



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

October 12, 2011

Mr. Kevin Leonard
Mr. Brent Shultz
Ms. Kristi McAdoo
Mayfield Electric and Water Systems
P. O. Box 329
Mayfield, Kentucky 42066

Mr. Johnny Dowdy
Graves County Water District
P.O. Box 329
Mayfield, Kentucky 42066

Sam B Neeley, Jr., Esq.
P.O. Box 708
Mayfield, Kentucky 42066

Re: Case No. 2011-00233
Graves County Water District

VIA ELECTRONIC MAIL

Ms. McAdoo and Gentlemen:

Please advise as to your availability to participate in a conference call on October 13 or 14, 2011 to discuss the above-referenced case. Commission Staff would like to discuss and clarify with representatives of Graves County Water District ("Graves District") and Mayfield Electric and Water Systems ("MEWS") some points regarding the proposed project. A list of these issues is enclosed. Resolution of these issues will allow the Commission to close the record and render a decision in the matter.

Please telephone me at (502) 564-3940, Extension 259, or (502) 229-6500, or e-mail at gerald.wuetcher@ky.gov to advise me of your availability and the telephone number at which you can be reached for the conference call.

Sincerely,

A handwritten signature in black ink that reads "Gerald E. Wuetcher".

Gerald E. Wuetcher
Executive Advisor/Attorney

gw
Enclosure

ISSUES FOR CONFERENCE CALL

1. Graves District has presented three different cost estimates of the proposed project. Exhibit A-1 reflects the purchase of 3,100 meters and smartpoints, the purchase and installation of 5 TGBs, and 2,600 hours of labor at \$18 per hour at a total cost of \$1,331,491. (This estimate is part of Graves District's application.) Exhibit A-2 reflects the purchase of 5,000 meters and smartpoints, the purchase and installation of 7 TGBs, and 3,120 hours of labor at \$25 per hour at a total cost of \$1,856,741. (This estimate was part of Graves District's Response to Commission Staff's letter of September 6, 2011.) In its application for authorization to enter a loan agreement with the Kentucky Infrastructure Authority (KIA), Graves District indicated that it was going to purchase 4,600 meters and smart points, purchase 5 TGBs and install 4 TGBs, and employ 3,120 hours of labor at \$25 per hour at a total cost of \$1,907,091. Exhibit A-3 reflects this estimate of the project. Paragraph 5 of Graves District's application states that 3,100 meters will be purchased and installed. KIA documents indicate that the total cost of the project cannot exceed \$1,111,266. **What is the scope of the project in terms of meters and cost for which Graves District is presently seeking a certificate of public convenience and necessity?**

2. The Paragraph 7 of the Application refers to the purchase of 3,100 meters as the "first phase of the total project." During the conference call of October 5, 2011, representatives of Graves District and MEWS stated that the ultimate goal is the acquisition and installation of approximately 4,250 meters to have AMI coverage for Graves District. **Is it Graves District's intent to purchase all required metering equipment now? If purchase and installation to be performed in phases, what area is covered by the first phase and what is the number of meter installations? What area will the second phase cover? How many meters will be installed in the second phase? When does Graves District expect to begin implementation of the second phase?**

3. The merger of Graves District and Hickory Water District has been proposed, but not yet approved by the Public Service Commission. **Are the original project estimates based on providing metering equipment to the existing areas of Graves District? Are subsequent and higher estimates based upon the inclusion of Hickory Water District?**

4. Exhibit F of the Application (the minutes of the meeting of April 26, 2011 of the Graves District's Board of Commissioners) was referenced but not included in the Application filed with the Public Service Commission. **Can a copy of these minutes be provided to the Commission?**

5. According to its Application, the proposed AMI equipment will allow Graves District or its operator to discontinue service from its office and not require a service visit to the customer's property. See Exhibit B (an extract from Graves District's Application). **Is it correct that upon the installation of the AMI equipment, Graves**

District will possess the ability to discontinue and restore water service without sending a service person to the service site? Explain. If Graves District will no longer need to send a service person to disconnect or reconnect water service, does it intend to amend its tariff to eliminate any charges associated with service disconnection or connection?

6. KRS 424.260 (copy attached) requires a water district to publish a request for bids for goods and services when total cost of goods or services exceeds \$20,000. Graves District proposes to acquire the metering equipment based upon bids submitted to MEWS. Graves District will not be publishing any request for bids. **Has Graves District received an opinion from its legal counsel as to whether this action is consistent with KRS 424.260? Is KIA aware of Graves District's use of bids supplied to MEWS? Has it expressed an opinion on Graves District's proposed use of the MEWS bids?**

7. The electromagnetic meter that Graves District proposes to purchase has a filter screen. **What routine or preventive maintenance does Graves District proposed to implement to address clogging of the screen? Has the meter manufacturer provided any recommended maintenance routine to prevent clogging?**

8. **How will the smartpoint set be powered? If a battery is to be used, provide the specifications regarding the battery.**

EXHIBIT A-1

Date: September 28th, 2010
To: Graves County Water Board
Attn: Kevin Leonard

Re: Graves County Water Board
 Cost Estimate of Advanced Meter Infrastructure Project
 Proposal for Implementing and Completion of AMI County Project

Pros

\$ 50,000 estimated annual savings of meter reading/ offset the cost of Project
 Use of Mayfield existing infrastructure RNI \$45,454.00
 Better control and knowledge of your cash registers
 Advanced customer service
 Advanced leak detection
 Detection of theft of service
 Increased revenue with full meter changeout
 The most advanced and accurate water meter on the market
 AMI Infrastructure will be established and should last through multiple meter changes
 GPS location of all meters
 MEWS employee oversee county meters daily for alarms and non-communicating meters
 Salvage est. of water meters \$25,466.00, salvage value as of 6/21/11, can be deducted from cost of project

<u>Quantity</u>	<u>Description</u>	<u>Unit Price(\$)</u>	<u>Total</u>
3100	iPerl 3/4" water meter	100.00	310,000.00
30	iPerl 1" water meter	149.00	4,470.00
10	1.5" Omni com. water meter	667.23	6,672.30
50	2" Omni com. water meter	751.45	35,572.00
3	3" Omni com. water meter	936.70	2,811.00
5	6" Omni T2 com. water meter	3,283.20	16,416.00
3100	520m smartpoints	120.00	372,000.00
3100	Lid replacement	30.00	93,000.00
5	S100 TGB	69,750.00	348,750.00
4	Installation Cost of TGB(est)	5,000.00	20,000.00
4	Buildings w/ Electrical ht & air	6,000.00	24,000.00
4	Backhauls 3.65	5,000.00	20,000.00
2600	4 Employees Labor	18.00 per hr	46,800.00
2600	2 Trucks	15.00 per hr	39,000.00
1	Upgrade Existing TGB 2-way	30,000.00	30,000.00
		TOTAL COST	\$1,338,481.30
		Contingency Money from KIA	(220,000.00)
			(25,466.00) salvage mtrs

Cons

Initial cost of project
 Cash Flo for Project
 May need equalized rates for entire water district
 Projected Payback

Total Cost Including Contingency Money **1,085,025.30**

PROJECTED PAY BACK

<u>LOAN</u>	<u>TERM</u>	<u>RATE</u>	<u>MONTHLY PRIN. & INT.</u>	<u>ANNUAL PRIN. & INT.</u>
780,000.00	20 YRS	1% KIA	3,587.18	43,046.18
		2% KIA	3,945.89	47,350.88
		3% KIA	4,325.16	51,901.02

EXHIBIT A-2

Date: September 28th, 2010
To: Graves County Water Board
Attn: Kevin Leonard

Re: Graves County Water Board
 Cost Estimate of Advanced Meter Infrastructure Project
 Proposal for Implementing and Completion of AMI County Project

<u>Quantity</u>	<u>Description</u>	<u>Unit Price(\$)</u>	<u>Total</u>
5000	iPerl 3/4" water meter	100.00	500,000.00
30	iPerl 1" water meter	149.00	4,470.00
10	1.5" Omni com. water meter	667.23	6,672.30
50	2" Omni com. water meter	751.45	35,572.00
3	3" Omni com. water meter	936.70	2,811.00
5	6" Omni T2 com. water meter	3,283.20	16,416.00
3000	520x smartpoints	105.00	315,000.00
2000	520x smartpoints	120.00	240,000.00
5000	Lid Drilling	4.00	20,000.00
7	Mini TGB	35,000.00	245,000.00
7	Installation Cost of TGBs(est.)	5,000.00	35,000.00
7	Buildings w/ Electrical ht & air	6,000.00	42,000.00
7	Backhauls 3.65	5,000.00	35,000.00
3120	4 Employees Labor	25.00 per hr	312,000.00
3120	2 Trucks	15.00 per hr	46,800.00
<u>TOTAL COST</u>			<u>\$1,856,741.30</u>

PROJECTED PAY BACK

<u>LOAN</u>	<u>TERM</u>	<u>RATE</u>	<u>MONTHLY</u> <u>PRIN. & INT.</u>	<u>ANNUAL</u> <u>PRIN. & INT</u>	<u>TERM</u> <u>PRIN. & INT</u>
2,000,000.00	20 YRS	1% KIA	9,197.89	110,374.68	\$ 2,207,493.60
		2% KIA	10,117.67	121,412.04	\$ 2,428,240.80
		3% KIA	11,091.96	133,103.52	\$ 2,662,070.40

EXHIBIT A-3

EXHIBIT E

- Mark Davis -

Date: 24-Jan-11
To: Graves County Water Board
Attn: Kevin Leonard

Re: Graves County Water Board
 Cost Estimate of Advanced Meter Infrastructure Project
 Proposal for Implementing and Completion of AMI County Project

<u>Quantity</u>	<u>Description</u>	<u>Unit Price(\$)</u>	<u>Total</u>
4600	iPerl 3/4" water meter	100.00	460,000.00
30	iPerl 1" water meter	149.00	4,470.00
10	1.5" Omni com. water meter	667.23	6,672.30
50	2" Omni com. water meter	751.45	35,572.00
3	3" Omni com. water meter	936.70	2,811.00
5	6" Omni T2 com. water meter	3,283.20	16,416.00
4600	520m smartpoints	120.00	552,000.00
4600	Lid Drilling or Replacement	6.00	27,600.00
5	S100 TGB	69,750.00	348,750.00
4	Installation Cost of TGBs(est.)	5,000.00	20,000.00
4	Buildings w/ Electrical ht & air	6,000.00	24,000.00
4	Backhauls 3.65	5,000.00	20,000.00
3120	4 Employees Labor	25.00 per hr	312,000.00
3120	2 Trucks	15.00 per hr	46,800.00
1	Upgrade Existing TGB 2-way	30,000.00	30,000.00
<u>TOTAL COST</u>			<u>\$1,907,091.30</u>
Contingency Money 15% of Project			286,063.70
Total Cost Including Contingency Money			2,193,155.00

PROJECTED PAY BACK

<u>LOAN</u>	<u>TERM</u>	<u>RATE</u>	<u>MONTHLY</u> PRIN. & INT.	<u>ANNUAL</u> PRIN. & INT	<u>TERM</u> PRIN. & INT
2,000,000.00	20 YRS	1% KIA	9,197.89	110,374.68	\$ 2,207,493.60
		2% KIA	10,117.67	121,412.04	\$ 2,428,240.80
		3% KIA	11,091.96	133,103.52	\$ 2,662,070.40

EXHIBIT B

MONEY: Presently Graves County Water District is reading all water meters, approximately 3000, on a bimonthly basis. This takes one (1) man 12-14 days to read all districts. The cost is approximately \$5500.00. With AMI, reads can be pinged from the office and will take 2-3 hrs. Reports will be available for high/low use and also checks for leaks.

PRODUCTIVITY: By using AMI, customers will be provided better customer service, a serviceman would not have to go out and turn water on/off. Leaks would also be determined quicker for customers.

ACCURACY: As we all know, even the best meter readers can make mistakes when visually reading meters. Manual reads are hindered by inclement weather, car being parked over meters, leaves covering, etc. AMI reads will not be affected by such adverse conditions. Tampering with meters will also lessen as an alert will notify personnel, thus only small amounts of water would be used illegally.

SAFETY: Our current meter reader drives a large number of miles, starting and stopping along high traffic areas, which increases the danger of traffic accidents. Physical injuries are always a concern when reading meters as meter locations are not always easily accessible.

EXHIBIT C

424.260 Bids for materials, supplies, equipment, or services.

- (1) Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.
- (2) If the fiscal court requires that the sheriff or county clerk advertise for bids on expenditures of less than twenty thousand dollars (\$20,000), the fiscal court requirement shall prevail.
- (3)
 - (a) Nothing in this statute shall limit or restrict the ability of a local school district to acquire supplies and equipment outside of the bidding procedure if those supplies and equipment meet the specifications of the contracts awarded by the Office of Material and Procurement Services in the Office of the Controller within the Finance and Administration Cabinet or a federal, local, or cooperative agency and are available for purchase elsewhere at a lower price. A board of education may purchase those supplies and equipment without advertising for bids if, prior to making the purchases, the board of education obtains certification from the district's finance or purchasing officer that the items to be purchased meet the standards and specifications fixed by state price contract, federal (GSA) price contract, or the bid of another school district whose bid specifications allow other districts to utilize their bids, and that the sales price is lower than that established by the various price contract agreements or available through the bid of another school district whose bid specifications would allow the district to utilize their bid.
 - (b) The procedures set forth in paragraph (a) of this subsection shall not be available to the district for any specific item once the bidding procedure has been initiated by an invitation to bid and a publication of specifications for that specific item has been published. In the event that all bids are rejected, the district may again avail itself of the provisions of paragraph (a) of this subsection.
- (4) This requirement shall not apply in an emergency if the chief executive officer of the city, county, or district has duly certified that an emergency exists, and has filed a copy of the certificate with the chief financial officer of the city, county, or district, or if the sheriff or the county clerk has certified that an emergency exists, and has filed a copy of the certificate with the clerk of the court where his necessary office expenses are fixed pursuant to KRS 64.345 or 64.530, or if the superintendent of the board of education has duly certified that an emergency exists, and has filed a copy of the certificate with the chief state school officer.
- (5) The provisions of subsection (1) of this section shall not apply for the purchase of wholesale electric power for resale to the ultimate customers of a municipal utility organized under KRS 96.550 to 96.900.

Effective: June 20, 2005

History: Amended 2005 Ky. Acts ch. 85, sec. 696, effective June 20, 2005. -- Amended 2000 Ky. Acts ch. 5, sec. 11, effective July 14, 2000; ch. 225, sec. 3, effective July 14, 2000; and ch. 510, sec. 3, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 89, sec. 5, effective July 15, 1996. -- Amended 1992 Ky. Acts ch. 178, sec. 1, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 95, sec. 1, effective July 13, 1990. -- Amended 1982 Ky. Acts ch. 282, sec. 4, effective April 2, 1982. -- Amended 1978 Ky. Acts ch. 197, sec. 12, effective June 17, 1978. -- Amended 1974 Ky. Acts ch. 97, sec. 1. -- Amended 1972 Ky. Acts ch. 147, sec. 1. -- Amended 1960 Ky. Acts ch. 168, sec. 1. -- Created 1958 Ky. Acts ch. 42, sec. 16.