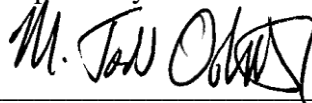
9. In the event any document called for has been destroyed or transferred beyond the control of the company, state the following: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

10. These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the

scope of these requests between the time of the response and the time of any hearing conducted hereon.

11. To the extent that a specific request is addressed to Eastern Rockcastle Water Association (“ERWA”), the response should be supported by a witness affiliated with ERWA. To the extent that a specific request is addressed to Kentucky-American Water Association (“Kentucky-American”), the response should be supported by a witness affiliated with Kentucky-American. To the extent that a specific request has different responses from both ERWA and Kentucky-American, please distinguish each entity’s response and the witness who is supporting the response.

Respectfully submitted



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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the October 26, 2017, electronic filing of this Request is a true and accurate copy of the same document being filed in paper medium; that the electronic filing will be transmitted to the Commission on October 26, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of the Request will be delivered to the Commission within two business days.



Counsel for the Intervenors

Intervenors' First Set of Requests for Information to Joint Applicants

1. Please provide all written communications, including public notices, questionnaires, and surveys, issued to customers of either ERWA or Kentucky-American relating to the potential acquisition of ERWA by any other entity and identify the following:
 - a. The date on which each written communication was issued;
 - b. The method of communication (i.e., direct mail, newspaper publication, internet posting);
 - c. To whom the communication was sent; and
 - d. From whom the communication was issued.
2. Please provide all written communications, including electronic mail, between directors, officers, agents, and employees of ERWA and Kentucky-American since January 1, 2014.
3. Please identify all individuals and entities with whom ERWA directors and officers discussed the potential acquisition of the water association, excluding Kentucky-American.
4. Please state whether ERWA received any other offers to purchase its assets or system. If so, please identify the details of all offers of purchase and explain why those offers were not accepted.
5. Provide a copy of all ERWA corporate documents authorizing the President of ERWA to enter into the Asset Purchase Agreement.
6. Please explain whether and how Kentucky-American appraised ERWA as a going concern prior to and at the time it entered into the Asset Purchase Agreement.
7. Please provide a copy of all studies, reports, or related analyses of appraisals or valuations of ERWA as a going concern conducted by (or caused to be conducted by) Kentucky-American.
8. Please explain how Kentucky-American appraised ERWA's assets prior to and at the time it entered into the Asset Purchase Agreement.
9. Please provide a copy of all studies, reports, or related analyses of appraisals or valuations of ERWA's assets conducted by (or caused to be conducted by) Kentucky-American.

10. If the proposed acquisition is completed, please state whether Kentucky-American plans to merge the rates charged to ERWA customers with its remaining customer base. If yes, please describe Kentucky-American plans, including the timeline for implementing merger of rates.
11. If the proposed acquisition is completed, please state whether Kentucky-American plans to seek a general rate increase for customers of ERWA within the next 24 months. If yes, please explain when the proposed general rate case would likely be filed and the general reasons why a rate increase would be necessary.
12. Please state whether Kentucky-American has identified any specific capital improvement projects that it will undertake if it acquires ERWA. If yes, please provide a detailed description of the capital improvement projects that must be undertaken, the projected costs for each project, the anticipated method of financing each project, when the project will likely be completed, and whether each project will require a certificate of public convenience and necessity from the Public Service Commission.
13. Paragraph 5 of the Verified Joint Application states that Kentucky-American and ERWA seek to consummate the purchase of ERWA's assets no later than December 22, 2017. If the proposed transaction is not approved by the Public Service Commission prior to December 22, 2017, please state whether either party will seek rescission of the Agreement.
14. Please identify the party who was primarily responsible for drafting the Asset Purchase Agreement.
15. Refer to Paragraph 2.3 of the Asset Purchase Agreement.
 - a. Please explain how Kentucky-American interprets the phrase "the dollar amount required for Seller to clear its books."
 - b. Please explain how ERWA interprets the phrase "the dollar amount required for Seller to clear its books."
 - c. Identify all liabilities currently on ERWA's books, including itemized descriptions of long- and short-term debt and accounts payable. Include within your response the date on which these liabilities are due.
 - d. Please explain what will occur if, at the time of closing, the dollar amount required for the Seller to clear its books exceeds \$770,000. If closing will still occur with the maximum amount of \$770,000 to be paid by Kentucky-American, explain who will pay additional liabilities on ERWA's books.

- e. Explain how ERWA will pay for materials or services provided to ERWA prior to the date of closing but invoiced after the date of closing.
 - f. Describe the source of Kentucky-American's funds for the stated purchase price.
16. If an acquiring entity paid ERWA more than the dollar amount required for Seller to clear its books, please explain how the leftover funds would be distributed (i.e., refund to customers of the water association). If ERWA would have multiple options to distribute leftover funds, please identify the options that would have been available to ERWA.
17. If the proposed acquisition is completed, explain how Kentucky-American will record this transaction on its accounting books for ratemaking purposes.
18. Refer to Paragraph 5.1(d)(ii) of the Asset Purchase Agreement. Please identify "all other regulatory approvals" that must be obtained prior to closing.
19. Refer to Paragraph 5.1(f) of the Asset Purchase Agreement. Please state whether Kentucky-American has performed an environmental assessment. If yes, please provide all reports, analyses, studies, and related documents related to that assessment. In no, please state whether Kentucky-American intends on performing an environmental assessment.
20. Refer to Paragraph 5.1(i) of the Asset Purchase Agreement. Please provide a copy of the Complaint, any Answer, Agreed Order of Dismissal, and any settlement agreement from Rockcastle Circuit Court Case No. 16-CI-265.
21. Refer to Paragraph 9.17 of the Asset Purchase Agreement. Please state whether Kentucky-American has evaluated ERWA's current employees for employment with Kentucky-American. If yes, please state whether Kentucky-American plans to retain those two employees if it acquires ERWA.
22. Please state whether Kentucky-American plans to hire two new employees if it acquires ERWA.
23. Refer to Paragraph 9.18 of the Asset Purchase Agreement. Please state whether Kentucky-American has identified whether a local payment option is "operationally necessary and economically practical." If yes, please identify whether or not the local payment option is "operationally necessary and economically practical" in Kentucky-American's discretion. Include within your response all available details, including where the local payment option would be located, the hours of operation, whether other customer service options other than payment would be available at that location (i.e., new

service), and whether Kentucky-American is committed to keeping this office open throughout its ownership of the system.

24. Please state whether ERWA has prepared drafts of any of the following Schedules to the Asset Purchase Agreement: Schedules 2.2, 3.4, 3.6, 3.7(a), 3.8, and 3.12. If yes, please provide a copy of those schedules. If no, please explain why the information to be provided in these schedules has not been compiled.
25. Provide copies of all correspondence, memoranda, and any other documents in which Kentucky-American officers, employees, or its agents discuss the physical condition of ERWA's assets.
26. Identify ERWA's legal structure and the statutes under which it is organized.
27. Identify Kentucky-American's legal structure and the statutes under which it is organized.