

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MARTIN COUNTY WATER )  
DISTRICT FOR AN ALTERNATIVE RATE ) CASE NO.  
ADJUSTMENT ) 2018-00017

ORDER

On January 16, 2018, Martin County Water District (Martin District) tendered an application (Application) with the Commission, pursuant to 807 KAR 5:076, requesting to adjust its rates for water service. By Order entered January 22, 2018, the Commission notified Martin District that the application was deemed filed and that its request for emergency hearing was granted.<sup>1</sup> On January 23, 2018, Martin County Concerned Citizens, Inc. (MCCC), filed a motion to intervene and, by Order dated February 2, 2018, the request was granted.<sup>2</sup>

On January 26, 2018, a public hearing was held at the Commission's offices in Frankfort, Kentucky, for the purpose of addressing Martin District's request for emergency interim rate relief, pursuant to KRS 278.190(2). On February 28, 2018, a public hearing was held in this case, as well as Case No. 2016-00142,<sup>3</sup> at which evidence was taken to determine whether the request for interim relief met the standard set forth in KRS

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<sup>1</sup> Case No. 2018-00017, *Application of Martin County Water District for an Alternative Rate Adjustment* (ARF), Order setting Emergency Hearing (Ky. PSC. Jan. 22, 2018).

<sup>2</sup> *Id.* ARF, Order Granting Intervention (KY PSC. Feb. 2, 2018).

<sup>3</sup> Case No. 2016-00142, *Investigation of the Operating Capacity of Martin County Water District Pursuant to KRS 278.280* (2016-00142 Investigation) (KY PSC. Sept. 19, 2018).

278.190(2). By Order dated March 16, 2018, Martin District was authorized to place into effect an interim base rate increase of 17.50 percent over current base rates, subject to refund, and a Debt Service Surcharge of \$4.19 per customer per month.<sup>4</sup> Pursuant to the Order, Martin District was required, among other things, to provide monthly updates on its attempt to identify uncollectibles, write off accounts, report on its ability to sell any receivables that were deemed uncollectible by Martin District, and provide monthly revenue and expense reports to the Commission.<sup>5</sup> Additionally, the Order required Martin District to establish a separate, interest-bearing account into which to deposit the proceeds of the surcharge funds; Martin District was to make no disbursement from the surcharge account without explicit permission granted in a Commission Order.<sup>6</sup>

In its Application, Martin District requested rates that would increase annual water sales revenues by \$901,399, a 49.46 percent increase to pro forma present rate water sales revenues.<sup>7</sup>

Commission Staff (Staff), on May 22, 2018, issued a report (Report) summarizing its findings regarding Martin District's requested rate adjustment. In its Report, Staff found that Martin District's adjusted test-year operations support an overall revenue requirement in the amount of \$2,550,788 and that an annual revenue increase in the amount of \$468,392, or 23.70 percent, is necessary to generate the overall revenue requirement.

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<sup>4</sup> ARF, Interim Order (Ky. PSC Mar. 16, 2018).

<sup>5</sup> *Id.* at 13.

<sup>6</sup> *Id.* at 14.

<sup>7</sup> *Id.* Application, Attachment 3, Current and Proposed Rates.

Additionally, Staff's Report included the \$4.19 per customer, per month, Debt Service Surcharge previously ordered by the Commission in the interim Order.<sup>8</sup>

A further public hearing was held in the Investigation Case No. 2016-00142 on May 31, 2018, and additional evidence for this case was taken on Martin District's operations and business practices.

On June 29, 2018, Martin District filed with the Commission its comments on Staff's Report, wherein it objected to four items contained in the Report.<sup>9</sup> Also on June 29, 2018, MCCC filed responses to the Staff Report in which it identified several issues and objections to the Report.<sup>10</sup> On July 2, 2018, Martin District requested that a hearing or informal conference be held. In a separate filing, Martin District requested leave to pay two vital creditors from the surcharge account.<sup>11</sup> Another public hearing was held on August 7, 2018, to receive evidence on the operational status of Martin District and any issues of fact or law that were identified in the objections to the Staff Report. In a post-hearing brief MCCC withdrew several objections to the recommendations in the Staff Report. Further evidence was taken in post-hearing requests for information and at the hearing held on August 29, 2018, in Case No. 2016-00142. Responses to the post-hearing requests for information from the hearing on August 29, 2018, were due on September 19; however, Martin District filed a motion for an extension of 30 days in which

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<sup>8</sup> ARF, Staff Report (Ky. PSC May 22, 2018).

<sup>9</sup> *Id.* Martin County Water District Response to Commission Staff Report (filed June 29, 2018).

<sup>10</sup> *Id.* Martin County Concerned Citizens, Inc. Response to Staff Report (filed June 29, 2018).

<sup>11</sup> *Id.* Motion for Leave to Pay Vital Creditors from the Surcharge Account (filed Mar. 16, 2018).

to respond to the requests for information. The Commission granted Martin District's Motion for Extension on September 19, 2018.<sup>12</sup>

The Commission notes that Martin District Commissioners Kerr and Horn have repeatedly pleaded that the Commission make a decision and expedite the rate review process.<sup>13</sup> But Martin District has not been able to provide a response to requests for basic information and does not explain why it cannot comply with the requests in a timely manner.<sup>14</sup>

On October 10, 2018, Martin District filed in Case No. 2016-00142 a motion for Commission Approval to Pay Indebtedness with Surcharge Funds wherein it laid out three separate options Martin District believed would be appropriate in order to disburse the funds. Of the three options, Martin District requested that option B(1), which involved paying all but four of its largest debts within ten months, be approved by the Commission. By Order dated October 16, 2018, in Case No. 2018-00017, this request was approved. The Order set forth monthly reporting requirements to which the Commission expects Martin District to adhere.

### DISCUSSION

Martin District currently operates in a constant state of emergency and its ratepayers are suffering the dire consequences of decades of poor choices made by its management and commissioners. As a direct result of years of incompetent management and inept decision makers, Martin District's ratepayers have either deficient water service

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<sup>12</sup> 2016-00142 Investigation.

<sup>13</sup> August 29, 2018 H.V.T. at 1:40:57 and 2:00:20.

<sup>14</sup> 2016-00142 Investigation, Martin County Water District's Motion for Extension of Time (filed Sep. 13, 2018).

or no water service at all. Nina McCoy, a member of MCCC, recently pleaded to a national news outlet that the Commission needs to “get it right this time.”<sup>15</sup> The Commission has considered the public comments and is making every effort to solve the problem Martin District has presented. The Commission’s remedy proposed herein is based upon the unique facts presented, with the understanding that there are other water districts of the same size that are operating and providing clean water services. It is important to the Commission that, in order to avoid a repetition of prior bad decisions, there is a full understanding of how Martin District came to this extreme crisis.

There is a pattern of bad management at Martin District. And while the problems that exist at Martin District have multiple and complex root causes, the Commission is limited to addressing those items within its administrative control. The Commission takes responsibility for missing its opportunity to take possible disciplinary action against Martin District commissioners in 2011, and again during investigations and reviews that preceded the current investigation case when Staff discovered that Martin District did not follow the Commission’s recommendations ordered in 2011.<sup>16</sup> At this point, it would be counterproductive to take any disciplinary action against the current commissioners, who are attempting to fight for Martin District’s survival. Similarly, any fines levied against the utility would serve to increase the burden on the ratepayers, which the Commission has acknowledged is unacceptable.

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<sup>15</sup> Lonsdorf, K. (NPR News), Heard on “All Things Considered”, Shapiro, A. (Host). (2018, Sep.13). Kentucky County Water Crisis [Radio Broadcast episode]. <https://www.npr.org/2018/09/13/647559499/kentucky-county-water-crisis>.

<sup>16</sup> Case No. 2010-00300, *Application of Martin County Water District for Approval of a Proposed Increase in Rates for Water Service* (Ky. PSC July 7, 2011); 2016-00142, Investigation.

The Commission has explored receivership or merger as options and acknowledged in its Interim Order that these options would require a rate increase in conjunction with the dissolution of Martin District. Accordingly, the Commission finds that the structured plan put forth below is an attempt to save Martin District from collapse, with the understanding that Martin District will either comply with the requirements of this Order or face receivership or forced merger. As stated in the Interim Order of March 16, 2018, the Commission is faced with the unenviable necessity of approving a rate increase upon the citizens of one of the poorest counties in Kentucky, while the majority of Martin District's ratepayers have been paying for deficient or unacceptable water service for years. A rate increase seems counterintuitive, except under the current threat of losing water service completely if rates are not increased. The situation is grim and desperate, and the Commission acknowledges that nothing less than access to safe and reliable drinking water is at stake.

The final order in an alternative rate case filing is normally the Commission's opportunity to discuss and resolve both any outstanding issues regarding the application and any additional issues that arose in the course of Staff's investigation of the proposal filed by the utility. This final order will not be such a final resolution; instead, it is a part of the process to bring Martin District back from the brink of collapse.

Over the approximately nine months since this rate increase was proposed, the Commission has taken evidence, conducted six hearings, and requested materials in an effort to understand and address the problems that have caused the utility to present itself to the Commission on the verge of collapse. The Commission has incorporated the record in Case No. 2016-00142, Investigation of the Operating Capacity of Martin County

Water District Pursuant to KRS 278.280<sup>17</sup> into the record of this case, Further, the Commission noted Martin District's history of "ineffective management" in its Interim Order of March 16, 2018.<sup>18</sup> Nothing has transpired since the March 16, 2018 Order to alter the Commission's assessment of Martin District's condition.<sup>19</sup>

While the January 2018 crisis that occurred as this case was filed has passed, Martin District has continued to suffer equipment problems. The financial state of the District has not improved and remains critical despite the implementation of the emergency rate increase.<sup>20</sup> The evidence presented by Martin District in this case is replete with acknowledgments of the critical state of the utility, but a workable solution will require more than a handful of civic-minded individuals volunteering to put in hours of unpaid time in an attempt to address years of bad management and undo decades of public mistrust.

The Commission understands there is no quick resolution to the accumulated problems and acknowledges that several Martin District representatives working throughout this rate case have been forthcoming and well-intentioned. Martin District, MCCC, and the ratepayers who have expressed public comment clearly all share an intention to provide safe and reliable water services to the people of Martin County and a

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<sup>17</sup> 2016-00142 Investigation.

<sup>18</sup> ARF, Interim Order (Ky. PSC Mar. 16, 2018) at 3.

<sup>19</sup> "The record shows that Martin District's current state of disrepair and inadequate service is a result of past conduct, including bad business practices, and ineffective management and leadership, that allowed the facilities required to provide adequate, efficient, and reasonable water service to ratepayers to deteriorate without proper maintenance. That past conduct has left Martin District on the brink of financial insolvency and, in its current state, unable to address even immediate routine repairs." *Supra, at ft. nt. 1, Interim Order*, March 16, 2018 at 7.

<sup>20</sup> August 7, 2018 H.V.T. at 10:57:57.



desire to make the right decisions. At the January 26, 2018 hearing, Nina McCoy provided public comment on behalf of MCCC and the ratepayers of Martin County regarding the dire conditions that ratepayers were suffering due to the lack of water service and the poor relationship between the ratepayers and Martin District.<sup>21</sup> Ms. McCoy testified at the August 7, 2018 hearing that Martin District has made a great effort to improve its relationship with the ratepayers and, in doing so, has provided better communications about the efforts it has made to improve services.<sup>22</sup> The Commission has been very candid that Martin District's existence as a utility is at issue in this rate case, and that the utility is distinct from the individual commissioners or employees of the utility.

Martin District has suffered from bad management. Any future for Martin District must include a new manager. Despite the general acknowledgment of that fact throughout this proceeding, Martin District has yet to hire a new general manager. Martin District witness Gregory Heitzman testified that bad management created the crisis state in which Martin District finds itself.<sup>23</sup> The utility must have a structure in place to guide the actions of the commissioners and employees so that better practices continue beyond any one commissioner's term or after an employee has left the organization. Martin District's operations suffer from multiple deficiencies in organization and policies, or lack thereof. Martin District requires strong leadership and proper business practices, and owes transparency to its ratepayers. Proper management, however, is the first

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<sup>21</sup> January 26, 2018 H.V.T. at 9:40:15.

<sup>22</sup> August 7, 2018 H.V.T. at 5:04:12.

<sup>23</sup> January 26, 2018 H.V.T. at 2:57:17-2:57:33 and August 7, 2018 H.V.T. at 5:40:57-5:52:11.



requirement if Martin District is to begin to make choices that will put lasting policies in place to secure the future of safe, reliable drinking water for its ratepayers. In short, Martin District needs a skilled general manager who is qualified to assemble and execute a plan for Martin District. To date, Martin District has demonstrated that it is unwilling or unable to hire such a general manager. Therefore, the Commission finds that Martin District should seek proposals from professional management companies to run its operations.

Martin District Commissioner J. D. Kerr testified that the Commission should “trust” Martin District and grant a rate increase.<sup>24</sup> The issue of trust is a recurring theme in testimony in this case. The erosion of trust between Martin District and its ratepayers will not be remedied quickly. Martin District will build trust only by implementing policies that make the utility’s practices transparent and by instituting an organization that leaves no room for confusion or obfuscation. Martin District’s hiring of a competent, qualified, and skilled management company will be a crucial step in the process of restoring trust with the public by demonstrating that Martin District has the wherewithal to make the necessary decisions that ensure safe, reliable drinking water for the ratepayers of Martin County. MCCC has acknowledged Martin District’s efforts to build the trust with its ratepayers. Trust has an important role in public service and is a by-product of good management and transparency. However, the Commission’s findings herein must be and are based upon the facts in the record. To be clear, the Commission’s approval of this rate increase is, decidedly, not based upon trust, but rather upon circumstances that demand the Commission respond to a critical situation with an unprecedented

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<sup>24</sup> August 29, 2018 H.V.T. at 2:02:30.

accountability structure that enables ratepayers to receive safe and reliable water service while having an assurance that the increased revenues are used reasonably and efficiently to keep Martin District functioning.

This rate increase will address the base rate requirements of the district. Additionally, the Commission finds that payment of past debts and infrastructure investment need to be structured through surcharge funds, with the release of those funds contingent on whether the utility meets the requirements for hiring a qualified management company and for filing a sufficient and detailed plan for reasonable and proper use of the funds. To that end, Martin District filed a detailed plan, accepted by the Commission by Order of October 16, 2018, by which Martin District will pay its past debts methodically and report monthly to its adherence to the filed plan.<sup>25</sup> Martin District is in greater need of a skilled general manager than larger water districts that have more customers and can better afford a general manager with the training required to address the dire crisis state in which Martin District operates. Utilities have a duty to come in for periodic rate increases in order to maintain adequate facilities and services for their ratepayers. Utilities have a duty to use depreciation assets for infrastructure maintenance and not for operations. Therefore, all utilities require a general manager who is trained to fulfill these fundamental duties and capable of implementing policies to carry these duties out. Martin District needs a general manager with not only these basic abilities, but additionally the capacity to perform in the extreme circumstances that exist in Martin District and the skills to address the political and cultural norms that pressured the past management into the poor decisions that led Martin District to the current crisis. Martin

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<sup>25</sup> ARF, Surcharge Order (Ky. PSC Oct. 16, 2018).

District has failed to extend an offer to a general manager from the District's own pool of possible candidates. The Commission lacks confidence in Martin District to hire a candidate so skilled. Therefore, the Commission finds that Martin District accept proposals and, upon supporting its basis for doing so, extend an offer to a neighboring water system to provide contract management, or to a private company to provide contract management.

In addition to the routine review of Martin District's operations involved in a rate case and because of its responsibility to both the ratepayers and to the utility to foster the provision of safe and reliable service at a reasonable price, the Commission has allowed the MCCC to intervene and reviewed public comments filed in the record. The Commission has worked to guide, suggest, and request better record-keeping procedures for Martin District. The Commission has required that Martin District implement policies designed to better serve the utility and its ratepayer and that will continue beyond the terms of the current commissioners or office management.

The Commission is statutorily authorized to foster safe and reliable service at a reasonable price, while also providing for the financial stability of the utility by setting a fair and just rate to support its operations. The oversight approved herein is a direct response to MCCC and ratepayer demands for transparency and revision of failed past practices, including accepting transactions made without board approval by individuals representing the utility, and an absence of policies to document the utility's operations and transactions. The Commission has candidly discussed some of the reforms needed to change the culture that has led Martin District to operate without accountability to its ratepayers. Considering all the evidence presented in the record, the Commission has

approved a rate increase specifically and uniquely structured to the facts of this case. Ratemaking is prospective in nature and in order to ensure that Martin District survives, the rate increase has been structured to provide the most oversight available.

The Commission is approving a rate increase that is structured specifically to include a base rate increase and two surcharges that are contingent upon specific actions being taken by Martin District. MCCC objected in its response to the Staff Report to the use of a surcharge; however, MCCC subsequently withdrew its objection in its Post-Hearing Memorandum following the August 7, 2018 public hearing.<sup>26</sup> The Commission approved the debt service surcharge in its March 16, 2018 Order, but additionally will now require Martin District to extend an offer to a neighboring water system to provide contract management, or to a private company to provide contract management. If such an offer is not received by the Commission by January 30, 2019, Martin District will no longer be able to collect the debt service surcharge and Martin District will be ordered to refund the remaining collected surcharge amounts.

The Commission also creates an additional surcharge to be utilized exclusively for retaining a management company, as well as infrastructure repair, replacement, and maintenance to address its water loss issue. But the District will not begin collection of the management and infrastructure surcharge unless and until it presents a plan for this surcharge, to include executing a reasonable contract with a management company and implementing repair, replacement and maintenance to its system, and such plan is approved by the Commission. The plan must include prioritization and details of the disbursement of management and infrastructure surcharge funds. Martin District will

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<sup>26</sup> *Id.* Martin County Concerned Citizens, Inc.'s Post-Hearing Memorandum, August 24, 2018, at 5.

have one year from the date of this Order in which to submit the management and infrastructure surcharge plan.

### WATER LOSS

The Commission notes that Martin District reported test-year unaccounted-for water loss to be 64.37 percent. Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. On April 11, 2016, the Commission established Case No. 2016-00142, Investigation of the Operating Capacity of Martin County Water District Pursuant to KRS 278.280<sup>27</sup> to investigate the deficiencies identified in the Commission's December 12, 2014 Inspection Report, Martin District's compliance with the Required Action plan set forth in Appendix A of the Commission's April 2, 2008 Order in Case No. 2006-00303,<sup>28</sup> and the allegations of deficiencies identified by Gary Ball through his complaint, which, among other things, pointed out Martin District's problems with excess water loss.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. Martin District's current financial difficulties could be partially eliminated by reducing unaccounted-for water loss to 15 percent. The Commission has heard evidence on Martin District's plans to pursue reasonable actions to reduce its unaccounted-for water loss. Potentially, Martin

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<sup>27</sup> 2016-00142 Investigation.

<sup>28</sup> Case No. 2006-00303, *An Investigation Into the Management and Operation of Martin County Water District* (Ky. PSC Apr. 2, 2008).

District ratepayers are paying \$1.19 per 1,000 gallons purchased<sup>29</sup> for expenses associated with unaccounted-for water loss greater than 15 percent.

### BACKGROUND

Martin District is a water district organized pursuant to KRS Chapter 74. It owns and operates a water distribution system through which it provides water service to approximately 3,243 customers that reside in Martin County, Kentucky.<sup>30</sup> Martin District's last general rate adjustment was filed in 2010.<sup>31</sup>

### TEST PERIOD

The calendar year ended December 31, 2016, was used as the test year to determine the reasonableness of Martin District's existing and proposed water rates, as required by 807 KAR 5:076, Section 9.

### STAFF'S FINDINGS

In its Application, Martin District proposed adjustments to revenues and expenses to reflect current and expected operating conditions. In its Report, Staff modified some of the proposed adjustments and proposed additional adjustments. The Commission accepts the findings contained in the Staff Report but makes modifications to take into

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Expense Reduction to Cost of Water	\$ 253,263
Divide by: 2016 Gallons Sold (in 000s)	<u>212,317</u>
Cost per Gallon Sold	<u>\$ 1.19</u>

<sup>30</sup> *Annual Report of Martin County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016* ("Annual Report") at 12 and 48.

<sup>31</sup> Case No. 2010-00300, *Application of Martin County Water District for Approval of a Proposed Increase in Rates for Water Service* (Sep. 8, 2010).

consideration additional evidence presented by Martin District in its response to the Staff Report and responses to Staff's requests for information as explained below.

SUMMARY OF REVENUE AND EXPENSES

Due to an increase in the CERS contribution rate to 21.48 percent as of July 1, 2018, as evidenced in Exhibit 1 of Martin District's response to the Staff Report,<sup>32</sup> the Commission finds that Operating Expenses should be adjusted by \$23,682.

Uncapitalized Salaries and Wages - Employees	\$	492,184
Times: 21.48 CERS Contribution Rate		21.48%
Pro Forma CERS Contribution		105,721
Less: Test-Year Contributions per Staff Report		(82,039)
Adjustment	\$	23,682

The revenue requirement as calculated by Staff in its Report included both wholesale sales revenue and the expenses that were related to water produced and transported for wholesale customers. As the present case solely involves retail rates, only retail sales should be included in the calculation of the revenue requirement. The Commission finds that operating revenue and expenses should both be reduced by \$62,792, the amount of wholesale sales revenue.

Taking into consideration the two adjustments described above, the Commission finds Martin District's pro forma operations should be adjusted as follows:

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<sup>32</sup> ARF, Martin County Water District Response to Commission Staff Report (June 29, 2018), Exhibit 1.



	Staff Pro Forma Operations	Adjustments	Adjusted Pro Forma Operations
Operating Revenues	\$ 1,976,037	\$ (62,792)	\$ 1,913,245
Operating Expenses	<u>2,301,968</u>	<u>(39,110)</u>	<u>2,262,858</u>
Net Operating Income	(325,931)	(23,682)	(349,613)
Interest Income	<u>293</u>	<u></u>	<u>293</u>
Income Available for Debt Service	<u>\$ (325,638)</u>	<u>\$ (23,682)</u>	<u>\$ (349,320)</u>

### REVENUE REQUIREMENTS

Based upon the Commission's findings and determinations herein, Martin District requires an increase in base rate revenues of \$492,074, or 25.72 percent above pro forma present rate revenues, as shown below:

Pro Forma Operating Expenses	\$ 2,262,858
Plus: Average Annual Principal and Interest Payments	209,998
Additional Working Capital	<u>38,822</u>
Overall Revenue Requirement	2,511,678
Less: Other Operating Revenue	(106,066)
Interest Income	<u>(293)</u>
Revenue Required from Rates	2,405,319
Less: Pro Forma Present Rate Service Revenues	<u>(1,913,245)</u>
Required Revenue Increase	<u>\$ 492,074</u>
Percentage Increase	<u>25.72%</u>

### SURCHARGE

The Commission has structured the rate increase approved for Martin District to address the concerns of the Commission, MCCC, and the public in general with respect to transparency, oversight and accountability. The base rate increase and two

surcharges taken as a whole address these issues and constitute a prospective attempt to stabilize the utility and prevent its collapse. The extraordinary circumstances surrounding this matter present the Commission with a difficult decision to make and several interests to balance. Chiefly, the people of Martin County deserve safe and reliable water service, and they will not benefit from water service from Martin District if it is unable to operate, leaving every customer without water service. As explained in the March 16, 2018 Order, Martin District's contract accountant, Linda Sumpter, has testified to the critical state of Martin District's finances and to the changes its commissioners had instituted in collecting payments, approving expenditures, and providing documentation. Ms. Sumpter testified again at the August 7, 2018 hearing that despite efforts to cut expenses and changes to policies, Martin District required the proposed rate increase to continue operating.<sup>33</sup> Her opinion was echoed by Martin District's commissioners and witnesses, including Alan Vilines of Kentucky Rural Water and Gregory Heitzman of BlueWater.<sup>34</sup> Mr. Vilines and Mr. Heitzman also testified that the extraordinary state of Martin District is beyond comparison to any other encountered in their years of experience in the field.<sup>35</sup>

The rate increase approved here is prospective and has been carefully structured to address the facts of this case and the desperate needs of Martin District by providing maximum oversight for the ratepayers of Martin District. The two surcharges are

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<sup>33</sup> August 7, 2018 H.V.T. at 3:37:12.

<sup>34</sup> August 7, 2018 H.V.T. at (Vilines) 57:48, 57:38, 1:20:49; (Kerr) 1:28:38, 1:28:52; (Sumpter) 3:37:12; (Heitzman) January 26, 2018 H.V.T. at 2:57:17-2:57:33.

<sup>35</sup> August 7, 2018 H.V.T. at (Vilines) 57:33, 58:06-58:12; and (Heitzman) January 26, 2018 H.V.T. at 2:56:20, 2:57:17-2:57:33.

temporary and not built into the base rate. Despite early objections to the surcharge and claims that it was inappropriate retroactive ratemaking, MCCC has withdrawn its objection to the debt-service surcharge.<sup>36</sup> Nina McCoy testified to her preference for the restrictive nature and oversight benefits of the debt service surcharge approved in the March 16, 2018 Order. MCCC suggested a “capital improvements surcharge” to fund a specific plan to reduce Martin District’s water loss to below 15 percent.<sup>37</sup>

Although MCCC has withdrawn its objection, the Commission finds that the extraordinary facts involved in this case distinguish it from cases such as Case No. 2012-00140,<sup>38</sup> in which the Commission denied a request for a surcharge from an investor-owned, for-profit entity that presented no evidence that it was on the verge of collapse. The two surcharges provide Martin District with distinct streams of funding which are temporary and used solely to address debt-service, management, and infrastructure needs to reduce unaccounted-for water loss. In combination with the base rate increase, the rate increase as a whole is required to support continued operations at Martin District. As structured, the rate relief approved herein is prospective and does not constitute inappropriate retroactive ratemaking, as it is required in order to allow the utility to

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<sup>36</sup> ARF, MCCC’s Post-Hearing Brief at 5. MCCC claimed previously that the debt service surcharge constitutes retroactive ratemaking which violates Commission precedent and cites Case No. 2012-00140, *Alternative Rate Filing Adjustment Application of Johnson County Gas Company*. The extraordinary facts involved in this case distinguish it from the Johnson County Gas Company. The two surcharges in addition to the base rate increase have been utilized to provide a distinct stream of funding that is temporary and used solely to address debt-service and infrastructure needs required to support continued operations at Martin District.

<sup>37</sup> *Id.* MCCC’s Post-Hearing Brief, at 7.

<sup>38</sup> Case No. 2012-00140, *Alternative Rate Filing Adjustment Application of Johnson County Gas Company* (Ky. PSC June 18, 2013).

continue functioning.<sup>39</sup> Additionally, the structured rate increase in its totality does not violate the rule against single-issue ratemaking because the two approved surcharges and base rate increase have not been considered in isolation, but designed in consideration of all revenue and operational requirements and to provide the revenue required to allow Martin District to continue operating.<sup>40</sup> The Commission has previously approved the use of a surcharge to address unaccounted-for water loss in Case No. 2011-00217,<sup>41</sup> and directed the opening of a case to develop a plan and monitor the use of that surcharge in Case No. 2014-00267.<sup>42</sup> Additionally, MCCC proposed the use of a particular type of surcharge used in Case No. 96-00126<sup>43</sup> and asked for the specific reporting requirements instituted in that case to be used if a surcharge for capital improvements is used.

The record quite starkly shows that Martin District is in crisis and that the utility is on the verge of collapse. The evidence shows that Martin District is struggling to maintain services to the ratepayers despite having received an interim emergency rate increase in January that was intended to address its immediate needs and stabilize its financial

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<sup>39</sup> Facts are distinguishable from Case No. 2005-00057, Office of the Attorney General Commonwealth of Kentucky v. Atmos Energy Corporation February 9, 2007 and Case No. 94-453, *Big Rivers Electric Corporation's Proposed Mechanism to Credit Customers Amounts Recovered in Judicial Proceedings Involving Fuel Procurement Contracts*.

<sup>40</sup> Case No. 2015-00417, *David Shouse and Brian Shouse, D/B/A Shouse Farms, and Bryan Hendrickson, D/B/A Hendrickson Grain and Livestock, LLP v. Kentucky Utilities Company*, (Ky. PSC June 29, 2016) at 12-13.

<sup>41</sup> Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June 4, 2012).

<sup>42</sup> Case No. 2014-00267, *Cannonsburg Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring*, (Ky. PSC Aug. 7, 2014).

<sup>43</sup> Case No. 96-00126, *In the Matter of an Investigation into the Operations and Management of Mountain Water District*, (Ky. PSC Aug. 11, 1997).

condition. The Commission has repeatedly advised Martin District to hire a general manager, requested new policies, and requested development of an improvement plan, to no avail. This rate increase has been structured so that Martin District's current commissioners will either comply with the requirements of the rate increase and will proceed with contracted management, or the Commission will be forced to pursue even more extraordinary means through appointment of a receiver who can implement the changes needed to provide safe, clean, and reliable water service.

#### RATE DESIGN

The Commission finds that in the absence of a cost-of-service study the proposed across-the-board method is an appropriate and equitable method to allocate the increased cost to Martin District's customers. The base rates in the Appendix attached to this Order will produce water rate revenues of approximately \$2,405,319. The rates in the Appendix for the debt service surcharge will produce annual revenues of approximately \$163,187. The revenue requirement is determined herein to be reasonable by the Commission. This will increase the monthly bill of a typical residential customer using 4,000 gallons to \$54.37, an additional increase of \$3.30 above the emergency rate granted in the March 16, 2018 Order. That brings the total increase to \$14.47, or 36.27 percent, above the \$39.90 average monthly bill prior to the inception of this case. If the management and infrastructure surcharge of \$3.16 per customer per month goes into effect after one year, a typical residential customer's bill would be \$57.53, or an increase of 44.19 percent.

## SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The Commission has historically used a DSC method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Application of the Commission's DSC method to Martin District's pro forma operations results in an Overall Revenue Requirement in the amount of \$2,584,279. A revenue increase of \$564,675 from base water service rates is necessary to generate the overall revenue requirement.
3. The water service rates proposed by Martin District should be denied.
4. The water service rates and surcharge set forth in Appendix A to this Order are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report, with the exception of the modifications described above, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The rates proposed by Martin District are denied.
3. The rates set forth in Appendix A to this Order are approved for services rendered by Martin District on and after the date of this Order.
4. On or before January 30, 2019, Martin District shall, through the services of its current outside independent consultant:

a. Prepare and issue a Request for Proposal (RFP) for operational management services to entities, which specialize in providing such services, including but not limited to those entities identified in Appendix B.

b. Present to this Commission a copy of each RFP issued by Martin District and each response to the RFP received by Martin District.

c. Analyze, with the assistance of its outside independent consultant, each proposal received, based on factors including, but not necessarily limited to, costs and qualifications, and rank each proposal in order of preferred proposal.

d. Submit to the Commission a written report that discusses the results of the RFP solicitation for the operational management of its water utility, including a detailed analysis supporting its preferred proposal.

e. If Martin District fails to provide to this Commission the RFPs and all responses to RFPs, together with the written report with supporting detailed analysis, by January 30, 2019, or if the Commission determines that the proposal preferred by Martin District is not in the best interest of either Martin District or its ratepayers, the Debt Service Surcharge granted to Martin District in this case shall automatically terminate, become null, void and of no further effect and all funds remaining in the surcharge account shall be returned to customers pro rata.

5. No later than one year from the date of this Order, Martin District shall submit a plan, to be approved by the Commission, for the retention and compensation of contract management and the repair, replacement, and maintenance of its water distribution system, to be paid for in whole or in part from collection of a management and infrastructure surcharge in the amount of \$3.16 per customer, per month. The plan must



include a schedule of priorities for disbursement of the funds collected from the management and infrastructure surcharge. If no such plan is filed by the required date or if it is filed and deemed insufficient by the Commission, the approval for use of a management and infrastructure surcharge shall become automatically null, void and of no effect whatsoever.

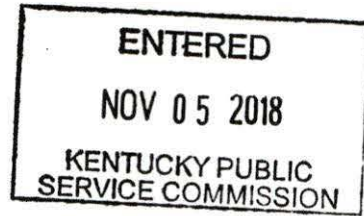
6. Within 20 days of the date of this Order, Martin District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

7. This case shall remain open for all purposes deemed by the Commission to be either necessary or advisable to implement, supplement and enforce the terms of this Order.

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By the Commission

Chairman Michael J. Schmitt Concurring



ATTEST:

A handwritten signature in blue ink, appearing to read "Steve R. Punsor". The signature is written in a cursive style and is positioned above a horizontal line.

Executive Director

Concurring Opinion of Chairman Michael J. Schmitt  
in Case No. 2018-00017

While I endorse, without reservation, the unanimous opinion expressed in the Commission's order, I have written this concurring opinion in an attempt to place the current state of the Martin County Water District (Martin District) in historical context. Records on file at the Public Service Commission (Commission) place the genesis of the now-decayed infrastructure of Martin District's water system as being sometime in 1962. From that time forward, it has always been known that water mains and service lines have a limited useful life of between 50 and 75 years under the best of circumstances. In eastern Kentucky, the useful life of water mains and service lines is known to sometimes be less than average due to rough terrain and excessive water pressure resulting from severe differences in elevation along the pipeline.

Over the years, those placed in charge of Martin District have made little meaningful effort, if any, to repair and replace aging and worn out infrastructure, in order to maintain an adequate level of service to their customers. On the contrary, they have deliberately refused to pursue sources of revenue, including reasonable rate increases, that are needed to fund the periodic replacement of old pipelines and worn out pumps and equipment before they cease to function altogether. As a consequence, much of the system has either totally collapsed or appears on the verge of collapse.

For instance, Martin District has been unable to consistently, since the construction of the federal prison at the Honey Branch Industrial Park, provide its share of the water required by that facility and other customers served by the same water main. Instead, Martin District relies on purchases from the Prestonsburg City Utility Commission to meet the customer demand. Furthermore, an existing water main, which will supply water to

the new Martin County High School presently under construction, is undersized to such a degree that water can be pumped into the tank on site only during evening hours, when water usage by other customers is low.

Regular breaks in Martin District's water mains and leaks in its service lines have caused many customers to live without safe, clean, drinking water and sometimes without any water at all for extended periods. Residents have complained for years that the water smells and is sometimes dirty. A CNN report on March 30, 2018, quoted some customers as saying that the water coming from their taps was brown and cloudy, while others said it smelled like diesel fuel and looked like blue Gatorade®. A recent letter to the editor of the local newspaper described the tap water as looking like what you see when you blow your nose. Customer videos posted online seem to confirm those descriptions. In a letter written to the Commission in May 2011, retired Eastern Kentucky Bureau Chief for the Lexington Herald-Leader, Lee Mueller, claimed that Martin District bought bottled water for its employees working at its Inez office at ratepayer expense. An article appearing in the May 18, 2017 issue of the Christian Science Monitor under the headline "*The Place In America Where (Almost) No One Drinks Their Tap Water,*" noted packs of bottled water for consumption by office employees stacked next to filing cabinets at the Martin District's headquarters. A recent monthly water loss report filed with the Commission revealed that 72 percent of the water produced by the system was lost through leaking water pipes and that only 28 percent was actually capable of being delivered to customers. CNN recently quoted an official with the Kentucky Rural Water Association as saying that because of the leaks, Martin District has been unable to flush its water lines clean for years.

Sadly, these problems are nothing new to the residents of Martin County, but rather represent a continuation of mismanagement of the county's only water utility for more than two decades. In its 1997 Annual Report filed with the Commission, Martin District listed non-revenue water loss in section A of its system at 50.2 percent, and at 27.2 percent in section B. In response to the report, the Public Service Commission dispatched a financial audit team to review records and make recommendations. The team's report noted that water loss from the pipes in section A had increased every year from 17.7 percent in 1994, to 34.2 percent in 1995, and to 37.4 percent in 1996. Water pipes in section A were placed in the ground no earlier than 1976 and Martin District officials opined that the problems may have been caused by excessive water pressure or defective pipe. Ninety-five percent of the system's work orders were to repair leaks in service lines. Martin District officials pledged to initiate systematic repair and replacement of lines to remedy the water loss.

On April 5, 2002, the staff of the Commission issued a utility inspection report, which described the results of an inspection of Martin District's facilities on April 4, 2002. The inspection revealed a water treatment plant in a general state of disrepair. As a result of the inspection report, the Commission initiated an investigation into the conditions described in the report and the long-term actions that would be necessary to ensure the continuation of service to Martin District customers. This investigation was subsequently expanded to include an assessment of the condition of Martin District's operations and management. At the conclusion of the investigation, a settlement agreement was reached between the water utility and the Commission staff, which was approved in a final order of the Commission in Case No. 2002-00116, dated November 17, 2003. In the

order, the Commission noted that the settlement agreement was not only intended to address present operational issues, but was also to “prescribe a manner in which Martin District may ensure the long term health and viability of the system.” The settlement agreement, which was incorporated into the Commission’s final order, was signed by Martin District’s Chairman at the time, Greg Scott. Included among the 43 action items the utility agreed to undertake to ensure its continued viability as a public water producer and distributor, were the following:

1. Elect a member of its commission as treasurer who shall sign all checks issued by the Martin District.
2. Implement appropriate procedures for management’s review of invoices including matching invoices and purchase orders.
3. Submit to the Commission proposed internal controls to ensure that work orders are completed and that all information on such orders is correct.
4. Discontinue water service to customers who fail to pay their bills.
5. Martin District board of commissioners shall be required to attend at least 12 hours of certified water district training biannually.
6. Develop a policy requiring its general manager and all office employees to attend 10 hours of training by August 31, 2004, or within 18 months.
7. Adopt the Kentucky Model Procurement Code for procurement decisions.
8. Develop written leak detection procedures, which include procedures to prepare meaningful water loss reports on a monthly basis.

Most of the items agreed to were ignored by management and the operational status of the utility continued to decline.

In 2006, an independent assessment of Martin District by outside evaluator Judith Hansen concluded that “the single biggest issue facing the Martin County Water District is high unaccounted for water. It is contributory to increased costs, makes regulatory compliance more challenging, and prevents staff from optimizing treatment operations.” Hansen opined that Martin District needed to undergo a “formal and comprehensive water audit.” A subsequent Management and Process Audit of Martin District was prepared for the Commission by Barrington-Wellesley Group, Inc., and was submitted on June 14, 2007. The Management Audit Action Plan found a number of operational deficiencies within the system and recommended changes designed to remedy those deficiencies. It also provided a cost-benefit analysis as well as an expected date by which the recommended improvements could be achieved. The action plan also contained Martin District’s response to each recommended action by noting whether it was approved, approved with exceptions, or rejected. Among the findings and recommendations contained in the 78-page action plan were the following:

1. Increase rates, as revenue was inadequate to support utility operations.
2. Increase inventory for plant materials and supplies, which totaled only \$17,529.00 at the end of 2006.
3. Develop a comprehensive water-loss reduction program. Water-loss reports demonstrated that of all water pumped to the water plant, chemically treated and pumped into distribution lines, 65 percent was lost to leakage in 2005, and 55 percent was lost in 2006. It was pointed out that these water losses were not reasonable in light of the Commission standard that water losses shall be less than 15 percent, and that the Martin District could meet that standard within three years.



4. Implementation of a preventive maintenance program, including an upgrade of the leak detection and repair program as Martin District had no organized preventive maintenance program and operated largely on a “repair it when it breaks” mode.

5. Develop and implement a long-term plan to reduce the system’s vulnerability to supply disruptions. Implementation was expected to take five years.

6. Prioritize a water-loss reduction program over system expansion until water losses are reduced to 15 percent or less. There was no capital budget and no formal capital program planning process.

7. Improve procedures to identify theft of service. Customers found to have been involved in the theft of service are not prosecuted. The time necessary to implement this measure was listed as one year.

8. Improve the collection of past due accounts. “The district has not sent out disconnect notices for six months. As a result, no customers have had their service disconnected for non-payment during that time . . . The district does not call customers in an attempt to collect past due balances and does not turn accounts over to collection agencies.” The time frame for correcting this deficiency was one to two years.

9. Consider increased regionalization to achieve economies of scale and reduce vulnerabilities to supply and personnel interruptions. “Martin County Water District lacks adequate scale to provide consistently all professional functions necessary, such as engineering, laboratory, book keeping and pollution control. . . . Martin County Water District lacks significant scale to leverage lower costs from suppliers and cannot maintain a full inventory of materials.”

10. Have an external audit performed on an annual basis.

All recommendations (other than those contained in number 9) were agreed to, but none were performed with the exception of commissioning an annual audit.

A report prepared by staff from the University of Kentucky and Eastern Kentucky University, dated October 22, 2006, and titled "*Assessment of Finished Water, Public Water System: Martin County, Kentucky*," concluded in part that high levels of leakage led to overuse of the water treatment plant, which adversely affected the water quality.

The Commission entered a final order in Case No. 2006-00303, *Investigation into the Management and Operation of the Martin County Water District*, on April 2, 2008. The order required the Martin District and its water board commissioners to implement the changes recommended in the 2007 Management Audit and provided that "[t]he members of the Martin District's Board of Commissioners, individually and collectively are responsible for ensuring that Martin District undertakes the actions set forth in Appendix A in a timely manner." Greg Scott, the present interim manager, was a water district commissioner at the time the order was entered. Mr. Scott and his fellow commissioners did not institute the changes contained in the order.

On December 11, 2011, Martin District finally filed with the Commission its written plan to reduce water loss by replacing leaking infrastructure. Typical of management, however, the plan was dependent on making repairs "as funds become available." Management made no significant effort to obtain funds until it filed the current rate case in January 2018. By that time, its efforts were too little and at least ten years too late. Had Martin District sought and obtained incremental rate increases augmented by a time-limited infrastructure replacement surcharge beginning in 2007 or 2008, the citizens of Martin County could today be the beneficiaries of a clean and reliable supply of potable

water. Martin County citizens could be receiving water now from newly installed pipes, tanks, and pumps at a cost likely to have been substantially less than what they can now (and in future years) expect to pay for poor service and poor water quality while the system is upgraded to acceptable standards.

The residents of Martin County are unfortunately the captive customers of what most certainly has been, over the last two decades, the most poorly operated water district in the state of Kentucky. Over the years, Martin District has intentionally ignored the efforts of the Commission and the suggestions of numerous experts by refusing to take the actions needed to prevent the debacle it now faces. Martin District failed to seek timely rate increases, failed to use its income for capital improvement projects it knew or should have known were required to maintain operational integrity, did nothing to reduce water loss, and did little to collect from customers who refused to pay their bills or to discontinue their service for persistent non-payment. The theft of water was a known problem, but prosecution for such thefts was not pursued. Adequate inventory was not maintained, and while external audits were commissioned, recent audit reports (2016 & 2017) have not been received due to Martin District's unwillingness or inability to pay for professional outside accounting services. Martin District currently is more than \$1.1 million in debt to its vendors, with no end of deficits in sight. It has been estimated that it will take between \$13.5 million and \$15 million to overhaul the system completely, and Martin District must now look to the state and federal governments for a massive bailout while significantly increasing rates for its long-suffering customers. An expert witness for the Martin District, Alan Vilines, testified that Martin District's desperate financial condition

resulted from insufficient revenue due to the failure to seek timely rate increases and a lack of proper management of the revenue it did receive.

This self-inflicted dilemma cries out for a swift and decisive resolution by a responsible regulatory authority. Unfortunately, our present statutory construct provides the Commission with only limited options available for providing assistance. In an extreme case, such as presented here, the public interest would be best served if the Commission had the authority to immediately seize control of Martin County's water utility and put a management team in place, which would answer directly to the Commission for the time necessary to institute the required reforms. The General Assembly, however, has not granted us that authority. Options available to us, outside of the requirements contained in this order, include removing the present water board members, forcing a merger with another water district, or initiating receivership proceedings in the Franklin Circuit Court. All of these options require evidentiary hearings and none offer the hope of a better outcome than the plan set out in our Order in this case. With the sole exception of the present chairman, who has failed to timely receive statutorily required training (the penalty for which may include forfeiture of office), removal of the Martin County Water Board commissioners is not warranted, given the fact that their predecessors in office resigned within the last year, leaving them with the almost impossible task of maintaining operations. In any event, formal removal proceedings could take up to six months and there is no guarantee their replacements appointed by the Martin County Judge-Executive and confirmed by the Martin County Fiscal Court would be any more ready, willing, or able to manage the system. A forced merger with another water district would, under ordinary circumstances, seem to be a viable solution. Unfortunately, surrounding

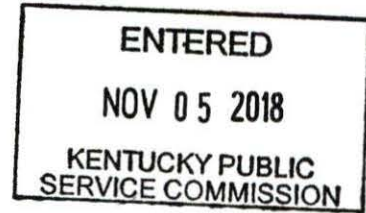
rural water districts are faced with similar management problems and it is unlikely they could provide either the financial stability or the managerial expertise required to remedy the existing problems. Receivership remains the only realistic alternative, but should be employed as a last resort. Receivership would involve a court-appointed manager paid at customer expense through even higher rates. Even if successful, the end result would require a later return to local management, which has shown no evidence over the past two decades of having either the political will or the business acumen to be successful.

The path chosen by the Commission in this proceeding represents, in our judgment, the best course of action available at this time and under existing circumstances. Throughout this case, we have encouraged the district to employ a competent, well-qualified general manager or, in the alternative, a professional management company to run its day-to-day operations. Greg Heitzman, who serves as a professional consultant to Martin District, testified before the Commission on August 7, 2018, that Martin District is in need of a professional manager – someone with at least a four-year college degree in business and several years of experience in the water utility industry. According to Mr. Heitzman, Martin District cannot succeed without a competent general manager, and it will be difficult enough for it to succeed even with one. The district has chosen not to seek the services of professional management, and by not doing so risks the continuation of waste and misallocation of revenue generated by increased rates necessarily placed on the backs of ratepayers. Martin County residents deserve a better chance of finally fixing their water system than is possible if the present management remains in place. The present interim general manager has said that he intends to apply for the position on a permanent basis. He has no obvious qualifications

for the job. He was chairman of the Martin County Water Board when the system began to fail two decades ago. He signed the 2003 agreed order with the Commission that promised to institute changes required to keep the system functionally sound and was obligated, together with the other commissioners, by the 2008 Commission Order to reform Martin District's operations, but failed to deliver for the people of Martin County on those commitments. Our present order requires the water board to solicit management proposals from at least four private management companies and two nearby municipal water systems and to submit selections for approval by the Commission on or before January 30, 2019, under penalty of loss of its debt service surcharge. Failure to comply with the Order also could result in the imposition of civil penalties against water board commissioners individually as well as a potential receivership proceeding.

As noted several months ago in an editorial in the local newspaper, The Mountain Citizen, the permanent solution to the problems of the Martin District must ultimately come from the people of Martin County through political action and informed participation in local government. For too long, county officials and Martin District board members have deliberately allowed the utility's assets to deteriorate in order to keep rates artificially low. Ratepayer money intended to fund the replacement of assets has over the years been used instead to pay current operating expenses. The result of that financial mismanagement is now painfully clear. In the near term, the best hope of obtaining a reliable supply of clean water for the people of Martin County must be found in professional utility management and, unfortunately, in a significant increase in customer rates.

Chairman Michael J. Schmitt Concurring



ATTEST:

  
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
 COMMISSION IN CASE NO. 2018-00017 DATED **NOV 05 2018**

The following rates and charges are prescribed for the customers in the area served by Martin County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$33.32	Minimum Bill
Over	2,000 Gallons	8.43	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$58.59	Minimum Bill
Over	5,000 Gallons	8.43	per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$100.70	Minimum Bill
Over	10,000 Gallons	8.43	per 1,000 Gallons

2-Inch Meter

First	20,000 Gallons	\$184.93	Minimum Bill
Over	20,000 Gallons	8.43	per 1,000 Gallons

3-Inch Meter

First	30,000 Gallons	\$269.17	Minimum Bill
Over	30,000 Gallons	8.43	per 1,000 Gallons

4-Inch Meter

First	50,000 Gallons	\$437.63	Minimum Bill
Over	50,000 Gallons	8.43	per 1,000 Gallons

Debt Service Surcharge \$4.19/ Month

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00017 DATED **NOV 05 2018**

Veolia North America  
14055 Riveredge Drive  
Tampa Bay, FL 33763  
(813) 983-2808

ESG Operations, Inc.  
6400 Peake Road  
Macon, Georgia 31210  
(478) 474 5025

Jacobs Engineering Group  
9911 Shelbyville Road  
Louisville, KY 40223  
(502) 339-7006

Suez North America  
8007 Discovery Drive  
Richmond, VA 23229  
1 (804) 756-7600

Inframark  
220 Gibraltar Road #200  
Horsham, PA 19044  
(215) 646-9201

Paintsville Utilities  
137 Main Street  
PO Box 630  
Paintsville, KY 41240-0630  
(606) 789-2630

Prestonsburg City's Utilities  
2560 South Lake Drive  
Prestonsburg, KY 41653  
(606) 886-6871