

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER)	
DISTRICT FOR AN ADJUSTMENT OF WATER)	
AND SEWER RATES SUPPORTED BY A)	CASE NO. 2014-00342
HISTORICAL TEST YEAR)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO MOUNTAIN WATER DISTRICT

Mountain Water District ("Mountain District"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due to be filed within 28 days of the date of this request or 14 days after the tender of its application for rate adjustment, whichever occurs later. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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.

Mountain District 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. For any request to which

Mountain District fails or refuses to furnish all or part of the requested information, Mountain District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Provide the minutes of the meeting of Pike County Fiscal Court at which the current salary level for members of Mountain District's Board of Commissioners was approved.

2. a. Provide a complete copy of the workpapers, calculations, and assumptions Mountain District used to develop its pro forma test-year financial information.

b. Provide the workpapers, calculations, and assumptions requested in Item 2(a) in Microsoft Excel format.

3. a. Confirm that Utility Management Group LLC ("UMG") is providing operational, maintenance, and management services to Mountain District for its water and wastewater divisions. Provide the date(s) UMG began providing these services to Mountain District.

b. Provide the minutes of the meetings of Mountain District's Board of Commissioners wherein the UMG contract is discussed, approved, or renewed.

c. Provide a copy of the original Agreement between Mountain District and UMG and each subsequent Agreement.

d. Provide a schedule comparing the UMG contract costs broken down by major functions for the calendar years 2005 through 2014.

4. Provide all internal memoranda, correspondence, electronic mail messages and other documents in which Mountain District officials analyzed, reviewed, or discussed the contract negotiations with UMG.

5. List each of Mountain District's non-regulated business activities. For each activity, describe the accounting policies and procedures that ensure that Mountain District's regulated rates do not subsidize the activity.

6. a. Provide a schedule listing each project included in the test-year Construction Work in Progress ("CWIP") for Mountain District's water division. Include a detailed description of each project included in the schedule.

b. Provide a schedule listing each project included in the test-year Construction Work in Progress ("CWIP") for Mountain District's sewer division. Include a detailed description of each project included in the schedule.

7. a. Provide a test-year general ledger for Mountain District's water division showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry, state the date paid, vendor name, check number used to make payment and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts that Mountain District uses. All accounts should show activity for 12 months. Show the balance in each control and all underlying subaccounts per company books.

b. Provide a test-year general ledger for Mountain District's sewer division showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry, state the date paid, vendor name,

check number used to make payment and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts that Mountain District uses. All accounts should show activity for 12 months. Show the balance in each control and all underlying subaccounts per company books.

c. Provide the general ledger requested in Item 7(a) and 7(b) in Microsoft Excel format.

8. a. For each cash account that Mountain District used during the test year for its water division, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount.

b. For each cash account that Mountain District used during the test year for its sewer division, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount.

c. Provide the cash disbursement ledgers requested in Item 8(a) and 8(b) in Microsoft Excel format.

9. Provide a copy of all audit adjustments made for the test-year financial statements.

10. Provide for each employee salary increase granted in calendar years 2012, 2013, and 2014 the minutes of each meeting of Mountain District's Board of Commissioners in which the salary increase was discussed and/or approved.

11. a. List all employees employed during the test year. For each employee listed, provide his or her:

(1) Name;

(2) Title;

(3) Length of employment with Mountain District;

- (4) Job duties;
- (5) Test-year pay rate and current pay rate;
- (6) Test-year regular time worked and overtime worked;
- (7) Percentage of test-year payroll capitalized; and
- (8) Types of employee benefits provided (e.g., health insurance,

dental insurance, vision insurance, pension, etc.) and Mountain District's contribution.

b. Provide the employee information requested in Item 11(a) in Microsoft Excel format.

c. Provide all calculations used to develop the percentage of test-year payroll capitalized.

12. Provide the employer retirement contribution rate(s) that became effective on July 1 of calendar years 2011, 2012, and 2013.

13. a. Identify any employees listed in the response to Item 11(a) who are no longer Mountain District employees.

b. For the position of each former employee identified in the response to Item 13(a):

(1) If the position has been filled, identify the employee currently in the position, provide the date on which the employee was hired, the actual annualized salary and the actual benefit information. Identify the salary and employee benefit costs that are included in Mountain District's pro forma operating expenses.

(2) If the position is still vacant, state the reason(s) why the position is vacant or whether Mountain District does not intend to fill it.

(3) If the position will be filled, state the current status of Mountain District's efforts to fill the position and the anticipated hire date.

(4) State whether the cost of the position is included in the pro forma salaries and wage expense. If the cost is included, state separately the position costs that are included in the test-year operating expenses (e.g., payroll expenses, payroll capitalized, retirement, payroll taxes, insurance benefits) and the accounts to which each amount was charged.

14. Provide a detailed list of all fringe benefits available to Mountain District employees and the actual test-year cost of each benefit and the pro forma cost. Provide comparative cost information for calendar years 2012 and 2013. Indicate which fringe benefits, if any, are limited to management or full-time employees. Explain any changes in fringe benefits occurring over this two-year period.

15. Provide the most recent vendor invoice for the following employee insurance coverages:

- a. Health Insurance;
- b. Dental Insurance; and,
- c. Life Insurance.

List employees individually by name and state clearly the type of coverage provided. If the listing identifies employees by a code number, provide the name for each number.

16. a. Provide a schedule that details all test-year and post test-year expenditures related to the current proceeding, along with a copy of vendor invoices. The schedule should state the nature and amounts of all charges. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

b. Provide the anticipated total cost of the case upon completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

c. Provide a monthly update of the schedule requested in Item 16(a) showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in Item 16(a).

17. For each long-term debt reported by Mountain District's water division that is currently outstanding or was outstanding during the test year, provide:

- a. A description of the use of the borrowed funds;
- b. A copy of the bond ordinance or loan agreement; and
- c. A current amortization schedule that includes the entire life of the long-term debt and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

18. Identify the Commission proceeding wherein Mountain District was authorized to issue each long-term debt for its water division.

19. For each long-term debt reported by Mountain District's sewer division that is currently outstanding or was outstanding during the test year, provide:

- a. A description of the use of the borrowed funds.
- b. A copy of the bond ordinance or loan agreement.
- c. A current amortization schedule that includes the entire life of the long-term debt and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

20. Identify the Commission proceeding wherein Mountain District was authorized to issue each long-term debt for its sewer division.

21. Provide an electronic version of the cost-of-service study filed with Mountain District's application in Microsoft Excel format. All formulas contained in the electronic version should be self-contained and without any linked references to or macro commands involving external files.

22. State whether Mountain District has established a code of ethics for its commissioners or employees. If so, provide a copy.

23. State whether, in the period from January 1, 2005, to September 30, 2014, Mountain District conducted any transactions with any entity that is owned by or employs a member of Mountain District's Board of Commissioners, an officer of Mountain District, or a relative of a member of Mountain District's Board of Commissioners or a Mountain District officer. If so, describe each transaction, identify the entity with whom Mountain District engaged in the transaction, and the Mountain District commissioner or officer involved. State whether the Mountain District commissioner or officer involved participated in the decision.

24. State whether Mountain District has an asset-management plan for its water division. If so, provide a copy for the plan.

25. State whether Mountain District has an asset management plan for its sewer division. If so, provide a copy of the plan.

26. a. Identify the electric utilities that serve Mountain District's water facilities.

b. Provide the monthly bills that were rendered to Mountain District during the test period for electric service to its water facilities.

c. State the rate schedule(s) under which the electric utilities provide electric service to Mountain District's water facilities. If service is provided under more

than one rate schedule, list for each rate schedule the facilities that are served under that rate schedule.

27. a. Identify the electric utilities that serve Mountain District's sewer facilities.

b. Provide the monthly bills that were rendered to Mountain District during the test period for electric service to its sewer facilities.

c. State the rate schedule(s) under which the electric utilities provide electric service to Mountain District's sewer facilities. If service is provided under more than one rate schedule, list for each rate schedule the facilities that are served under that rate schedule.

28. List and describe all actions that Mountain District has taken and the programs that it has implemented to minimize purchased-power expenses and improve energy efficiency at its water facilities.

29. List and describe all actions that Mountain District has taken and the programs that it has implemented to minimize purchased-power expenses and improve energy efficiency at its sewer facilities.

30. Provide a copy of Mountain District's current written policies, programs, or procedures, if any, to promote the general conservation of water and to reduce unaccounted-for water loss at its water division.

31. Complete the Statement of Disclosure of Related Party Transactions Form that is attached to this request.

32. a. State whether Mountain District has conducted or commissioned any studies, audits, or reviews of its management and operation practices since the management audit was conducted in Case No. 96-126.¹

b. If so,

(1) Provide a copy of the findings of each study, audit and review.

(2) Describe the actions that Mountain District has taken on the findings and recommendations of each study, audit and review.



Jeff Deroben
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 13 2014

cc: Parties of Record

¹ Case No. 96-126, *In the Matter of an Investigation into the Operations and Management of Mountain Water District* (Ky. PSC Aug. 11, 1987).

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

We swear or affirm that the information set forth below represents all transactions occurring within the past five years between Mountain Water District and related parties. For the purpose of this statement, "related party transactions" include all payments made directly to or on behalf of: 1) current employees other than their regular wages and benefits; 2) current members of Mountain Water District's Board of Commissioners other than their salaries and benefits; 3) former employees and board members; 4) family members² of any current or former employee or commissioner of Mountain Water District; or 5) a business enterprise in which a current or former employee, current or former commissioner; a family member of a current or former employee or commissioner.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if Mountain Water District has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

Chairman (Print Name)

(Signature)

President (Print Name)

(Signature)

² "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of a commissioner or water district employee; or is a dependent for tax purposes of the commissioner, water district employee, or the commissioner's or employee's spouse; or who is a member of the commissioner's or water district employee's household.

COMMONWEALTH OF KENTUCKY

COUNTY OF _____

Subscribed and sworn to before me by _____
(Name of Chairman of Board of Commissioners)

this ____ day of _____, 20__.

NOTARY PUBLIC
State-at-Large

COMMONWEALTH OF KENTUCKY

COUNTY OF _____

Subscribed and sworn to before me by _____
(Name of President)

this ____ day of _____, 20__.

NOTARY PUBLIC
State-at-Large

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