

**DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA**

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IN THE MATTER of the Application of)	UTILITY DIVISION
Utility Solutions, LLC to Implement)	
Initial Rates and Charges for Water Service)	DOCKET NO. D2005.11.163
in its Elk Grove Subdivision, Gallatin)	
County, Montana Service Area)	
		Consolidated with
IN THE MATTER of the Application of)	UTILITY DIVISION
Utility Solutions, LLC to Implement)	
Initial Rates and Charges for Wastewater Service))	DOCKET NO. D2005.11.164
in its Elk Grove Subdivision, Gallatin)	
County, Montana Service Area)	

**UTILITY SOLUTIONS, LLC RESPONSES
TO MONTANA CONSUMER COUNSEL DATA REQUESTS
MCC-001 THROUGH MCC-064**

Utility Solutions, LLC (Utility Solutions) hereby submits the following responses to Montana Consumer Counsel Requests No. MCC-001 through MCC-064, in Dockets No. D2005.11.163 and D2005.11.164.

MCC-001 RE: Service
 WITNESS: Barrows

Please provide a list of any and all service areas and types of customers to which Utility Solutions provides water service.

RESPONSE:

Utility Solutions, LLC provides water and wastewater services to the Elk Grove Subdivision in Bozeman MT under rates and charges approved by the Montana Public Service Commission. All current Elk Grove accounts are residential or irrigation.

Utility Solutions, LLC also provides under contract water service and wastewater service to the Four Corners County Water and Sewer District.

MCC-002 RE: Four Corners County Water and Sewer District
 WITNESS: Barrows

- a. Please explain the relationship among Utility Solutions, Double Tree, Inc. and the Four Corners County Water and Sewer District.
- b. Please provide the contract between Utility Solutions and the Four Corners County Water and Sewer District.

RESPONSE:

- a. Utility Solutions, LLC has a management contract with Double-Tree, Inc. Double-Tree, Inc. is the non-member manager of Utility Solutions, LLC.

Utility Solutions, LLC provides under contract a water service and a wastewater service to the Four Corners County Water and Sewer District. .

Double-Tree, Inc. has no relationship with the Four Corners County Water and Sewer District.

- b. See Attached.

MCC-003 RE: Common Costs
 WITNESS: Barrows

Please provide any and all common costs of Utility Solutions in providing water service to regulated and non-regulated customers. Indicate how they are allocated and the basis for such allocation.

RESPONSE:

The regulated water system serves only Elk Grove Subdivision.

The regulated sewer system serves the Elk Grove Subdivision. The non-regulated sewer system serves the Four Corners Water and Sewer District. They share the Wastewater Treatment Plant. The regulated sewer system has components that are exclusive to and only the Elk Grove Subdivision. The non-regulated sewer system has components that are exclusive to and only the Four Corners County Water and Sewer District.

The non-regulated water system serves only properties in the Four Corners County Water and Sewer District.

Below is a summary of the methodology used to allocate costs (expenses):

Expense Account	Description	Methodology
E200 Materials & Supplies	Tools and parts for water service calls	Allocated based on number of active water accounts
	All other water related expenses	Direct
E201 Chemicals	All water related expenses	Direct
E300 Purchased Power	All water related expenses	Direct
E301 Fuel for Production	All water related expenses	Direct
E400 Contracted Services	All water related expenses	Direct
E401 Engineering Services	All water related expenses	Direct
E500 Management Contract	Management Costs	Full-time employees costs allocated based on time. Part-time employees, health insurance, and auto insurance allocated evenly among regulated and non-regulated water and sewer.
E600 Rental Equipment and Property	All water related expenses	Direct
E700 Auto Transportation	Fuel and Oil	Allocated based on active water and sewer accounts
E701 Other Equipment Expense	All water related expenses	Direct
E800 Laboratory & Testing	All water related expenses	Direct
E900 Insurance	Property Insurance	Allocated based on asset coverage
E1000 Regulatory Commission	All water related expenses	Direct

E1100 Permits, Fee, and Licenses	Forest Industries Telecommunications license	Allocated based on all accounts
	All other water related expenses	Direct
E1200 Advertising	Website	Allocated based on systems capital asset values
	Community Donations	Allocated based on systems capital asset values
	Greater Gallatin Watershed	Allocated based on active water accounts
E1300 Postage & Printing	Billing costs & FedEx	Allocated based on active water and sewer accounts
E1400 Miscellaneous	Bank service charges	Allocated based on active water and sewer accounts
E1401 Office	Office expenses (rent, power, phone, internet, pager, water, garbage, office supplies, cleaning)	Allocated evenly across regulated and non-regulated water and sewer
E1500 Bad Debt	All water related expenses	Direct
E1600 Legal	All water related expenses	Direct
E1700 Accounting	Accounting	Allocated by systems capital asset value or by number of accounts
E1800 Interest	Loan interest	Allocated based on systems basis values
E1900 Property Tax	All water related expenses	Direct
E2000 Petty Cash	Petty cash	Allocated based on active water and sewer accounts
E2001 Meters	All water related expenses	Direct

E2100 Loan Fees	Operational loan fees	Allocated based on 2008 expenses
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See attached Methodology sheet for additional details.

See also MCC-018.

MCC-004 RE: Water Plant
 WITNESS: Barrows

Page 4 of testimony shows a reduction of \$331,229.61 to the water plant. Please provide all workpapers detailing that reduction.

RESPONSE:

See work-paper 1 in rate filing.

MCC-005 RE: Long Term Debt
 WITNESS: Barrows

Please provide copies of all long term debt of Utility Solutions – Water Utility.

RESPONSE:

See attached – Amended and Restated Commercial Note No. 1, dated January 1, 2008 between borrower, Utility Solutions, LLC, and lender, JH GRAVES TRUST.

MCC-006 RE: 2009 Improvements
 WITNESS: Barrows

Please list capital cost and depreciation expense for 3rd well in service in 2009 and water system improvements in 2009. Identify customers being served by both and description of properties.

RESPONSE:

The Elk Grove Well #3 improvements include a third water supply well, chlorine disinfection system, and backup power generation. Only regulated Elk Grove water customers are served by the well and improvements.

2009 improvements:

Williams Plumbing & Heating construction cost of \$67,508.97

Haggerty Drilling construction cost of \$3,000.00

Tryon General Electric construction cost of \$1,366.78

Morrison-Maierle engineering cost of \$61,643.93

Double-Tree management cost of \$11,011.32

Elk Grove Supply Well #3 improvements are depreciated over a 25 year service life.
(2008 cost \$173,019 + 2009 cost \$144,531 = \$317,550. Depreciation = \$317,550/25
= \$12,702)

MCC-007 RE: Income Taxes
 WITNESS: Barrows

Please provide 2007 and 2008 State and Federal Income Tax returns filed by Utility Solutions.

RESPONSE: The 2007 and 2008 State and Federal Income Tax returns will be provided upon entry of an appropriate protective order.

MCC-008 RE: Income Taxes
 WITNESS: Barrows

In Utility Solution's filing for initial rates the pre-filed testimony of Mr. Ronald R. Woods indicates on page seven that recovery of income taxes was not included because Utility Solutions had sufficient net operating loss carry forwards to offset any income tax obligations arising out of the filing. What is the current total balance of net operating loss carry forwards?

RESPONSE:

An LLC does not have net operating loss carry forwards, as the loss in any given year is distributed to its members.

MCC-009 RE: Utility Plant
 WITNESS: Barrows

Page 4 of testimony indicates utility plant was purchased in 2003. What was the original cost of properties prior to purchase and when did consumers start paying for services received from either previous owners or others?

RESPONSE:

At the time of purchase, Utility Solutions engaged Galusha, Higgins and Galusha, an accounting firm in Bozeman to review invoices for construction that were made available from the seller. Attached is the analysis done by Galusha and the supporting invoice documentation, which was able to document \$2,563,948 of the \$2,900,000.

Utility Solutions began billing customers in February 2006 (PSC interim tariffs were issued in January 2006).

Utility Solutions does not have knowledge of billing by the previous owner.

MCC-010 RE: Statement A – Balance Sheet
 WITNESS: Barrows

38.5.121 Balance Sheet – Assets and Liabilities and Stock Holder’s Equity does not match – Why not?

RESPONSE:

A correction in the amount of \$17,879 was made to accumulated depreciation; See footnote (1) on 38.5.133 Statement D – Accumulated Depreciation. Members Equity on 38.5.121 Balance Sheet should have also been adjusted. It was not. The correct balance for members equity for 2007 and 2008 should be \$(578,270.47) and \$(807,499.54). The \$17,879 adjustment to both of these amounts brings the Total Liabilities and Stockholder’s Equity to \$998,683.88 and \$1,141,505.74 respectively for 2007 and 2008.

MCC-011 RE: Management Contract
 WITNESS: Barrows

Please provide Management Contract listed on 38.5.122 Income Statement and basis and calculations for the \$61,114.92 charge.

RESPONSE: See Response to PSC-003a.

Costs for full-time employees (of Double-Tree Inc.) are allocated based on time. Costs for health insurance, auto insurance, part-time employees (of Double-Tree Inc.) and other management expenses are allocated evenly among regulated and non-regulated water and sewer.

Detailed management distribution is shown on Methodology sheet provided in MCC-003.

MCC-012 RE: Restart Deposits
WITNESS: Barrows

Please identify where on the balance sheet restart deposits are listed and total associated with them.

RESPONSE: The restart deposit total of \$600 is included in Cash on the balance sheet.

MCC-013 RE: Plant Account
WITNESS: Barrows

Please reconcile plant accounts in 2007 and 2008 Annual Reports to the PSC by account and rate filings.

Totals

p. 7	(2007)	current year	\$1,022,977.82
p. 7	(2008)	prior year	\$1,510,599.06
	Rate Filing		\$1,180,990.06

RESPONSE:

The amounts from the 2007 Annual Report cannot be reconciled. Utility Solutions retained a 3rd party to assist with the 2007 Annual Report and cannot determine the detail of the work.

The 2007 and 2008 data from the 2008 annual report is discussed below.

In 2007, on the advice of its accountant, Utility Solutions capitalized \$329,609.50 (\$171,123.1 in account 331; \$155,486.4 in account 349) in unpaid accrued interest. This capitalization was removed for the rate filing.

The adjustments to plant values were as follows:

	2007	2008
Plant Value in Annual Report	\$1,510,599	\$1,683,724
less capitalized interest	<u>\$329,609</u>	<u>\$329,609</u>
Plant Value in Rate Filing	\$1,180,990	\$1,354,115

MCC-014 RE: Accumulated Depreciation
WITNESS: Barrows

Please reconcile by plant account in 2007 and 2008 Annual Reports to PSC by account and rate filings.

Totals

p. 8	(2007)	current year	\$182,710.85
p. 8	(2008)	prior year	\$274,482.51
	Rate Filing		\$243,419.07

RESPONSE: See MCC-013.

The adjustments to Accumulated Depreciation were as follows:

	2007	2008
Accum Dep. in Annual Rept.	\$274,482	\$346,681
less capitalized int	<u>\$13,184</u>	<u>\$26,369</u>
Accum Dep. in Rate Filing	\$261,298	\$320,312

Note: There was additional adjustment of \$17,879 to the accumulated depreciation. See footnote (1) on 38.5.133 Statement D. (2007: \$261,298 - \$17,879 = \$243,419) (2008: \$320,312 - \$17,879 = \$302,433)

MCC-015 RE: Regulatory Consulting Service
WITNESS: Barrows

Please provide 2009 regulatory consulting services costs to date.

RESPONSE: The 2009 regulatory consulting services costs to date, for water and wastewater combined, are \$9,487.50. The portion allocated to water is \$4,743.75.

MCC-016 RE: System Map
WITNESS: Barrows

Please provide system map for Utility Solutions entire water service indicating regulated and non-regulated areas.

RESPONSE: Attached is a map of the Elk Grove regulated water service area. The entire Elk Grove area is regulated. The water system serving the Four Corners Water District is separate. It is not interconnected with the water system serving the Elk Grove regulated water service area.

MCC-017 RE: Allocation of Plant
WITNESS: Barrows

Please show the total for each utility plant account and how that total is allocated among unregulated operations, the regulated water utility, and the regulated waste water utility.

RESPONSE: See attached table showing plant allocations.

MCC-018 RE: Allocation of Revenues and Expenses
WITNESS: Barrows

Please show the total for each revenue and expense account and how the respective totals are allocated among unregulated operations, the regulated water utility, and the regulated waste water utility.

RESPONSE:

All revenue is recorded directly. No revenue allocation is performed.

See attached Allocated Expense Summary detailing the allocation of expenses to regulated, non-regulated, water and sewer. See Response to MCC-003 for discussion of allocation method.

MCC-019 RE: Affiliate Transactions
WITNESS: Barrows

Please identify any and all affiliates. Please list any and all affiliated transactions costs and the basis for those costs.

RESPONSE: Utility Solutions, LLC has no affiliates. Some of its owners have interests in other companies, including:

Double-Tree, Inc. Barbara Campbell, a member of Utility Solutions, LLC, is owner of Double-Tree, Inc. Double-Tree, Inc. is the non-member manager of Utility Solutions, LLC.

Valkyrie, LLC members are Barbara Campbell, Double-Tree, Inc. and Montana Ventures II, LLC.

Barbara Campbell, a member of Utility Solutions, LLC, is a member in Valkyrie, LLC.

Montana Ventures I, LLC, a member of Utility Solutions, LLC, has members which are also members in Montana Ventures II, LLC which is a member of Valkyrie, LLC. Those members are Guy Graves, Jim Graves, and Nancy Lee Valpreda.

Utility Solutions, LLC, on December 31, 2008, had an accounts receivable due Valkyrie, LLC in the amount of \$528,650. Funds were used for operating cash deficiencies, no interest accruing.

Corridor Services, LLC members are Barbara Campbell, Guy Graves and Montana Ventures I, LLC

Barbara Campbell, a member of Utility Solutions, LLC, is a member in Corridor Services, LLC.

Guy Graves, is a member of Corridor Services, LLC. Guy Graves is a member of Montana Venture I, LLC which is a member of Utility Solutions, LLC.

Montana Ventures I, LLC, a member of Utility Solutions, LLC, is a member of Corridor Services, LLC.

Utility Solutions, LLC, on December 31, 2008, had an accounts receivable due Corridor Services, LLC in the amount of \$853,789. Funds were used for operating cash deficiencies, no interest accruing.

MCC-020 RE: Interest Expense
WITNESS: Barrows

The balance sheet indicates that there are total liabilities of \$1,931,126. Why is there no associated interest expense showing on the income statement?

RESPONSE: No interest was paid in 2008.

MCC-021 RE: Audits
WITNESS: Barrows

Please provide any and all audits for Utility Solutions LLC.

RESPONSE:

No audits have been performed.

RESPONSE:

It was incorrect to include the property taxes and the materials in the respective totals when they were listed separately. The correct amount of net working cash should be \$16,843.18 (not \$17,361.91).

MCC-025 RE: Utility History
 WITNESS: Barrows

Please provide a narrative detailing the history of the water utility including by year:

- a. When plant was installed and costs of that plant.
- b. When consumers started being charged by the utility and the rates charged for both unregulated and regulated operations.

RESPONSE:

- a. Utility Solutions purchased the Elk Grove water system from Concinnity in 2003. See MCC-009. Utility Solutions improved the Elk Grove pump house (\$10,396) in 2005, and completed water system improvements in 2006 and 2007 (\$8,523, \$2,224). In 2008 and 2009 the Elk Grove Well #3 improvements included a third water supply well, Chlorine disinfection system, and backup power generation (\$173,019 and \$144,531).
- b. Utility Solutions first issued bills to the regulated Elk Grove water customers in February 2006 per PSC interim rates; \$14.68 customer charge plus a \$1.64 per 1,000 gallons usage charge.

Utility Solutions cannot provide an accurate breakdown of the District's charges, as it would require an analysis of the individual tax assessments issued by the District. Because of the large number of undeveloped lots in the District, the District divided its charges between a property tax component paid by all landowners in the District, and a monthly rate component paid only by current users. The latter is a \$38 per month flat rate charge for both sewer and water, with an additional water charge of \$1.50 per 1000 gallons usage above 10,000 gallons.

MCC-026 RE: Regulatory Commission Expenses
WITNESS: Barrows

Please provide details of the regulatory commission expenses of \$3,056.32 for 2008 and the details of these expenses to date for 2009.

RESPONSE: See MCC-015.

The 2008 regulatory commission expenses for water are comprised of

2008 Regulatory Consulting	\$ 168.75
2008 Regulatory Legal	<u>\$2,887.57</u>
Total	\$3,056.32

The 2009 regulatory commission expenses (through September 30, 2009) for water are:

2009 Regulatory Consulting	\$4,743.75
2009 Regulatory Legal	<u>\$1,197.75</u>
Total	\$5,941.50

MCC-027 RE: Petty Cash
WITNESS: Barrows

Please indicate the exact nature of petty cash expenses included in O&M expenses on the income statement for 2008.

RESPONSE:

Petty cash expenses include on-hand cash for customer change, small office supply or system materials purchases, equipment rental and gas purchase for property maintenance, and non-FedEx mailings.

MCC-028 RE: Loan Fees
WITNESS: Barrows

Please provide details of the loan fees included in O&M expenses indicating the individual amounts paid and to which loans they specifically relate.

RESPONSE:

Utility Solutions received a \$500,000 loan from Stockman Bank of Montana to pay for 2008 operation and maintenance. The bank fee on the loan was \$6,288.00. This fee was allocated based on 2008 operational expenses. The regulated water portion of this fee was \$949.49.

See attached Disbursement Authorization sheet.

MCC-029 RE: Notes Payable and Long Term Liabilities
 WITNESS: Barrows

Please provide any letters of credit, loan agreements etc., covering the \$366,524 in Notes Payable and \$1,491,435 in Long-Term debt listed on the December 31, 2008 balance sheet.

RESPONSE:

See MCC-005 for long-term debt documentation.

See attached Commercial Loan Agreement.

MCC-030 RE: 3rd Well
 WITNESS: Barrows

Please indicate the difference between the December 2008 finishing of the 3rd well and the January 2009 finishing of 3rd well and water system improvements as referenced in footnote (1) on Statement I. Please indicate when the 3rd well and water system improvements were actually placed in service.

RESPONSE:

Construction Draw #1 and Draw #2 for Elk Grove Supply Well #3 were paid in December 2008. Construction Draw #3 thru Draw #6 plus the remaining management and engineering costs for Elk Grove Supply Well # 3 were paid in 2009. Elk Grove Supply Well #3 was operational as of April 1, 2009.

MCC-031 RE: Contracted/Other Services
 WITNESS: Barrows

Please indicate what contracted/other services include and the vendor(s) who performed these services and the amounts they were paid.

RESPONSE:

Eric Campbell (systems operation and testing)

Costs direct to regulated water.

\$13,110.16

Blasé Contracting (Curb stop repair)

Costs direct to regulated water.

\$1,192.25

Bridger Lawncare (property maintenance)

Costs direct to regulated water.

\$200.00

T. Jandron Landscaping (property maintenance)

Costs direct to regulated water.

\$40.00

Montana Electric (Elk Grove pumps repair)

Costs direct to regulated water.

\$621.00

2M (Elk Grove pumps repair)

Costs direct to regulated water.

\$5,235.30

MCC-032 RE: Auto Transportation
 WITNESS: Barrows

Please indicate how auto transportation expenses were calculated and how they contributed to the operation of the utility.

RESPONSE:

Auto transportation expenses of \$3,327.98 are the actual cost of fuel, oil and maintenance for vehicles used while conducting utility business. The allocation is based on the number of active water and sewer accounts. See MCC-003 and MCC-018 for details.

MCC-033 RE: Service
 WITNESS: Barrows

Please provide a list of any and all service areas and types of customers to which Utility Solutions provides waste water service.

RESPONSE: See MCC-001.

MCC-034 RE: Four Corners County Water and Sewer District
 WITNESS: Barrows

- a. Please explain the relationship among Utility Solutions, Double Tree, Inc. and the Four Corners County Water and Sewer District.
- b. Please provide the contract between Utility Solutions and the Four Corners County Water and Sewer District.

RESPONSE:

- a. See MCC-002.
- b. See MCC-002.

MCC-035 RE: Common Costs
 WITNESS: Barrows

Please provide any and all common costs of Utility Solutions in providing sewer service to regulated and non-regulated customers. Indicate how they are allocated and the basis for such allocation.

RESPONSE:

The regulated water system serves only Elk Grove Subdivision.

The regulated sewer system serves the Elk Grove Subdivision. The non-regulated sewer system serves the Four Corners Water and Sewer District. They share the Wastewater Treatment Plant. The regulated sewer system has components that are exclusive to and serve the Elk Grove Subdivision. The non-regulated sewer system has components that are exclusive to and serve the Four Corners County Water and Sewer District.

The non-regulated water system serves only properties in the Four Corners County Water and Sewer District.

Below is a summary of the methodology used to allocate costs (expenses):

Expense Account	Description	Methodology
E200 Materials & Supplies	Parts for WWTP maintenance	Allocated based on number of active sewer accounts
	All other sewer related expenses	Direct
E201 Chemicals	Wastewater flocculent	Allocated based on wastewater volumes
E300 Purchased Power	WWTP & Elk Grove lift power	20% costs direct to Elk Grove lift station and remaining costs allocated based on wastewater volumes
E301 Fuel for Production	WWTP Oil	Allocated based on wastewater volumes
E400 Contracted Services	Eric Campbell (operator)	Billed time at WWTP allocated based on wastewater volumes. Other billed time is direct.
	Scenic City (sludge disposal)	Allocated based on wastewater volumes
	Aaron Mills (WWTP fence repair)	Allocated based on wastewater volumes
	Valley Turfcare (WWTP maintenance)	Allocated based on wastewater volumes
	All other sewer related expenses	Direct
E401 Engineering Services	No related expenses	
E500 Management Contract	Management Costs	Full-time employees costs allocated based on time. Part-time employees, health insurance, and auto insurance allocated evenly among regulated and non-regulated water and sewer.

E600 Rental Equipment and Property	Equipment for WWTP maintenance	Allocated based on wastewater volumes
E700 Auto Transportation	Fuel and Oil	Allocated based on active water and sewer accounts
E701 Other Equipment Expense	Pressure water for WWTP	Allocated based on active sewer accounts
	All other sewer related expenses	Direct
E800 Laboratory & Testing	WWTP tests	Allocated based on wastewater volumes
E900 Insurance	Property Insurance	Allocated based on asset coverage
E1000 Regulatory Commission	All sewer related expenses	Direct
E1100 Permits, Fee, and Licenses	Forest Industries Telecommunications license	Allocated based on all accounts
	All other sewer related expenses	Direct
E1200 Advertising	Website	Allocated based on systems capital asset values
	Community Donations	Allocated based on systems capital asset values
E1300 Postage & Printing	Billing costs & FedEx	Allocated based on active water and sewer accounts
E1400 Miscellaneous	Bank service charges	Allocated based on active water and sewer accounts
E1401 Office	Office expenses (rent, power, phone, internet, pager, water, garbage, office supplies, cleaning)	Allocated evenly across regulated and non-regulated water and sewer
E1500 Bad Debt	All related sewer expenses	Direct
E1600 Legal	All related sewer expenses	Direct

E1700 Accounting	Accounting	Allocated by systems capital asset value or by number of accounts
E1800 Interest	Loan interest	Allocated based on systems basis values
E1900 Property Tax	WWTP property tax	Allocated based on wastewater volumes
	All other sewer related expenses	Direct
E2000 Petty Cash	Petty cash	Allocated based on active water and sewer accounts
E2001 Meters	No related expenses	
E2100 Loan Fees	Operational loan fees	Allocated based on 2008 expenses

See Methodology sheet provided in MCC-003 for additional details.

See Allocation Expense Summary provided in MCC-018.

MCC-036 RE: Sewer Plant
WITNESS: Barrows

Page 4 of testimony shows a reduction of \$275,710.09 to sewer plant. Please provide all workpapers detailing that reduction.

RESPONSE: See work-paper 1 in rate filing.

MCC-037 RE: Long Term Debt
WITNESS: Barrows

Please provide copies of all long term debt of Utility Solution – Sewer Utility.

RESPONSE: See MCC-005.

MCC-038 RE: 2009 Improvements
WITNESS: Barrows

Please list capital cost and depreciation expense for sewer plant improvements in 2009. Identify customers being served by these improvements and a description of the improvements.

RESPONSE:

The 2009 improvement is a \$25,000 capitalization of engineering services and time spent by management on sewer treatment plant expansions. It is depreciable over 25 years. A portion of the improvements (waste water disinfection and additional disposal) will serve both Elk Grove and district customers.

MCC-039 RE: 2009 Sewer Treatment Plant Improvements
 WITNESS: Barrows

Please indicate when the 2009 sewer treatment plant improvements were actually placed in service.

RESPONSE: See MCC-038.

MCC-040 RE: Income Taxes
 WITNESS: Barrows

Please provide 2007 and 2008 State and Federal Income Tax returns filed by Utility Solutions.

RESPONSE: See MCC-007.

MCC-041 RE: Income Taxes
 WITNESS: Barrows

In Utility Solution's filing for initial rates the pre-filed testimony of Mr. Ronald R. Woods indicates on page eight that recovery of income taxes was not included because Utility Solutions had sufficient net operating loss carry forwards to offset any income tax obligations arising out of the filing. What is the current total balance of net operating loss carry forwards?

RESPONSE: See MCC-008.

MCC-042 RE: Utility Plant
 WITNESS: Barrows

Page 4 of testimony indicates utility plant was purchased in 2003. What was the original cost of properties prior to purchase and when did consumers start paying for services received from either previous owners or others?

RESPONSE: See MCC-009.

MCC-043 RE: Management Contract
WITNESS: Barrows

Please provide Management Contract listed on 38.5.123 Income Statement and basis and calculations for the \$84,289.93 charge.

RESPONSE: See MCC-011.

MCC-044 RE: Restart Deposits
WITNESS: Barrows

Does the sewer utility have restart deposits and if so where on the balance sheet are such deposits listed and what is the total associated with them?

RESPONSE: No restart deposits were collected by the wastewater utility.

MCC-045 RE: Plant Account
WITNESS: Barrows

Please reconcile plant accounts in 2007 and 2008 Annual Reports to the PSC by account and rate filings.

Totals

p. 7	(2007)	current year	\$1,090,525.45
p. 7	(2008)	prior year	\$1,516,042.97
	rate filing		\$1,232,711.10

RESPONSE:

The amounts from the 2007 Annual Report cannot be reconciled. Utility Solutions retained a 3rd party to assist with the 2007 Annual Report and cannot determine the detail of the work.

The 2007 and 2008 data from the 2008 annual report is discussed below.

In 2007, on the advice of its accountant, Utility Solutions capitalized \$283,331.90 (\$98,089.01 in account 331; \$149,647.4 in account 320; \$35,595.42 in account 349) in unpaid accrued interest. This capitalization was removed for the rate filing.

The adjustments to plant values were as follows:

	2007	2008
Plant Value in Annual Report	\$1,516,043	\$1,520,004
less capitalized interest	<u>\$283,332</u>	<u>\$283,332</u>
Plant Value in Rate Filing	\$1,232,711	\$1,236,672

MCC-046 RE: Accumulated Depreciation
WITNESS: Barrows

Please reconcile by plant account in 2007 and 2008 Annual Reports to PSC by account and rate filings.

Totals

p. 8	(2007)	current year	\$216,273.84
p. 8	(2008)	prior year	\$483,262.50
		rate filing	\$471,929.24

RESPONSE: See MCC-045.

The adjustments to accumulated depreciation were as follows:

	2007	2008
Accum Dep. in Annual Rept.	\$483,262	\$600,705
less capitalized interest	<u>\$11,333</u>	<u>\$22,666</u>
Accum Dep. in Rate Filing	\$471,929	\$578,039

MCC-047 RE: Regulatory Consulting Service
WITNESS: Barrows

Please provide 2009 regulatory consulting services costs to date.

RESPONSE: The 2009 regulatory consulting services costs to date, for water and wastewater combined, are \$9,487.50. The portion allocated to wastewater is \$4,743.75.

MCC-048 RE: Customer Count
 WITNESS: Barrows

Please provide the number of actual customers (hookups) and potential total new customers for both the regulated and unregulated wastewater operations for the test period.

RESPONSE: At the end of the test period, the wastewater system was serving 261 out of the potential 313 platted lots in the regulated service area and 186 out of the potential 1022 platted lots in the unregulated service areas.

MCC-049 RE: System Map
 WITNESS: Barrows

Please provide system map for Utility Solutions entire sewer service indicating regulated and non-regulated areas.

RESPONSE: See attached system map.

MCC-050 RE: Allocation of Plant
 WITNESS: Barrows

Please show the total for each utility plant account and how that total is allocated among unregulated operations, the regulated water utility, and the regulated waste water utility.

RESPONSE: See MCC-017 for summary of allocated plant.

MCC-051 RE: Allocation of Revenues and Expenses
 WITNESS: Barrows

Please show the total for each revenue and expense account and how the respective totals are allocated among unregulated operations, the regulated water utility, and the regulated waste water utility.

RESPONSE:

All revenue is recorded directly by the regulated wastewater operation. No allocation is performed.

See MCC-018 for expense account allocations.

MCC-052 RE: Affiliate Transactions
WITNESS: Barrows

Please identify any and all affiliates. Please list any and all affiliated transactions costs and the basis for those costs.

RESPONSE: See MCC-019.

MCC-053 RE: Interest Expense
WITNESS: Barrows

The balance sheet indicates that there are total liabilities of \$1,697,588. Why is there no associated interest expense showing on the income statement?

RESPONSE: No interest was paid in 2008.

MCC-054 RE: Audits
WITNESS: Barrows

Please provide any and all audits for Utility Solutions LLC.

RESPONSE: No audits have been performed.

MCC-055 RE: Office Furniture and Equipment
WITNESS: Barrows

Please detail the items included in office furniture and equipment and explain why these items are being included in rate base.

RESPONSE:

Initial allocation from Galusha (computers, furniture)	\$ 834.50
Printer	\$ 96.83
Black Mountain billing/metering software	\$3,183.75
Pressure washer	\$3,475.00
	<u>\$ 366.48</u>
Total	\$7,956.56

Note: The \$366.48 was incorrectly included in Furniture and Equipment and should be removed.

These items are used in the provision of utility service.

MCC-056 RE: Working Cash
 WITNESS: Barrows

Please indicate why materials and supplies were added to O&M expenses which already includes materials and supplies and why property taxes were added when they are already included in other taxes in the working cash calculation.

RESPONSE: It was incorrect to include the property taxes and the materials in the respective totals when they were listed separately. The correct amount of net working cash should be \$21,383.28 (not \$22,226.97).

MCC-057 RE: Utility History
 WITNESS: Barrows

Please provide a narrative detailing the history of the waste water utility including by year:

- a. When plant was installed and costs of that plant.
- b. When consumers started being charged by the utility and the rates charged for both unregulated and regulated operations.

RESPONSE:

- a. Utility Solutions purchased the Elk Grove wastewater system from Concinnity in 2003. See MCC-009. Utility Solutions installed an IP Bed Disposal system in 2004 and improved the wastewater treatment plant in 2007 and 2008 (\$173,596; \$69,188).
- b. Utility Solutions first issued bills to the regulated Elk Grove wastewater customers in February 2006 in accordance with PSC interim rates. Residential customers are charged a flat \$53.79 per month for wastewater service.

Utility Solutions cannot provide an accurate breakdown of the District's charges, as it would require an analysis of the individual tax assessments issued by the District. Because of the large number of undeveloped lots in the District, the District divided its charges between a property tax component paid by all landowners in the District, and a monthly rate component paid only by current users. The latter is a \$38 per month flat rate charge for both sewer and water, with an additional water charge of \$1.50 per 1000 gallons usage above 10,000 gallons.

MCC-058 RE: Regulatory Commission Expenses
WITNESS: Barrows

Please provide details of the regulatory commission expenses of \$3,056.31 for 2008 and the details of these expenses to date for 2009.

RESPONSE:

The 2008 regulatory commission expenses for wastewater are comprised of:

2008 Regulatory Consulting	\$ 168.75
2008 Regulatory Legal	<u>\$2,887.56</u>
Total	\$3,056.31

The 2009 regulatory commission expenses (through September 30, 2009) for wastewater are:

2009 Regulatory Consulting	\$4,743.75
2009 Regulatory Legal	<u>\$1,197.75</u>
Total	\$5,941.50

MCC-059 RE: Petty Cash
WITNESS: Barrows

Please indicate the exact nature of petty cash expenses included in O&M expenses on the income statement for 2008.

RESPONSE: See MCC-027.

MCC-060 RE: Loan Fees
WITNESS: Barrows

Please provide details of the loan fees included in O&M expenses indicating the individual amounts paid and to which loans they specifically relate.

RESPONSE: See MCC-028.

The regulated wastewater portion of this fee was \$1,704.05.

MCC-061 RE: Notes Payable and Long Term Liabilities
WITNESS: Barrows

Please provide any letters of credit, loan agreements etc., covering the \$284,445 in Notes Payable and \$1,350,702 in Long-Term debt listed on the December 31, 2008 balance sheet.

RESPONSE: See MCC-029.

MCC-062 RE: Contracted/Other Services
WITNESS: Barrows

Please indicate what contracted/other services include and the vendor(s) who performed these services and the amounts they were paid.

RESPONSE:

Eric Campbell (systems operation and testing)
Billed time at WWTP allocated based on wastewater volumes.
\$3,126.19 allocated to regulated wastewater.

Scenic City (sludge disposal)
Costs allocated based on wastewater volumes.
\$20,672.04 allocated to regulated wastewater.

Aaron Mills (WWTP fence repair)
Costs allocated based on wastewater volumes.
\$199.68 allocated to regulated wastewater

Elk Grove HOA (Elk Grove IP Bed maintenance)
Costs direct to regulated wastewater.
\$450.00

Valley Turfcare (WWTP maintenance)
Costs allocated based on wastewater volumes.
\$27.20 allocated to regulated wastewater.

MCC-063 RE: Auto Transportation
WITNESS: Barrows

Please indicate how auto transportation expenses were calculated and how they contributed to the operation of the utility.

RESPONSE: See MCC-032.

MCC-064 RE: Management Contract
WITNESS: Barrows

Please provide a copy of the management contract referenced on the income statement.

RESPONSE: MCC-011.

Dated October 20, 2009.

HUGHES, KELLNER, SULLIVAN & ALKE, PLLP

By /s/ John Alke
John Alke
40 W. Lawrence, Suite A
P. O. Box 1166
Helena, MT 59624-1166

ATTORNEYS FOR UTILITY SOLUTIONS, LLC

CERTIFICATE OF SERVICE BY MAIL

I HEREBY CERTIFY that a copy of the **UTILITY SOLUTIONS, LLC RESPONSES TO MONTANA CONSUMER COUNSEL DATA REQUESTS MCC-001 THROUGH MCC-064** was served upon the following by hand delivering a true and correct copy thereof on this 20th day of October, 2009, addressed as follows:

**MONTANA CONSUMER COUNSEL
PO BOX 201703
HELENA MT 59620-1703**

 /s/ John Alke
John Alke