

MARTIN COUNTY WATER DISTRICT

387 East Main Street Suite 140
INEZ, KY 41224

606-298-3885 OFFICE

606-298-4913 Fax

RECEIVED

MAY 22 2015

PUBLIC SERVICE
COMMISSION

May 20, 2015

Mr. Jeff Derouen
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Response to Data Request for Case No. 2015-00005

Dear Mr. Derouen:

Please find attached Martin County Water District's response to the PSC request for data. We apologize for the delay in our response.

A copy of this filing has been sent electronically to Consumer Protection Division in the Attorney General's Office.

Thank you for your consideration in this matter. Please contact me if any further information is needed.

Sincerely,



Marcie Dials
Office Manager

Enclosure(s): 9

Martin County Water District

PSC Data Request Response Case No. 2015-00005

1. Provide the minutes of each meeting of Martin County's Board of Commissioners in which the proposed rate revision was discussed.

Response: The NRC filing was approved during the November 2014 board meeting.

2. Provide the resolution of Martin County's Board of Commissioners in which the proposed rate revision was approved. If no resolution was separately prepared, provide the minutes of the meeting of Martin County's Board of Commissioners in which the proposed rates were approved.

Response: There was no separate resolution prepared regarding the NRC filing (see Exhibit A).

3. List separately for each calendar year from January 1, 2012, through December 31, 2014, the total number of Martin County's:
 - a. New meter connections;
 - b. New 5/8-inch x 3/4-inch meter connections; and
 - c. New meter connections larger than 5/8-inch x 3/4-inch, listed by size.

Response: A total of 141 new meter connections (taps) were installed between January 1, 2012 and December 31, 2014. Thirty three of the taps were residential 5/8" x 3/4" and one was a 1" tap.

Martin County Meter Installation Chart			
Year	New Connections	5/8" x 3/4"	Larger than 5/8" x 3/4"
2012	34	33	1
2013	61	61	0
2014	46	45	1
Total	141	139	2

4. State the number of spare meters in Martin County's inventory as of December 31, 2014.

Response: As of December 31, 2014 there were 30 spare meters in inventory.

5. State the number of meters that Martin County seeks to maintain in its inventory.

Response: Considering the growth of Martin County the current inventory of 30 spare meters seems adequate.

6. State the number of meters that Martin County purchases when it orders 5/8-inch x 3/4-inch meters.

Response: Due to financial constraints the District orders individual meters as needed.

7. For each of Martin County's last five purchases of 5/8-inch x 3/4-inch meters, state the date the order was made, the vendor, and the number of meters purchased. Provide copies of the invoices from these purchases.

Response: The District has not ordered 5/8" x 3/4" meters since completing a partial AMR meter conversion in 2009.

8. Identify by name and address each vendor from whom Martin County solicited a bid or estimate regarding meters in the course of preparing its proposed rate revision.

Response: In 2009 we began upgrading our manual read meters to Sensus AMR. C.I. Thornburg, Inc. is the Sensus distributor for Kentucky. The C.I. Thornburg Co, Inc. 4034 Altizer Ave., Huntington, WV 25705 is a sole source vendor for Sensus AMR systems.

9. State whether, in Martin County's opinion and experience, the cost per unit for meters is less when the purchase order is for a number of meters rather than for one meter.

Response: The District has found that meters as well as other inventory is almost always cheaper when ordered in bulk; however our current financial condition does not allow us to order in bulk units.

10. Identify by name and address each vendor from whom Martin County solicited a bid or estimate regarding meter-setting materials in the course of preparing its Application.

Response: Since C.I. Thornburg, Inc. is the sole source vendor for our metering system we also purchase the additional meter setting materials from them in order to deal with one vendor. The C.I. Thornburg Co, Inc. The C.I. Thornburg Co, Inc. 4034 Altizer Ave., Huntington, WV 25705.

11. For each meter installation performed from January 1, 2012, through December 31, 2014, state the meter size, type of service (short side or long side), and the number of hours required for the installation.

Response: Between January 1, 2012 and December 31, 2014 there were thirty-three 5/8" x 3/4" residential meters installed. Of those installed twenty-five were long side and 8 were short side. The hours required to install the taps for long side averaged between 5 and 6 hours; short side averaged between 3 to 4 hours. In preparing the filing, management decided to round down the average hours to minimize the financial impact to the affected customer.

12. Refer to the Application, Average Meter Connection Expense Cost Justification form, Installation Labor Expense.

a. Provide a detailed explanation of how the number of hours for short side and long side were determined.

b. In its calculation of Installation Labor Expense, Martin County states an hourly wage rate of \$52.62. Explain in detail how this rate was determined.

Response: (a) The number of hours for short side and long side service was made based on the general manager's field experience. (b) The calculation for labor expense is based on an hourly wage of \$17.54 for three employees performing the work. The accountant for the District calculated the average hourly wage (see Exhibit B).

13. In its calculation of Installation Equipment Expense, Martin County assumes an hourly wage rate of \$30.00.

a. Explain how this rate was determined.

b. List each type of equipment that is included in Installation Equipment Expense.

c. For each type of equipment listed in response to Item 13(a), state whether it is used for both types of service (i.e., short side or long side). If not used for both types, identify the type of service the equipment is used.

d. For each type of installation equipment listed in the application state whether Martin County owns such equipment. If Martin County owns any equipment identified, identify the year of acquisition and the acquisition cost.

e. Explain how Martin County determined the amount of time for Installation Equipment Expense. Provide all records and show all calculations that Martin County used to make its determination.

Response: (a) The hourly rate is equivalent to hiring someone to perform the excavation work. (b) The equipment included in the "Installation Equipment Expense" is primarily for the backhoe used for the meter installation.

Response for (c) and (d)			
Equipment Type	Use	Acquired	Cost
Taping Machine	Both	1/5/2005	\$ 2,128.17
Backhoe	Both	7/18/2005	\$ 41,365.00
Hoe Hammer	Long Side	4/15/2015	\$ 4,200.00

(e) The amount of time for performing a tap was established by management (see Response 12 (a)). The equipment is on-site during the installation. The District did not include an expense for the tapping machine and hoe hammer in order to minimize the tap fee.

14. To the extent that Installation Equipment Expense involves the rental of equipment, identify all suppliers from whom Martin County has rented equipment for installing meters during the period January 1, 2012, through December 31, 2014, and provide a copy of the rental agreements.

Response: The District does not rent any equipment for installing a service.

14. Identify all persons from whom Martin County solicited a bid or estimate regarding the rental of equipment listed in response to Item 13.a.above in the course of preparing its proposed rates.

Response: The District does not rent any equipment for installing a service.

15. Refer to the Application, Average Meter Connection Expense Cost Justification form, Installation Miscellaneous Expense. Why is the total cost for this section \$0.00?

Response: Site clean-up and inspection is performed in concert with the service installation and covered under "Installation Labor Expense".

16. Refer to the Application, Average Meter Connection Expense Cost Justification form, Administrative Expense. Provide a detailed explanation of how the amount of \$5.00 was determined.

Response: The calculation for Administrative Expense is based on the amount of time required to set-up a new customer account. New account set-up takes 15 – 20 minutes on an hourly wage of \$17.54 for one employee performing the work. The accountant for the District calculated the average hourly wage (see Exhibit B).

17. Refer to the Application, Nonrecurring Charge Cost Justification forms, charges for Returned Check, Meter Turn-on, Meter Re-read, Meter Test, Service Call Investigation, and Meter Reconnection, and the corresponding after-hour charges

- a. Explain in detail how Martin County determined the amount of hours of labor in 1.B. List all activities included and the amount of time that each activity takes.
- b. Explain in detail how Martin County determined the amount of the hourly wage rate in 1.B. for each proposed charge.
- c. Explain why no materials expense was estimated for these charges, particularly the Meter Test Charge.
- d. Explain in detail how Martin County determined the amount of \$5.00 Clerical and office Expense for labor in 2.B.
- e. Explain in detail how Martin County determined the amount of \$20.00 Miscellaneous expense for Transportation in 3.A.

Response: (a) The District's infrastructure is located in Martin county and small portions of Pike and Lawrence counties. The time to perform each task is minimal; however with approximately 400 miles of water line and mountainous terrain the majority of time is spent driving to the location. (b) The hourly rate was calculated by the District's accountant (see Exhibit B). After hours rate is based on a minimum two hour call out for the "on-call" employee. (c) There are

no significant materials used in performing the tasks. Regarding the Meter Test Charge the meter is replaced in order to continue service while the customer's original meter is being tested by an outside party. (d) Account maintenance and related work order for the service charge requires about 15 -20 minutes. The hourly was calculated by the District's accountant (see Exhibit B). (e) The driving distance across the district is approximately 50 miles. Average round trip mileage for service calls is 36 miles as determined by management experience. That mileage at \$0.555 / per mile equals \$20.00 transportation expense.

18. Refer to the Application, Nonrecurring Charge Cost Justification form, Returned Check Charge. Provide documentation, invoice or bank statement of the \$25.00 charge listed in 3.B.

Response: The term "Bank Charge" is erroneous in this case since the bank does not charge the district for processing returned checks. The charge in this case is to discourage fraud. The \$25.00 charge is on par with other businesses in the community and allowed by state statute (see Exhibit C).

20. Refer to the Application, Nonrecurring Charge Cost Justification form, Meter Test Charge 3.B.

- a. Provide an explanation and all documentation supporting the \$15.00 shipping charge listed in 3.B.
- b. Provide an explanation and all documentation supporting the \$18.00 testing by third party charge listed in 3.B.

Response: (a) Two day USPS shipping from the water district office to C.I. Thornburg, Inc., Bowling Green Division is approximately \$7.50 each way (see Exhibit D). (b) C.I. Thornburg charges \$18.00 to test a 5/8" x 3/4" meter (see Exhibit D).

21. Certain nonrecurring charges currently in Martin County's tariff were omitted from the proposed tariff sheets provided in the application. Clearly state each of the charges that are to be canceled from the tariff and explain why they are being canceled.

Response: The Field Collection Charge is being eliminated to reduce the liability created when the field employees accept customer payments. The Service Call/Investigation and Service Call/Investigation (after hours) were renamed in the new tariff sheet as Service Charge.

22. Martin County provided a proposed tariff sheet with the application revising the current deposit amounts for meters 4-inch and smaller.

- a. Provide a detailed explanation for the proposed amounts for each meter size.
- b. Explain why 6-inch and 8-inch meters, which are in the current tariff, were omitted from the proposed revisions.

Response: The deposit fee is calculated by the PSC calculation of 2/12 the average annual usage. In the case of 5/8" x 3/4" meters the deposit is based on an average usage of 5,000 per month. All other meters are calculated on the first rate tier gallons. (b) There are no 6" or 8" meters in the system.

Exhibit A

MARTIN COUNTY UTILITY BOARD

387 East Main Street, Suite 140
INEZ, KY 41224

606-298-3885 OFFICE

606-298-4913 FAX

Martin County Water District Regular Meeting Tuesday, November 25, 2014

2nd Floor Small Conference Room
Roy F Collier Community Center

Bill Harvey called meeting to order at 4:30 p.m.

In attendance were, Chairman Bill Harvey, Board Member, John Haney, Treasurer, James (Bowie) Clark, Secretary Nita Collier Joe Hammond, Lauren with Linda Sumpter CPA, Libby Ratcliff, BSADD, John Mills, General Manager, Bob Taylor, Paul Bennett, Troy Hogg, with Kentucky Engineering Group.

Approval of minutes;

A motion by John Haney and second by Nita Collier to approve minutes of last meeting,
Motion Carried.

Accounts Payable;

- Motion by James Clark and second by John Haney to approve accounts payable as presented, - **Motion Carried.**
- See Attachment #1.

Management Report;

- See Attachment #2

Libby Ratcliff, Big Sandy ADD

- Project Invoices – None at this time

Kentucky Engineering Group

- None at this time.

Executive Session;

- Nothing

Additional Business

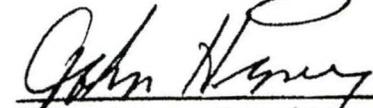
- Discussed Bond Refinancing Resolution.
- Motion by John Haney and second by Nita Collier to approve the Refinancing of the Water District Bonds with Kentucky Rural Water, **Motion Carried.**
- See Attachment #3
- Motion by Nita Collier and Second by John Haney to adopt the Non-recurring rates and send to PSC, **Motion Carried**
- Approved District to combine accounts from District 1 and District 2 Into one Interest Bearing Account. Motion by James Clark and second by Nita Collier to combine the two accounts into one Interest Bearing Account, **Motion Carried**

Adjourn, motion by James Clark and second by John Haney to adjourn from this meeting, **Motion Carried**



Bill Harvey, Chairman

James (Bowie) Clark, Treasurer



John Haney, Board Member



Nita Collier, Secretary

ATTEST

Secretary

Exhibit B

Linda J. Sumpter, CPA, PSC

Certified Public Accountant

**MARTIN COUNTY WATER DISTRICT
AVERAGE WAGE EXPENSE OF D&M EMPLOYEE**

Average Wage Rate	10.78
Social Security ER	0.67
Medicare ER	0.16
KY Retirement	1.90
KY Unemployment	0.14
Health Insurance	2.80
WC Insurance	6.99
	<hr/>
	23.44

Martin County Water District Note: The hourly rate used for the NRC filing was \$17.54. This did not include insurance. The District does not wish to update the the hourly wage in the NRC filing.

Member of American Institute of CPA's
and Kentucky Society of CPA's

Exhibit C

514.040 Theft by deception.

- (1) A person is guilty of theft by deception when the person obtains property or services of another by deception with intent to deprive the person thereof. A person deceives when the person intentionally:
 - (a) Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind;
 - (b) Prevents another from acquiring information which would affect judgment of a transaction;
 - (c) Fails to correct a false impression which the deceiver previously created or reinforced or which the deceiver knows to be influencing another to whom the person stands in a fiduciary or confidential relationship;
 - (d) Fails to disclose a known lien, adverse claim, or other legal impediment to the enjoyment of property which the person transfers or encumbers in consideration for the property obtained, whether the impediment is or is not valid or is or is not a matter of official record; or
 - (e) Issues or passes a check or similar sight order for the payment of money, knowing that it will not be honored by the drawee.
- (2) The term "deceive" does not, however, include falsity as to matters having no pecuniary significance or puffing by statements unlikely to deceive ordinary persons in the group addressed.
- (3) Deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise.
- (4) For purposes of subsection (1) of this section, a maker of a check or similar sight order for the payment of money is presumed to know that the check or order, other than a postdated check or order, would not be paid, if:
 - (a) The maker had no account with the drawee at the time the check or order was issued; or
 - (b) Payment was refused by the drawee for lack of funds, upon presentation within thirty (30) days after issue, and the maker failed to make good within ten (10) days after receiving notice of that refusal. Notice of the refusal may include a citation to this section and a description of this section's criminal penalties and shall be deemed properly addressed when mailed to the address printed or written on the check or sight order or provided by the drawer or maker upon issuance of the check or sight order. The notice, if mailed, shall be deemed received by the addressee seven (7) days after it is placed in the United States mail. The notice may be sent by first-class mail if supported by an affidavit of service setting out the contents of the notice, the address to which the notice was mailed, that correct postage was applied, and the date the notice was placed in the United States mail. A maker makes good on a check or similar sight order for the payment of money by paying to the holder the face amount of the instrument, together with any merchant's posted bad check handling fee not to exceed fifty dollars (\$50) and any fee imposed pursuant to subsection (5) of this section.
- (5) If a county attorney issues notice to a maker that a drawee has refused to honor an instrument due to a lack of funds as described in subsection (4)(b) of

this section, the county attorney may charge a fee to the maker of fifty dollars (\$50), if the instrument is paid. Money paid to the county attorney pursuant to this section shall be used only for payment of county attorney office operating expenses. Excess fees held by the county attorney on June 30 of each year shall be turned over to the county treasurer before the end of the next fiscal year for use by the fiscal court of the county.

- (6) A person is guilty of theft by deception when the person issues a check or similar sight order in payment of all or any part of any tax payable to the Commonwealth knowing that it will not be honored by the drawee.
- (7) A person is guilty of theft by deception when the person issues a check or similar sight order in payment of all or any part of a child support obligation knowing that it will not be honored by the drawee.
- (8) Theft by deception is a Class A misdemeanor unless the value of the property, service, or the amount of the check or sight order referred to in subsection (6) or (7) of this section is:
 - (a) Five hundred dollars (\$500) or more but less than ten thousand dollars (\$10,000), in which case it is a Class D felony; or
 - (b) Ten thousand dollars (\$10,000) or more, in which case it is a Class C felony.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 160, sec. 17, effective July 15, 2010. -- Amended 2009 Ky. Acts ch. 106, sec. 7, effective June 25, 2009. -- Amended 2008 Ky. Acts ch. 84, sec. 1, effective July 15, 2008. -- Amended 2005 Ky. Acts ch. 180, sec. 1, effective June 20, 2005. -- Amended 2000 Ky. Acts ch. 410, sec. 1, effective July 14, 2000. -- Amended 1994 Ky. Acts ch. 330, sec. 21, effective July 15, 1994; and ch. 465, sec. 1, effective July 15, 1994. Amended 1992 Ky. Acts ch. 434, sec. 5, effective July 14, 1992; and ch. 451, sec. 2, effective July 14, 1992. -- Amended 1986 Ky. Acts ch. 207, sec. 1, effective July 15, 1986. -- Amended 1982 Ky. Acts ch. 238, sec. 8, effective July 15, 1982; and ch. 305, sec. 1, effective July 15, 1982. -- Created 1974 Ky. Acts ch. 406, sec. 120, effective January 1, 1975.

Exhibit D

United States Postal Service

Postage Price Calculator

Domestic Services

Package, weight 2 lb 0 oz (0.907 kg), mailed on May 20 after 2:00 PM
from INEZ KY 41224 to BOWLING GREEN KY 42101

Priority Mail Express™ Options - Money Back Guarantee	Scheduled Delivery Day	Price	Online Price
Priority Mail Express 1-Day™	Thu, May 21 by 3:00 PM	\$25.55	\$18.23
Priority Mail Express 1-Day™ Flat Rate Boxes USPS-Produced Box: 13-5/8" x 11-7/8" x 3-3/8" or 11" x 8-1/2" x 5-1/2"	Thu, May 21 by 3:00 PM	\$44.95	\$44.95
Priority Mail Express™ Hold For Pickup Options - Money Back Guarantee	Scheduled Delivery Day	Price	Online Price
Priority Mail Express 1-Day™ Hold For Pickup	Thu, May 21 by 3:00 PM	\$25.55	\$18.23
Priority Mail Express 1-Day™ Flat Rate Boxes Hold For Pickup USPS-Produced Box: 13-5/8" x 11-7/8" x 3-3/8" or 11" x 8-1/2" x 5-1/2"	Thu, May 21 by 3:00 PM	\$44.95	\$44.95
Priority Mail® Options	Expected Delivery Day	Price	Online Price
Priority Mail 2-Day™	Fri, May 22	\$6.35	\$5.44
Priority Mail 2-Day™ Large Flat Rate Box USPS-Produced Box: 23-11/16" x 11-3/4" x 3" or 12" x 12" x 5-1/2"	Fri, May 22	\$17.90	\$15.80
Priority Mail 2-Day™ Medium Flat Rate Box USPS-Produced Box: 13-5/8" x 11-7/8" x 3-3/8" or 11" x 8-1/2" x 5-1/2"	Fri, May 22	\$12.65	\$11.30
Priority Mail 2-Day™ Small Flat Rate Box USPS-Produced Box: 8-5/8" x 5-3/8" x 1-5/8"	Fri, May 22	\$5.95	\$5.25
Priority Mail 2-Day™ Regional Rate Box A USPS-Produced Box: 12-13/16" x 10-15/16" x 2-3/8" or 10" x 7" x 4-3/4"	Fri, May 22	Not available	\$5.44
Priority Mail 2-Day™ Regional Rate Box B USPS-Produced Box: 15-7/8" x 14-3/8" x 2-7/8" or 12" x 10-1/4" x 5"	Fri, May 22	Not available	\$7.25
Priority Mail 2-Day™ Regional Rate Box C USPS-Produced Box: 14-3/4" x 11-3/4" x 11-1/2"	Fri, May 22	Not available	\$10.70
Priority Mail® Hold For Pickup Options	Expected Delivery Day	Price	Online Price
Priority Mail 2-Day™ Hold For Pickup	Fri, May 22	Not available	\$5.44
Priority Mail 2-Day™ Large Flat Rate Box Hold For Pickup USPS-Produced Box: 23-11/16" x 11-3/4" x 3" or 12" x 12" x 5-1/2"	Fri, May 22	Not available	\$15.80

** QUOTATION **

S1677882

THE C.I. THORNBURG CO., INC.
LEXINGTON BRANCH
740 ENTERPRISE DRIVE
LEXINGTON, KY 40510

Page# 1

** C.O.D. ** C.O.D. ** C.O.D. **

Bid To:

Ship To:

Acct #2505
CASH SALE - LEXINGTON
740 ENTERPRISE DRIVE
LEXINGTON, KY 40510
Phone # : 859-255-0852

CASH SALE - LEXINGTON
740 ENTERPRISE DRIVE
LEXINGTON, KY 40510

--Bid-Date---Expr-Date--Writer--Terms-----Ship Via-----
05/20/15 07/19/15 TAYJAC **** C O D ***** CF-CALL FOR
--Purchase Order #-----CTNS / WT----Picker----Loader----Delivered By-----
METER TEST

Bid-Qty--		Unit Pric	Net
1	CITCO SHOP TEST OF 5/8"x3/4" WATER METER ***** PLUS FREIGHT *****	18.000ea	18.00
	BID TOTAL		18.00
	Sales tax		1.08
	Bid Amount		19.08

Extras not listed or spelled out are not included in pricing.
We reserve the right to correct clerical errors.