

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MARTIN COUNTY)
WATER DISTRICT FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO) CASE NO. 2004-00292
CONSTRUCT IMPROVEMENT PROJECTS)
PURSUANT TO KRS 278.020)

COMMISSION STAFF'S FIRST DATA REQUEST TO
MARTIN COUNTY WATER DISTRICT

Pursuant to 807 KAR 5:001, Commission Staff requests that Martin County Water District ("Martin District") file an original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due within 21 days of the date of this request. Each copy of the information requested shall 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 witness who will be responsible for responding to questions relating to the information provided. Careful attention shall 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. a. Explain why Martin District has been unable to complete its 2002 and 2003 Annual Reports.
- b. State when Martin District expects to file its 2002 Annual Report with the Commission.

c. State when Martin District expects to file its 2003 Annual Report with the Commission.

2. a. Provide Martin District's unaudited income statements, balance sheets, and cash flow statements for calendar years 2002 and 2003.

b. State Martin District's annual line loss for calendar year 2002 and 2003. This response should include all workpapers, show all calculations, and state all assumptions used to derive the line loss for each calendar year.

3. For each meeting of Martin District's Board of Commissioners held from January 1, 2002 to July 31, 2004, provide all handouts, memoranda, correspondence, and other documents distributed to the commissioners.

4. Provide copies of the bond ordinances for each of Martin District's outstanding bond series.

5. For each of Martin District's outstanding debts, provide a current amortization schedule that covers the entire life of the loan and reflects all payments.

6. For each of the calendar years 2001, 2002, and 2003, provide detailed calculations showing that Martin District was in compliance with the debt service requirements of its bond ordinances.

7. a. State whether Martin District is currently in compliance with each of its bond ordinances.

b. If Martin District is not currently in compliance, describe the actions that Martin District will undertake to achieve compliance and state the length of time required for Martin District to achieve compliance.

8. At page 2 of "Final Engineering Report – Martin County Water District Water System Expansion May 2004," Bryan Lovan states that "[t]he work proposed will

add additional customers to the District which should strengthen the District's finances." Provide a detailed analysis showing how the additional 213 customers will strengthen Martin District's finances. This analysis should include all workpapers, show all calculations, and describe all assumptions.

9. At page 2 of "Final Engineering Report – Martin County Water District Water System Expansion May 2004," Mr. Lovan states that the proposed residential and commercial meter replacement "[s]hould assist the District with reducing its water loss and should increase revenue recognized." Provide all studies and analyses that Martin District has performed or commissioned that show the effect of the proposed meter replacement on Martin District's water loss and operating revenues.

10. Refer to Martin District's application, Exhibit D.

a. State when the budget was prepared.

b. (1) State whether Martin District used the actual operations for a 12-month period to develop this operating budget.

(2) If yes, identify the 12-month period that was used and provide the unadjusted income statement.

(3) If no, describe the method that Martin District used to develop its budget and provide all workpapers, show all calculations, and state all assumptions used in developing the budget.

c. Provide a revised income statement that separately shows the effect of the addition of the 213 projected customers.

d. (1) State whether this budget is premised upon American Water Services, Inc. managing Martin District's treatment and distribution facilities.

(2) If yes, provide a revised budget reflecting the current operating conditions. The response should include all workpapers, show all calculations, and state all assumptions used to develop the revised budget.

e. Provide projected customer usage information, estimated revenues, and estimated expenses associated with providing service to the additional 213 customers. The response should include all workpapers, show all calculations, and state all assumptions used to develop the estimates.

f. (1) State whether Martin District included an assumed line loss in the development of the budget.

(2) If yes, state the assumed line loss and explain how it was developed.

(3) If no, explain why an assumed line loss was not included in the budget process and provide a revised budget including an appropriate level of line loss. This response should include all workpapers, show all calculations, and state all assumptions used to develop the revised budget.

g. Provide Rural Development's ("RD") debt service coverage requirements.

h. Provide the debt service requirements of the non-RD lending agencies.

11. Provide a depreciation schedule listing each individual plant item, its original cost, accumulated depreciation, in-service date, and depreciable life.

12. Provide all documents related to the specific uses and the total amounts for all funds that the Commonwealth of Kentucky has provided.

13. a. Provide an itemized breakdown for the \$248,900 engineering design and inspection fees included in the cost of the project.
 - b. Describe how this fee was calculated.
14. a. State whether the project engineer will provide a full-time resident inspector for these projects.
 - b. If a full-time resident inspector will be provided, state the name and qualifications of this inspector.
15. Describe how the \$69,274 contingency amount was developed.
16. a. Describe the services that the Big Sandy Area Development District provided or will provide for the \$25,800 fee.
 - b. Describe how the fee was determined.
17. Provide all studies and analyses that Martin District has performed of its line loss problem and the actions necessary to correct that problem. If no studies or analyses have been performed, explain why not.
18. a. Provide contract drawings and specifications for the proposed improvements to the Meathouse Creek Pump Station that is the subject of Contract 14.
 - b. Provide all calculations and state all assumptions used for this project.
19. a. Provide contract drawings and specifications for the proposed replacement of valves that is the subject of Contract 15.
 - b. Provide all calculations and state all assumptions used for this project.
20. Provide specifications for the proposed meter replacements and the bid or cost estimate from each vendor from whom Martin District requested a bid or quote.

21. a. State the number of meters that Martin District intends to replace with the proposed expenditure of \$248,383.

b. If the proposed replacement does not include all meters in Martin District's system, state the criteria that Martin District will use to identify the meters that will be replaced and state the average age of the remaining meters that will not be replaced.

22. In its application, Martin District states that Contract 14 is for "improvements to the Meathouse pump station." At page 2 of "Preliminary Engineering Report – Martin County Water District Water System Expansion May 2004," Mr. Lovan states that "[t]he District is proposing to install a pump station in the Meathouse area." Explain this discrepancy.

23. a. State whether all water storage tanks in Martin District's distribution system are currently storing water to the full extent of their design capacity.

b. List each of Martin District's water storage tanks and provide its storage capacity, diameter, height, ground elevation, and overflow elevation.

c. Refer to page 1 of "Preliminary Engineering Report – Martin County Water District Water System Expansion May 2004." State whether the capacity of the water storage tank that serves the proposed federal prison is reflected in the statement that "[t]he District has a total storage capacity of 2,000,000 gallons."

24. At page 1 of "Preliminary Engineering Report – Martin County Water District Water System Expansion May 2004," Mr. Lovan states that "[t]he District currently has approximately 130 miles of water main ranging from 2" to 12"." The map that accompanies the report, however, shows no 12-inch mains, but a 14-inch main and a 16-inch main. The Kentucky Water Resource Information System shows Martin

District as having approximately 3 miles of 12-inch mains and .7 miles of 18-inch mains. Explain the discrepancy.

25. At page 2 of "Preliminary Engineering Report – Martin County Water District Water System Expansion May 2004," Mr. Lovan states that "[t]he District is working towards securing funding assistance to expand its water treatment plant."

a. Explain why Martin District is currently pursuing expansion of its water treatment plant.

b. Provide the minutes of each meeting of Martin District's Board of Commissioners in which expansion of the water treatment plant was discussed or voted upon.

26. Describe the effect on existing system pressures and service to current Martin District customers when Contract 12 is completed and 213 customers are added to Martin District's distribution system.

27. State whether the addition of 213 customers will:

a. Prevent Martin District from providing water service to any current customer at pressures of at least 30 pounds per square inch.

b. Require Martin District to hire additional employees.

c. Require Martin District's office to change its current hours of operation.

d. Affect Martin District's billing system.

28. At page 1 of "Final Engineering Report – Martin County Water District Water System Expansion May 2004," Mr. Lovan states that "Contract No. 13 was not bid and is on indefinite hold by the District due to flood damage in the area." Martin

District's application, however, contains a bid tabulation, certified by Robert E. Taylor, Jr., showing that bids were received on Contract 13. Explain the discrepancy.

29. Provide the original estimates of Martin District's engineers on each of the four contracts discussed in the Final Engineering Report.

30. State whether Martin District considered rejecting the original bids for Contract 12 and rebidding the contract to attract additional bidders.

31. Explain why the project that is the subject of Contract 13 was not included with the other two pump stations that are the subject of Contract 12.

32. a. State the reasons for the difference in the original bids for Contract 14 and the revised bids.

b. State the reasons for not including this project with the 2 other pump stations in Contract 12.

33. List all prior pump station projects since January 1, 1994 that Kinder Construction Company, Inc. has completed. For each project, state the cost, location, type, and engineering firm responsible for the pump station design.

34. Provide all calculations showing the need for the Meathouse Creek Pump Station and state all assumptions used in these calculations.

35. Provide the calculations demonstrating that the proposed Meathouse Creek Pump Station will conform to the Ten State Standards.

36. a. State whether Martin District intends to assess a tap-on fee to each of the 213 additional customers.

b. If no, explain.

c. If yes, state whether Martin District considered revising its tap-on fee to reflect the actual cost of installation.

37. a. Provide all calculations showing the need for the hydropneumatic pump stations on Big Lick Branch and Cassell Branch.

b. Provide all calculations showing that the proposed pump stations on Big Lick Branch and Cassell Branch will conform to the Ten State Standards.

38. Provide all calculations used to determine the placement and need for the new pressure-reducing stations and altitude-control valves that are the subject of Contract 15.

39. Explain why Martin District abandoned the KY 40 pump station.

40. Explain the purpose of the 6-inch turbine meter near the intersection of KY 40 and KY 2032.

41. State the purpose of the altitude-control valve in the Lovely area.

42. State whether the proposed projects will enable Martin District's distribution system to operate without the daily manual operation of its pump stations.

43. Explain why Martin District did not file its application with the Commission until July 22, 2004 when the Division of Water of the Department for Environmental Protection had approved the plans and specifications for the proposed project on September 4, 2003.

44. The Division of Water states that the Big Lick, Cassell, and Meathouse pneumatic booster stations and the Horse Pen Branch Road main extension are underserved. Describe Martin District's plans, if any, to address this issue and prevent denial of future extensions.

45. Provide a copy of the Agreed Order between Martin District and the Division of Water (DOW-02058) executed on June 3, 2003.

46. Provide documentary evidence that Martin District's water treatment plant is currently operating at or below 85 percent of its design capacity.

47. Provide documentary evidence that Martin District's water treatment plant is currently operating without interruption.

48. State whether Martin District has requested from the Division of Water an extension of its approval of the proposed projects.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dated: September 15, 2004

cc: Parties of Record