

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 28 2015

In the Matter of:

APPLICATION OF MOUNTAIN)
WATER DISTRICT FOR)
AN ADJUSTMENT OF WATER AND)
SEWER RATES)

PUBLIC SERVICE)
Case No. 2014-000342)
COMMISSION)

APPLICATION FOR REHEARING

Mountain Water District (MWD), by counsel, pursuant to KRS 278.400, applies for a rehearing for the limited purpose of modification or clarification of two issues. The first issue concerns the implementation of the requirements in ordering paragraphs 6 and 7. The second issue concerns the interpretation of ordering paragraphs 8 and 9.

The final order dated October 9, 2015 states:

- 6. Within 90 days from the date of this Order, Mountain District should:
 - a. Identify the sources of the excessive water loss;
 - b. Quantify the amount of water loss from each identified source;
 - c. Prioritize the identified water loss projects;
 - d. Establish a time schedule for eliminating each source of water loss; and
 - e. Provide an estimated cost for each identified project.

- 7. Within 120 days of the date of this Order, Mountain District should provide a detailed plan to fund each identified water loss project that specifically identifies credible funding sources.

After consideration of the time and resources needed to complete this analysis, MWD believes it is not possible to do within the time allotted for the water loss study. MWD has approximately 1100 miles of water mains traversing remote, mountainous areas. The physical effort to locate, test and measure water loss on this system will require more than 90 days to complete. That is over 300 miles of main per month to monitor, test and identify leaks.

MWD has started reviewing the 25 master meters within its system that will provide the initial data needed to assist in the water loss study; however, to respond to the request regarding the water loss locations, the District will need to install an additional 6-12 meters to assist in identifying those locations by zone metering. Given the limited resources of MWD and the contractual limitations on UMG's obligations to perform or assist with such a study, the 90 day requirement is unrealistic. Added to those factors, the 90 days allotted for the study fall within the harshest part of the year for weather conditions. Cold weather, snow, ice and the related impact on the ability to assess the condition of the water distribution and transmission system, will slow the effort significantly.

MWD requests a modification of the October 9, 2015 order to allow the completion of the water loss report required by ordering paragraph 6 (a-e) and 7, as follows:

- 6. (a) 6 months
- (b) 7 months
- (c) 8 months
- (d) & (e) 10 months

- 7. 12 months

MWD also requests a rehearing for the purpose of modifying or clarifying ordering paragraphs 8 and 9. The final order dated October 9, 2015 states:

- 8. Within 180 days of the date of this Order, Mountain District should obtain the services of an outside independent consultant that has no past history with Mountain District, Mountain District's current or former members of the Board of Commissioners, UMG, or UMG-s owners to perform the following:
 - a. Prepare and issue an RFP to solicit bids from firms interested in providing managerial and operational services to Mountain District; and
 - b. Analyze the bids received based on factors including costs and bidders qualifications, identify the top response, and document the analysis.

- 9. Within 240 days of the date of this Order, Mountain District should submit to the Commission a written report that discusses the results of the RFP solicitation for the management of its water and sewer divisions. The report shall include a detailed analysis supporting the decision.

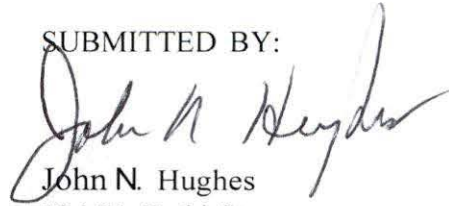
MWD seeks modification or clarification of whether it must issue the RFP and prepare the written report should it elect to operate with district employees, rather than with contractual employees.

The management agreement with UMG expires on December 31, 2016. Notice of termination requires 180 days' notice, but no sooner than January 1, 2016. Because the MWD Board of Commissioners must assess the appropriateness of renewal of the management contract to meet the contractual timeline, MWD seeks modification of the October 9, 2015 order to delete the requirement of issuance of an RFP and the submission of a written report on the analysis of the RFP or clarification that such requirements are unnecessary if the Board adopts a resolution prior to January 1, 2016, to terminate the current management contract and to resume management of the operations of the district with employees of the district. Should the Board act to employ staff for its operations, rather than to contract for those services, the need for an RFP will be unnecessary and generate an expense with no benefit.

If by January 2, 2016, the Board has not notified UMG of termination of the current agreement, the time line for issuance of the required RFP as specified in the October 9, 2015 order would commence as of January 2, 2016. MWD requests a modification or clarification of the October 9, 2015 order to remove the requirement of ordering paragraphs 8 and 9 should MWD elect to forego a management agreement for its operations or to revise the timeline for the issuance of the RFP if a management agreement will be pursued.

For purposes of this rehearing, MWD petitions for modification or clarification of ordering paragraphs 6, 7, 8 and 9 and any other relief appropriate.

SUBMITTED BY:



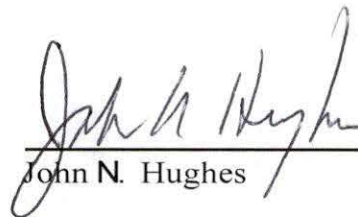
John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
502 227 7270
jnhughes@johnnhughespsc.com

and

Daniel P. Stratton
Stratton Law Firm, PSC
Post Office Box 1530
Pikeville, Kentucky 41502
Telephone: (606) 437-7800
Facsimile: (606) 437-7569
dan@strattonlaw.net
Attorneys for Mountain
Water District

Certificate:

I certify that a copy of this motion was mailed to the Attorney General's Office of Rate Intervention on the 28th day of October, 2015.



John N. Hughes