

Commonwealth of Kentucky
Before the Public Service Commission

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PUBLIC SERVICE
COMMISSION

In the Matter of:)
MALLARD POINT DISPOSAL SYSTEMS,) Case No. 2005-00235
INC., APPLICATION FOR AN)
ALTERNATIVE RATE FILING ADJUSTMENT)

ATTORNEY GENERAL'S REQUEST FOR INFORMATION
TO MALLARD POINT DISPOSAL SYSTEMS, INC.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits this Request for Information to the Mallard Point Disposal Systems, Inc.

(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 company witness who will be prepared to answer questions concerning each request.

(3) 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.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company 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.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies filing of the original and ten photocopies of this Request for Information by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, service of the filing was by mailing a true and correct of the same, first class postage prepaid, to James M. Mooney, Mooney, Mooney, & Mooney, 208 South Limestone, Lexington, KY 40508-2502 and Mark S. Smith, President, Mallard Point Disposal Systems, Inc., 104 Teal Court, Georgetown, KY 40324, all on this 23rd day of August 2005.

David Edward Spenard
Assistant Attorney General

Request for Information
To Mallard Point Disposal Systems, Inc.

AG-1-1) Please provide the Mallard Point Disposal System, Inc. ("Mallard Point" or "MPDS") residential customer count as of each of the following dates. 31 December 2000; 31 December 2001; 31 December 2002; 31 December 2003; 31 December 2004; and 30 June 2005.

AG-1-2) Does Mallard Point's request for a rate increase include any adjustment(s) for expense items associated with customers added following the end of the test year? If yes, please identify the adjustments.

AG-1-3) Please confirm that the rehabilitation of the 50,000 GPD wastewater treatment plant has begun. Additionally, provide the following:

- a. The date that work began.
- b. The date of completion or estimated date of completion.
- c. The current status of the rehabilitation effort.

AG-1-4) RE: Labor. Please provide the following:

- a. A list of the employees of Mallard Point.
- b. A job description for each employee.
- c. Indicate whether the employee is full-time or part-time.

AG-1-5) RE: Contract Labor and Contract Service. Please provide the following:

- a. A list showing each contract labor or contract service agreement in force at any time since 1 January 2003.
- b. A photocopy of the contract (or for oral contracts, a written summary of the agreement).

AG-1-6) RE: Outside Services. Please provide the following:

- a. Identify the service provider(s) for Account 923.0.

- b. Indicate whether any Account 923.0 service provider also provides Mr. Mark S. Smith with service for matters other than MPDS.

AG-1-7) RE: Application, Exhibit D, Pro Forma Adjustments, (b). Please explain the basis for an annual "owner/manager fee" of \$35,000. Include with the response relevant documentation concerning Mr. Smith's time or services performed.

AG-1-8) RE: Application, Exhibit D, Pro Forma Adjustments, (q). Please provide the following:

- a. The long-term debt amount for each of the following dates. 31 December 2000; 31 December 2001; 31 December 2002; 31 December 2003; 31 December 2004; and 30 June 2005.
- b. A schedule showing the refinancing of long-term debt since 31 December 2000 that shows (i) the date of refinancing; (ii) the amount of refinancing; and (iii) whether Commission approval was sought for the refinancing (include the relevant KY PSC Case Number).
- c. A schedule showing each issuance or addition of long-term debt (loan, note, etc.) since 31 December 2000 that shows (i) the date of the loan, note, etc.; (ii) the amount of the loan, note, etc.; (iii) a photocopy of any loan, note, etc., not provided with the Application; and (iv) whether Commission approval was sought for the loan, note, etc. (include the relevant KY PSC Case Number).
- d. Notwithstanding the previous questions, did Mallard Point obtain Commission approval for the loan to "repay" Mark Smith \$280,000? If yes, please provide a photocopy of the Commission approval.
- e. Notwithstanding the previous questions, why was there a change to the maturity date of Loan #15-202-66405, from 30 July 2007 to 30 July 2005?

AG-1-9) RE: Application, Exhibit E. Please confirm that Mallard Point seeks both an "Operating Ratio" revenue adjustment as well as an annual \$35,000 owner/manager expense.

AG-1-10) RE: Application, Exhibit H, Form 1120S for Year 2004. Please explain the increase in "Loans from shareholders" from \$3,113 to \$44,551. If applicable, include a photocopy of the loan document.

AG-1-11) RE: Application, Exhibit H, Form 4562 for Year 2004. Please indicate whether the 1986 Sewer Plant Additions (Asset No. 1) will be fully-depreciated on 31 December 2005. If not, provide the date on which Asset No. 1 will be fully-depreciated.

AG-1-12) Please provide the number of customers that MPDS anticipates adding in the following periods. 1 January 2005 through 31 December 2005; 1 January 2006 through 31 December 2006; and 1 January 2007 through 31 December 2007.

AG-1-13) How many lots remain unsold in (a) Mallard Point; (b) Harbor Village; and (c) Cedar Hills subdivisions?

AG-1-14) RE: Mallard Point Annual Report to PSC, 1/1/2004, Balance Sheet. Please answer the following:

- a. Explain the decrease in Notes Payable from \$676,080 to \$44,551.
- b. Identify the source of the funds to reduce this amount.
- c. Explain the decrease in Other Deferred Credits from \$866,000 to zero.
- d. Identify the source of the funds to reduce this amount.

AG-1-15) RE: Mallard Point Annual Report to PSC, 1/1/2004, Long-Term Debt. Please indicate whether MPDS sought Commission approval for each of the three items in the debt class. If yes, provide the corresponding KY PSC Case Number.

AG-1-16) RE: Mallard Point Annual Report to PSC, 1/1/2003, Balance Sheet, Notes Payable. Please explain the increase in Notes Payable from \$488,322 to \$676,080 and provide the following:

- a. Provide a photocopy of any note(s) entered into during Year 2003.
- b. Indicate whether MPDS sought Commission approval for the note(s) (include the relevant KY PSC Case Number).

AG-1-17) RE: Mallard Point Annual Report to PSC, 1/1/2004, Notes Payable. Please answer the following:

- a. Indicate whether Mallard Point has used revenues from its rates to pay either principal or interest associated with the loan to Mark S. Smith.
- b. Indicate whether Mallard Point will use revenues from its rates to pay either principal or interest associated with the loan to Mark S. Smith.

AG-1-18) RE: Mallard Point Annual Report to PSC, 1/1/2004, Sewer Plant Statistics -- Physical Data of Sewer Plant. Please answer the following:

- a. Explain the basis for the assertion that the plant is designed for a population of approximately 3,500. Include the gallons per day estimate of usage for a residential household in arriving at the 3,500 amount. (For a single residential family, is the current design load 300 GPD?)
- b. When the rehabilitation of the 50,000 GPD plant is complete will MPDS have a total of 150,000 GPD of capacity? If not, explain why not.
- c. Once the rehabilitation of the 50,000 GPD plant is complete, what will the population design amount be for MPDS?

AG-1-19) Identify the point in the system at which MPDS' responsibility for maintaining the service line ends and the individual customer's responsibility for the service line begins.

AG-1-20) Identify the requirements that a customer must meet in order to hook onto the MPDS system. Include in the response whether it is necessary for a customer to secure a grinder pump and if so the technical requirements for such a pump.

AG-1-21) Indicate whether Mark S. Smith (either individually or through another corporation) provides services or products to the customer-owned portions of sewer services.

AG-1-22) Please provide a photocopy of the current KPDES permit for Mallard Point.

AG-1-23) Please indicate whether Mallard Point has, within the last 24 months, engaged in discussions with any other utility provider regarding the transfer of ownership. If yes, please provide a summary of the discussions.

AG-1-24) Please indicate whether Mallard Point has, within the last 24 months, engaged in discussions regarding scenarios in which Mallard Point would accept sewerage from customers from areas other than Mallard Point, Harbor Village, or Cedar Hills. If yes, please provide a summary of the discussions.

AG-1-25) Please indicate whether Mallard Point has, within the last 24 months, engaged in discussion regarding scenarios in which Mallard Point would transmit any or all of its sewerage to another utility or governmental entity for treatment. If yes, please provide a summary of the discussions.

AG-1-26) Please provide a step-by-step narrative of how Mallard Point's discontinues service for non-payment. The narrative should include a discussion as to whether the utility has the ability, for any of its customers, to use a valve to shut off sewer service.