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July 2, 2012

Sidney B. Douglas, Esq.
117 South Second Street
P.O. Drawer 839
Harlan, Kentucky 40831-0839

VIA FACSIMILE

Re: Case No. 2012-00095
Black Mountain Water District/Green Hills Water District

Dear Mr. Douglas:

Commission Staff requires additional information to complete its review of the application for the merger of Black Mountain Water District and Green Hills Water District. Enclosed is a list of questions involving the operation of the merged water district. Commission Staff requests that Black Mountain Water District and Green Hills Water District review these questions and then participate in a telephone conference call on July 3, 2012. Please advise as to your availability for a such conference call.

Direct any questions regarding this letter to Gerald Wuetcher, Commission Staff counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

gw
Enclosure

**QUESTIONS FOR BLACK MOUNTAIN WATER DISTRICT
AND GREEN MOUNTAIN WATER DISTRICT**

1. a. When does Black Mountain Water District (“Black Mountain District”) anticipate the completion of a physical water main connection to Green Hills Water District’s water distribution?

b. Upon completion of the connection, will the merged water district continue to purchase water from Pineville? Will the connection affect the amount of water that the merged district purchases from Pineville? If yes, what is the expected effect on purchases from Pineville?

2. a. State whether the merged water district will assign a certified distribution system operator whose sole function will be to manage and operate the Green Hills District system.

b. State whether Black Mountain District will need to hire an additional certified distribution system operator once the merger occur.

c. State whether Black Mountain District has hired an additional certified distribution system operator since the merger agreement was executed.

3. Describe the arrangements that Black Mountain District will implement to receive payments and handle customer complaints from customers previously residing in the Green Hills District area.

4. How many Green Hills District’s employees will be retained after the merger is completed?

5. List separately the routine and non-routine duties that Black Mountain District has performed for Green Hills District since assuming responsibility for the operation of Green Hills District’s system.

6. What capital improvements, if any, will the Green Hills District water distribution system require within the next five years? State the nature of the improvement and its estimated cost. Describe Black Mountain District’s ability to finance the cost of the improvements.

7. How does Black Mountain District plan to address the high water loss associated with Green Hills District’s water distribution system? (For calendar year 2010, Green Hills District reported water loss of approximately 33 percent.)

8. State when Black Mountain District anticipates applying for a rate adjustment.

9. Identify the areas in which Black Mountain District and Green Hills District expect to achieve savings as a result of the proposed merger.

10. Refer to the Application, Appendix 1, Page 7, Item 5. Rates. What is the meaning of the statement that “future increases to the water rates charged to the current residential and commercial water customers of Green Hills water system will be tied directly to increase imposed on the resident customers of [Black Mountain District].”