

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER DISTRICT)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT AND FINANCE)
A SYSTEM IMPROVEMENTS PROJECT PURSUANT)
TO THE PROVISIONS OF KRS 278.020, KRS 278.300,)
AND 807 KAR 5:001)

CASE NO. 2016-00356

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 this Initial Request for Information to Mountain Water District ("Mountain Water" or the "District") to be answered in accordance with the following instructions:

- (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.

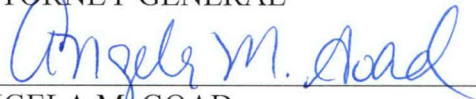
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; 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



ANGELA M. GOAD
S. MORGAN FAULKNER
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE, SUITE 200
FRANKFORT KY 40601-8204
PHONE: (502) 696-5453
FAX: (502) 573-1005
Angela.Goad@ky.gov
Samantha.Faulkner@ky.gov

1. Reference the Application of Mountain Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct and Finance a System Improvements Project Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001 (“Application”), paragraph 8(iii) to answer the following questions.
 - a. Mountain Water asserts that the \$3,472,921 loan being utilized to fund the majority of the improvements project, including the alternatives, will be “secured by and payable from the gross revenues of the District’s water and sewer system.”
 - i. Provide a breakdown of the allocation of costs for the improvements project between the water and sewer customers.
 - ii. Confirm that Mountain Water has sufficient gross revenues to pay the estimated annual debt service for the requested Kentucky Infrastructure Authority (“KIA”) loan of \$194,266. If confirmation is not given, explain in full detail why it has not been provided.
2. Reference the Application, paragraph 11 where Mountain Water states that, “[n]o rate adjustment will be necessary.”
 - a. Confirm that Mountain Water does not plan on requesting a rate adjustment/increase to pay the debt service on the requested \$3,472,921 KIA loan. If confirmation is not given, provide all known details concerning any and all potential future rate adjustment/increase requests.
 - b. If confirmation is not given, provide a detailed explanation as to what Mountain Water means by the above referenced statement.
3. Reference the Application, Final Engineering Report, where Mountain Water states that an expansion of the Douglas Wastewater Treatment Plant is proposed in order to further

increase its customer base. However, it is indicated in the Application, Exhibit D under the Demographics Section VII., that there has been a 20% loss of population in the District's service area. Explain in full detail why the District proposes to expand in light of the loss of population in its service area.

4. Reference Mountain Water's KIA Conditional Commitment Letter filed with the Commission on November 9, 2016 to answer the following questions.
 - a. Under the Financial Analysis, Section IX., it is stated that the sewer revenues will need an additional 8% in 2019 and 7% in 2020 to meet the KIA 1.1 debt coverage ratio requirements. Does Mountain Water intend to file a rate case to request further increases for sewer customers as indicated by this financial analysis?
 - b. Does Mountain Water intend to file a rate case to request further increases for water customers based upon the financial analysis?
 - c. Under the Project Description, Section I., it states that the District rebid the project in August 2016 with modification to the grading and odor control roof which resulted in lower bids.
 - i. Provide a detailed explanation of the exact modifications that the District made to the project before the rebid.
 - ii. Additionally, since odor control is one of the reasons that Mountain Water contends the project is necessary, explain in full detail why the District modified the odor control roof.
 - d. According to the Customer Composition and Rate Structure, Section VI., the sewer rates have risen from an affordability index of 1.1% in 2013 to a projected 2.7% in 2017.

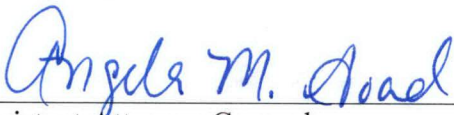
- i. Provide the underlying data used to calculate the affordability index.
 - ii. Provide the average affordability index for sewer and water rates in Kentucky.
5. Reference Mountain Water's Response to the PSC Staff's First Request for Information, SRF Project Cost Summary, filed December 8, 2016, to answer the following questions.
 - a. Provide a detailed breakdown by cost component of each of the thirteen (13) Cost Classifications listed on the SRF Project Cost Summary.
 - b. According to the Cost Classifications, there will be a contingency of \$210,743.48. Explain in full detail how Mountain Water intends to utilize any contingency amount that is not used for the Douglas Wastewater Treatment Plant Expansion Project.
 - c. Provide a list of any and all additional grants available for this project besides the funds listed for HB 608 and HB 269. If any exist, explain in full detail why the District did not utilize each specific grant.

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Dr. Talina R. Mathews, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail to:

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202

this 21th day of December, 2016.



Assistant Attorney General