

**PUBLIC SERVICE COMMISSION
STATE OF MONTANA**



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MEMORANDUM

September 7, 2011

To: John Maxness
AquaFlo, LLC
P.O. Box 1091
Helena, MT 59624

Michael Strand
Strand Law Firm
3434 10th Avenue South, Penthouse Suite
Great Falls, MT 59405

Sandra Barrows
2301 Colonial Drive, Suite 2B
Helena, MT 59601-4995

From: Leroy Beeby, Rate Analyst
Montana Public Service Commission

RE: PSC data requests in Docket Nos. D2009.1.9 and D2011.4.34

Enclosed please find data requests of the Montana Public Service Commission to AquaFlo, LLC, numbered PSC-013 through PSC-028, in the above-referenced dockets. If you have any questions regarding these data requests, please contact me at 444-6188.

Enclosure

cc: service list

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

IN THE MATTER OF the APPLICATION of) REGULATORY DIVISION
AQUAFLO, LLC for Authority to Increase)
Rates and Charges and Amend Tariff Rules) DOCKET NO. D2009.1.9
and Regulations for Water and Sewer Service)
to its Helena, Montana, Customers)

IN THE MATTER OF the APPLICATION of) REGULATORY DIVISION
AQUAFLO, LLC for Authority to Permanently)
Increase Rates and Charges and Amend Tariff) DOCKET NO. D2011.4.34
Rules and Regulations for Water and Sewer)
Service to its Helena, Montana, Customers)

**MONTANA PUBLIC SERVICE COMMISSION DATA REQUESTS
PSC-013 THROUGH PSC-028 TO AQUAFLO, LLC**

PSC-013

Regarding: Leakage Reconciliation
Witness: Maxness

Please provide a comparison of the 2010 water volumes pumped at the pump house to the water volumes billed to the customers of AquaFlo.

PSC-014

Regarding: Long Term Debt
Witness: Barrows

Your capital structure in ARM 38.5.146 states that as of February 2011, AquaFlo had 100% equity and no debt. The AquaFlo Ledger provided for that period of time does not reflect the payoff.

- a. Please provide a copy of the paid off LT Debt agreement and source of funds used to pay off the debt.
- b. Please explain why the debt was not reflected in the 2010 general ledger.
- c. Was the debt carried at the parent level, though reflected as an obligation of AquaFlo? Please explain.

PSC-015

Regarding: Loan to AF

Witness: Barrows

- a. Who is AF as reflected on the beginning balance of the “Maxness” general ledger?
- b. Please provide all loan documentation of the transaction.
- c. Is the payment to John Maxness for “reimburse loan” dated March 29, 2011, to repay Maxness for a loan to AquaFlo? Please explain. Are the two transactions related?

PSC-016

Regarding: Outside Service Providers

Witness: Maxness

- a. Please provide copies of the Service Contracts for the Outside Service Providers list that you provided in response to Audit Request PSC-010 for 2009, 2010 and 2011.
- b. Please provide copies of any Service Contracts that are not on the list and are presently in force.

PSC-017

Regarding: Financial Statements

Witness: Barrows

- a. Please provide the detail trial balance for YE 2009, 2010, and June 30, 2011.
- b. Please provide the detail General Journal for the same period.
- c. Please provide the detail General Ledger for the same period.

PSC-018

Regarding: Decrease in land value in rate base

Witness: Barrows

The testimony exhibits provided in response to ARM 38.5.121 indicate a decrease in land and land rights between 2009 and 2010.

- a. Please provide a description of the land and land rights accounting for the decrease in value including legal description.
- b. Was the land being reflected as used and useful in the rate base in 2009? Was the land used and useful? Please explain.
- c. If the land was disposed of by AquaFlo, please explain the transaction, including all parties involved.
- d. Please provide the fair market value of the land and land rights.

PSC-019

Regarding: Audit requests of the August on-site audit

Witness: Barrows

- a. Please provide the responses to Audit Requests for Audit Requests PSC-001, PSC-002, PSC-003, PSC-004, PSC-005, PSC-006, PSC-007, PSC-008, PSC-009 and PSC-010
- b. Please provide the information requested in PSC-011 for 2008, 2009, 2010, and 2011.
- c. Please provide the information requested in PSC-012 for both AquaSierra and AquaFlo for 2008, 2009, 2010.

PSC-020

Regarding: Transfer of ownership 2007

Witness: Barrows

- a. Please provide a copy of the transfer of ownership of AquaFlo from Gallagher to AquaSierra.
- b. Please provide a copy of the debt agreement between Gallagher/AquaFlo, and AquaSierra. Gallagher/AquaFlo 2007 partnership return indicates a payment to AquaSierra.

PSC-021

Regarding: Transfer of Interest – February 2011

Witness: Barrows

- a. Please provide a copy of the transfer of Gallagher's control/ownership of AquaFlo/AquaSierra to whomever is presently in control.
- b. What was the remuneration paid to Gallagher for his interest? What was the value of his interest at the time he liquidated his interest? Please provide supporting documentation.
- c. Is there any direct or indirect ownership or control of AquaFlo or AquaSierra by Gallagher? Please explain.

PSC-022

Regarding: Transfer of Interest

Witness: Barrows

Please provide copies of any and all transfers of interest and or ownership in AquaFlo and AquaSierra since 2007.

PSC-023

Regarding: AquaSierra Capital Structure
Witness: Barrows

Please provide the capital structure of AquaSierra for YE 2007, 2008, 2009, 2010.

PSC-024

Regarding: AquaSierra
Witness: Barrows

Please list percentage of ownership of all entities that AquaSierra has an interest in for 2007, 2008, 2009, 2010 and 2011.

PSC-025

Regarding: Outside Contracts – Accounting Services
Witness: Barrows

Prior to the transfer in 2011, the accounting services contract would be considered a related party transaction. Please provide copies of any and all competitive bids for accounting services.

PSC-026

Regarding: Outside Contracts – Gallagher and Assoc, PLCC
Witness: Barrows

Prior to the transfer in 2011, this is a related party transaction. Please provide copies of all invoices for services rendered for 2008, 2009, 2010 and YTD 2011. This should include as well an explanation of the purpose of the charge.

PSC-027

Regarding: Rate Case Expense
Witness: Barrows

Please provide actual rate case expense incurred to date.

PSC-028

Regarding: Election as to be taxed as a C corporation
Witness: Barrows

Please explain the tax benefits to the ratepayer of AquaFlo's election to be taxed as a C corporation for both federal and state taxing entities.