

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**RECEIVED**

FEB 19 2016

In the Matter of:

PETITION OF MOUNTAIN WATER DISTRICT )  
FOR MODIFICATION OF ORDER IN )  
CASE NO. 2014-00342 )

PUBLIC SERVICE  
COMMISSION  
CASE NO.  
2016-00062

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits the Initial Request for Information to Mountain Water District ("Mountain Water"), to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions. The Attorney General submits this Request for Information based upon the February 12, 2016 Commission Order, but preserves his Motion to Dismiss/Objection to Mountain Water's Petition for Modification of Order in Case No. 2014-00342.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness (es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Mountain Water with an electronic version of these data requests, upon request.

(4) 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.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

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

(8) 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.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and

microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

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

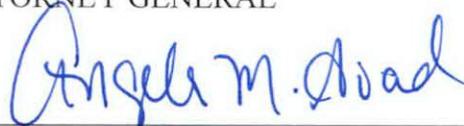
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer;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

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,

ANDY BESHEAR  
ATTORNEY GENERAL



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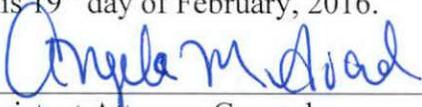
**Certificate of Service and Filing**

Counsel certifies that an original and ten copies of this pleading were served and filed by hand-delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601. A copy was served on the Applicant by US Mail, first class postage-prepaid:

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This 19<sup>th</sup> day of February, 2016.

  
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Assistant Attorney General

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Petition of Mountain Water District for Modification of Order in Case No. 2014-00342  
Case No. 2016-00062

1. Reference Mountain Water District's ("Mountain Water" or "District") Petition for Modification of Order in Case No. 2014-00342 (Petition for Modification) generally. Provide all tables and exhibits referenced in or supporting the Petition in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows intact and fully accessible.
2. Reference Mountain Water's Petition for Modification generally. Please provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows intact and fully accessible.
3. Reference Mountain Water's Petition for Modification generally. Provide full and complete copies of the Board of Commissioner's meeting minutes from every regular or special meeting that occurred from January 1, 2015 to the present. Include all documents, materials, presentations, etc. that were distributed or presented at the meetings.
4. Reference Mountain Water's Petition for Modification generally. Provide a detailed list with the anticipated total cost of the case upon completion including fees for outside experts, legal counsel, consultants, and miscellaneous expenses. If more than one outside expert, legal counsel, or consultant is being utilized then provide separate anticipated costs for each.
5. Reference Mountain Water's Petition for Modification generally. Provide the maximum budget that the District has set for the completion of the Petition for Modification Case No. 2016-00062.
6. Reference Mountain Water's Petition for Modification to provide answers to the following:
  - a. Provide all invoices from outside experts, legal counsel, or consultants specifically related to the Petition for Modification in Case No. 2016-00062. The invoices should contain detailed descriptions of the services, the amount

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- of time billed for each service, and the hourly billing rate. Provide the invoices on an ongoing basis throughout the pendency of the case.
- b. Provide a detailed list of the amounts that have been billed thus far by each outside expert, legal counsel, or consultant. If more than one outside expert, legal counsel, or consultant is being utilized then provide separate costs for each.
  - c. Provide the total amount that has been paid to each outside expert, legal counsel, or consultant to the present date. If more than one outside expert, legal counsel, or consultant is being used then provide separate total amounts for each.
  - d. Provide a detailed list and total amount spent on all other miscellaneous expense or cost related to the Petition for Modification in Case No. 2016-00062.
7. Reference Mountain Water's Petition for Modification generally. Provide all of the Board of Commissioner's meeting minutes that specifically discuss the expenses and approval of the expenses that are associated with the Petition for Modification that Mountain Water will incur.
  8. Reference Mountain Water's Application for Rehearing in Case No. 2014-00342 ("Application for Rehearing"). Provide the total dollar amount that Mountain Water spent on the Application for Rehearing including all costs and expenses.
  9. Reference Mountain Water's Application for Rehearing to provide answers to the following:
    - a. Provide all invoices from outside experts, legal counsel, and consultants, specifically related to the Application for Rehearing in the prior Case No. 2014-00342. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate.

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- b. Provide a detailed list of the amounts that were billed by each outside expert, legal counsel, or consultant. If more than one outside expert, legal counsel, or consultant was used then provide separate costs for each.
  - c. Provide the total amount paid to each outside expert, legal counsel, or consultant. If more than one outside expert, legal counsel, or consultant was used then provide separate total amounts for each.
  - d. Provide a detailed list and total amount spent on all other miscellaneous expenses or costs related to the Application for Rehearing in Case No. 2014-00342.
10. Reference Mountain Water's Petition for Modification generally. Explain in detail the responsibility that was given to the Committee to conduct a search for a consultant, and the purpose of the Committee as well.
11. Reference Mountain Water's Petition for Modification generally. Provide the following information for the individuals that formed the District's Committee to conduct a search for an independent consultant:
- a. Name,
  - b. Job Title and Description,
  - c. Field of Expertise,
  - d. Employer,
  - e. The process and rationale that Mountain Water utilized to choose each person to sit on the committee, and
  - f. Any association with Mountain Water District or Utility Management Group ("UMG").

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12. Reference Mountain Water's Petition for Modification generally. Provide a detailed list of every independent consultant firm(s) that the Committee recommended and the reasoning behind each recommendation.
13. Reference Mountain Water's Petition for Modification generally. Provide all meeting minutes where the Mountain Water Board of Commissioner's discussed obtaining an independent consultant, forming a committee to choose an independent consultant, the appointment of individuals to the committee, etc.
14. Reference Mountain Water's Petition for Modification generally. Provide all meeting minutes from the Committee responsible for conducting a search for an independent consultant.
15. Reference Mountain Water's Petition for Modification generally. The Public Service Commission ("Commission") denied Mountain Water's Application for Rehearing on the independent consultant and request for proposals ("RFP") issue on November 17, 2015, yet the District did not send out an RFP for an independent consultant until three weeks later. Provide a detailed narrative that explains Mountain Water's delay in sending out an RFP for an independent consultant.
16. Reference Mountain Water's Petition for Modification generally. Provide a detailed list of who the District is referring to as "MWD's engineers." Provide the following information regarding MWD's Engineers:
  - a. Name,
  - b. Job Title and Description,
  - c. Field of Expertise,
  - d. Employer,
  - e. The process and rationale that Mountain Water utilized to choose each engineer to provide the recommendation,

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- f. Any association with Mountain Water District or UMG, and
  - g. A list of every independent consultant firm(s) that each individual engineer recommended and why the recommendation was made.
  - h. Any contract between Mountain Water District and "MWD's Engineers" or the employer of "MWD's Engineers."
17. Reference Mountain Water's Petition for Modification generally. Provide all meeting minutes where the Board of Commissioners discussed who to contact for recommendations on independent consultant firms.
18. Reference Mountain Water's Petition for Modification generally. Explain whether the Committee formed to conduct a search for a consultant, the "MWD's engineers", or a hybrid of the two actually provided the District's Board of Commissioners with the recommendations for independent consultant firms. Explain the answer in full detail.
19. Reference Mountain Water's Petition for Modification generally. Provide a complete and full list of all of the recommendations for independent consultants that the District received, and explain the process that Mountain Water utilized when selecting the six out of state independent consultant firms.
20. Reference Mountain Water's Petition for Modification generally. Provide a detailed explanation as to why the District chose to send all six RFPs to out of state independent consultant firms on December 8, 2015, instead of issuing RFPs within the state of Kentucky.
21. Reference Mountain Water's Petition for Modification generally. Provide copies of each individual RFP, correspondences, documents, or communications that the District sent to the six independent consultant firms on December 8, 2015.

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22. Reference Mountain Water's Petition for Modification generally. Provide the name of the person or persons that drafted the RFP, and whether approval from the Board of Commissioners was obtained before the issuance of the same.
23. Reference Mountain Water's Petition for Modification generally. Provide each individual response to the RFP, and all communications and documents that the District received from the six independent consultant firms.
24. Reference Mountain Water's Petition for Modification generally. Provide a detailed explanation as to why Mountain Water chose to send an RFP to The Prime Group, LLC, a Kentucky based independent consultant firm, exactly one week after it issued six RFPs to out of state consulting firms.
25. Reference Mountain Water's Petition for Modification generally. Provide copies of the RFP, correspondences, documents, and communications that the District sent to The Prime Group, LLC.
26. Reference Mountain Water's Petition for Modification generally. Provide the name of the person or persons that drafted the RFP to The Prime Group, LLC., and whether approval from the Board of Commissioners was obtained before the issuance of the same.
27. Reference Mountain Water's Petition for Modification generally. Provide the response to the RFP and all documents and communications that the District received from The Prime Group, LLC.
28. Reference Mountain Water's Petition for Modification generally. Provide the name of the person or persons that recommended The Prime Group, LLC as an independent consultant firm.
29. Reference Mountain Water's Petition for Modification generally. Provide a detailed explanation as to why the District chose to send an RFP to only one Kentucky based independent consultant firm. Include in the explanation Mountain Water's efforts to

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find independent consulting firms in Kentucky that did not have a past history with the District or UMG.

30. Reference Mountain Water's Petition for Modification generally. Did the District ever contact local resources such as the Kentucky Association of Counties or Kentucky Rural Water Association to request assistance with recommendations for an independent consulting firm?
31. Reference Mountain Water's Petition for Modification generally. Provide copies of the termination notice, and all other correspondences, documents, and communications concerning the termination notice that the District issued to UMG. Additionally, provide copies of all UMG responses, documents, and communications concerning the termination notice.
32. Reference Mountain Water's Petition for Modification generally. Provide copies of all communications, documents, and correspondences that exist between the District and UMG since October 9, 2015, which is the date of the Commission's final order in Case No. 2014-00342, to the present.
33. Reference Mountain Water's Petition for Modification generally. Provide all relevant and supporting worksheets for the financial analysis performed, that compared UMG contract costs with the costs to run Mountain Water independently, in electronic format with data including formulae in all cells and rows intact and fully accessible.
34. Reference Mountain Water's Petition for Modification generally. Submit all of the information that was provided to the District's Board of Commissioners that assisted with its decision to cancel the UMG contract.
35. Reference Mountain Water's Petition for Modification and the District's Reply to the Attorney General's Objection. Mountain Water asserts that it does not need an independent consultant with financial and engineering expertise to assist with an RFP

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or a transition to in house governance because it has a full time district administrator and financial officer, as well as an independent CPA and local counsel.

- a. Provide the name, history, and experience of the district administrator that qualifies him/her to oversee a transition of this magnitude.
- b. Provide the name, history, and experience of the financial officer that qualifies him/her to oversee a transition of this magnitude.
- c. Provide the names of the CPA and local counsel, as well as a detailed narrative explaining what responsibilities and duties the CPA and local counsel will have in regards to the District transitioning to in house governance.