

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RIDGELEA INVESTMENTS,) CASE NO.
INC. FOR ALTERNATIVE RATE ADJUSTMENT) 2009-00500

O R D E R

On December 14, 2009, Ridgelea Investments, Inc. ("Ridgelea") tendered its application. Because of filing deficiencies, the Commission did not accept the application for filing until January 8, 2010. In its February 5, 2010 Order, the Commission suspended Ridgelea's proposed rate revisions for five months, from February 28, 2010 up to and including July 28, 2010.

In order to perform its limited review of Ridgelea's test-period operations, Commission Staff issued its first information request on March 3, 2010 and requested that the responses be filed by March 18, 2010. Ridgelea moved and was granted an extension of time in which to answer Commission Staff's First Information Request. On March 31, 2010, Ridgelea tendered a partial response to Commission Staff's First Information Request and stated that "due to severe workload demands and other issues" it was unable to provide the response to item 16 and that it would submit the requested invoice copies "as soon as possible." Ridgelea submitted its response to item 16 of Commission Staff's First Information Request at the April 22, 2010 informal conference, as requested by Commission Staff.

Commission Staff issued its second information request on May 12, 2010 and requested that the responses be filed by May, 27, 2010. Ridgelea again moved for an extension of time to submit its responses stating that, because its "owner is heavily involved in the day-to-day operation of the three Franklin County sewage treatment plants, as well as the one in Grant County, Ridgelea will be unable to respond by the due date." Ridgelea requested an extension of time until June 17; 2010, "in order to provide a complete and accurate response to the information requested." The Commission granted Ridgelea's request and the responses were filed on June 15, 2010.

In its responses to the Commission Staff's Second Information Request, Ridgelea stated that:

If the Staff clearly indicates that it intends to do a full rate review, Ridgelea is concerned that its lack of adequate documentation for 2008 could result in an adverse ruling. Such a ruling could worsen an already bad situation, as Ridgelea lacks adequate cash flow due to the legal fees and fines it has been forced to pay in recent years.¹

In this response, Ridgelea proposed a 2009 test year if Commission Staff intended to do a full rate review. The Commission will consider a general rate review and treat the response as a motion to amend the application to use the calendar year 2009 as the test period, rather than the test period proposed in the original application, calendar year 2008. Upon its review of the record in this proceeding, the Commission finds that Ridgelea's motion to amend its application is reasonable and should be granted. The filed date for the amended application will be June 15, 2010; the date the

¹ Ridgelea's Responses to Commission Staff's Second Information Request at 2.

motion to amend was submitted. Therefore, Ridgelea may not place the proposed rates into effect on July 28, 2010.

Finding that, pursuant to KRS 278.190(2), further proceedings are necessary to investigate the reasonableness of the calendar year 2009 operating revenues and expenses, the Commission suspends the operation of the proposed rates for a period of five months from June 15, 2009 and establishes a schedule for review. The proposed rates should not be placed into effect until December 14, 2010 or until the Commission completes its review of Ridgelea's application, whichever occurs first. The Commission places Ridgelea on notice that, as a result of its submission of the amended application, the Commission must, pursuant to KRS 278.190(3), complete its review of Ridgelea's application and the proposed rates no later than April 14, 2011.

IT IS THEREFORE ORDERED that:

1. Ridgelea shall not place the original schedule of rates in effect.
2. Ridgelea's proposed rates are suspended up to and including December 14, 2010.
3. The procedural schedule set forth in Appendix A shall be followed.
4. a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and ten copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or

person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

5. When Ridgelea is required in this proceeding to provide notice of an event or filing pursuant to statute or administrative regulation, it shall, when requesting publication, forward a duplicate of the notice and request to the Commission.

6. At any hearing in this matter, neither opening statements, summarization of direct testimony, or rebuttal testimony shall be permitted.

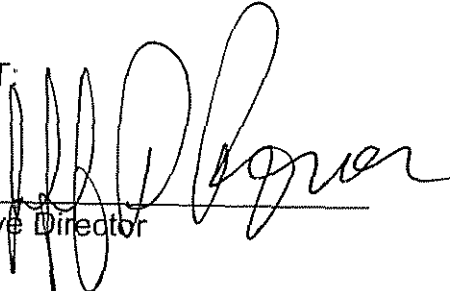
7. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

8. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
JUL 14 2010 *al*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2009-00500

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-00500 DATED **JUL 14 2010**

Ridgelea shall file with the Commission and serve upon
all parties of record the information requested in Appendix B
no later than.....08/06/2010

All parties and Commission Staff shall serve their
requests for information upon Ridgelea no later than08/20/2010

Ridgelea shall file with the Commission and serve
upon all parties of record its responses to the
requests for information no later than09/03/2010

All parties and Commission Staff shall serve their
supplemental requests for information upon Ridgelea
no later than.....09/17/2010

Ridgelea shall file with the Commission and serve
upon all parties of record its responses to the
supplemental requests for information no later than..... 10/01/2010

A written report containing Commission Staff findings
and recommendation shall be filed with the
Commission no later than..... 10/29/2010

All parties shall carefully review the Commission Staff
report and file their written comments on the report
with the Commission no later than..... 11/12/2010

An informal conference for the purpose of considering
the possibility of settlement and any other matters that
may aid in the handling or disposition of this case..... Will be scheduled upon request

Public Hearing for the purpose of cross-examination
of witnesses of Ridgelea and Intervenors..... Will be scheduled upon request

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00500 DATED **JUL 14 2010**

1. Refer to the Annual Report of Ridgelea to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2009 at Reference Pages 8 and 9. Ridgelea operates wastewater facilities located in Franklin County and in Grantland, Kentucky. Provide a separate income statement for each operation for the calendar year 2009. For each operating revenue or expense account that is allocated between the two facilities, state the allocation factor used, and give the reason for using each allocation factor.

2. For each revenue or expense account identified in the response to item 1 above for the Franklin County operation, provide a schedule that lists each item recorded in the account. The list should include the date the service was provided, invoice date, invoice number, the date the invoice was paid, the check number, the vendor name, a brief description of the service(s) provided, and the amount billed. The total for each schedule should equal the amount listed in the Franklin County income statement for that account.

3. For each account schedule provided in response to item 2 above, provide copies of the invoices to support each account entry.

4. Refer to Exhibit 1 of the Application, the calendar year 2008 pro forma income statement. Provide a revised pro forma income statement using the operating revenues and expenses for the Franklin County operations Ridgelea provided in the response to item 1 above. Include a description, supporting documentation, and a detailed calculation for each proposed pro forma adjustment.

5. Given that Ridgelea has revised its proposed test period from calendar year 2008 to calendar year 2009, provide a revised revenue requirement for its Franklin County operations. Also, provide the requested monthly rate Ridgelea is now requesting for its Franklin County operations.

6. Provide a legible copy of Ridgelea's check register for the calendar year 2009.

7. Provide a depreciation schedule to support test-period depreciation expense of \$2,398.

8. Provide a detailed description and calculation of the test-period amortization expense of \$815.

9. The Agreed Order states that "Within sixty (60) days from the entry of this order Ridgelea investments, Inc. shall initiate an Infiltration and Inflow (I&I) study from Leak Eliminators, LLC or any other experienced person or entity approved by the Division of Water." Provide documentation from the Division of Water explaining the above requirement and how it intends to enforce this requirement.

10. For the period of January 1, 2008 through June 30, 2010, provide any correspondence, reports, or Notice of Violations that Ridgelea has received from the Division of Water regarding the wastewater facilities located in Franklin County.

11. It is the responsibility of Ridgelea to document that its test-period operating expenses are fair, just, and reasonable. Provide documentation regarding the reasonableness of the billing and collection fees that Ridgelea paid to the Farmdale Water District in calendar year 2009.

12. Explain the correlation between the 15 percent billing and collection fee paid to the Farmdale Water District and the costs of the billing and collection services that are provided to Ridgelea.

13. Provide the number of customers Ridgelea is serving for each of its Franklin County plants as of June 30, 2010.

14. List any major construction projects that are being performed or that will be performed in 2010 at the Franklin County subdivisions being served by Ridgelea. Include the impact each construction project will have on the number of customers being served by Ridgelea.

15. In its July 1, 2010 letter to the Division of Water, Ridgelea states that Hall Consultants, LLC is the only contractor to date that has expressed interest in performing the "I&I Study" at the wastewater facilities located in Franklin County. However, in its response to item 11(b) of the Commission Staff's First Information Request, Ridgelea states that it received a quote of \$65,000 from Leak Eliminators. Explain the apparent contradiction between the two statements.

Charles G Hungler, Jr
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