

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

AUG 22 2016

In the Matter of:

PUBLIC SERVICE
COMMISSION

AIRVIEW UTILITIES, LLC'S NOTICE OF)
SURRENDER AND ABANDONMENT) CASE NO. 2016-00207
OF UTILITY PROPERTY)

**ANSWERS OF AIRVIEW UTILITIES, LLC TO
PUBLIC SERVICE COMMISSION'S DATA REQUESTS**

Comes Airview Utilities, LLC ("Airview"), by counsel, and for its Answers to the Public Service Commission's information requests, states as follows:

Information Request Number 1. State and describe in detail any upgrades that Airview currently needs in order to continue operating and remain in compliance with all regulations, and provide the corresponding cost of each upgrade.

Answer: The evaluation of the Airview wastewater treatment plant ("WWTP") performed by a licensed professional engineer indicates that the subject WWTP has reached the end of its 40 year average life-span. The evaluation reflects that the estimate of the cost for a similar system with a capacity of 55,000 GPD is \$300,000, with another \$200,000 required to upgrade from secondary treatment to tertiary treatment if required by the Kentucky Division of Water. An estimated \$75,000 will be required to restore the current lagoon. See Attachment A.

Information Request Number 2. State the current number of customers.

Answer: Airview currently has 203 customers.

Information Request Number 3. State the current number of customers with delinquent accounts.

Answer: The Airview WWTP serves an area that houses a very transient population. Many of the residences served by Airview are rental properties. Pursuant to the policy of the Public Service Commission, Airview cannot require the property owner to contract for wastewater treatment, and instead is required to contract with the tenant, which results in significant difficulties in obtaining payment for the service provided. Airview has requested Hardin County Water District No. 2, the utility that provides water service to Airview's customers, to provide billing and collection services, but it has declined to provide these billing and collection services. The following information is provided with respect to delinquent accounts: a) There are 23 accounts with no billing address. These properties are either vacant or Airview is unable to get a customer's name in order to issue the invoice. Airview has posted notes on doors to the properties asking the residents to register their account. Airview has also been able to obtain some information through the office of the Hardin County PVA, but many of the properties are rental properties, and information concerning tenants is not available from the PVA. Airview has also contacted the Hardin County Water District No. 2 that provides water service and it is unable to provide contact information due to privacy concerns; b) In addition to the accounts with no billing address, there are 55 accounts that are at least 3 months past due; c) There was \$9,741.51 in uncollectable accounts in 2014 and \$4,992.77 in uncollectible accounts in 2015. In response to the recommendation of the accountant that prepares Airview's tax returns, these accounts have been written off as bad debts; and, d) There is \$6,171.44 due from uncollectible accounts to date in 2016, according to Airview's accounts receivables records.

Information Request Number 4. State the number of disconnections performed year to date.

Answer: No disconnections have been performed to date due to the following reasons: a) Many of the lateral lines to the residences served by Airview serve more than one residence. These lateral lines cannot be disconnected from the system, because it would result in disconnecting a customer whose account is current; and, b) As reflected in Airview's rates, the cost to disconnect a delinquent customer is significant, and pursuant to the Public Service Commission's policy, Airview will be unable to recover this cost if the delinquent tenant/customer has moved out or left on deployment.

Information Request Number 5. State and describe the steps taken to collect on delinquent accounts, including whether late notices are sent, service is cut off, or any court-enforcement actions are commenced.

Answer: The following steps are taken to collect delinquent accounts: a) When an account is delinquent, "PAST DUE" is stamped on the monthly statement for the account; b) When an account is delinquent by 3 months, a letter of reminder is sent to the account; c) If Airview receives no response to a letter of reminder, a letter is forwarded to the account providing a disconnect date; d) If Airview has a telephone number for the account, a telephone call is made to the account; e) Airview has also posted notices on doors; and f) Airview has retained Murphy Excavating to disconnect delinquent accounts when a lateral line only serves the residence of the delinquent account. When Murphy Excavating arrives at the property to disconnect the residence, in several cases, payment has been received.

Information Request Number 6. State the number of customers who have had water service cut off for delinquent sewer bills year to date.

Answer: No customers have had water service disconnected.

Information Request Number 7. Explain in detail Airview's average monthly operating costs.

Answer: Airview's average monthly operating cost is \$8,400.81.

Information Request Number 8. State whether Airview would consider applying for and requesting a rate increase.

Answer: Airview would not consider applying for and requesting a rate increase. An increased rate would not solve the serious financial problems experienced by Airview due to the inability to effectively and efficiently collect the delinquent amounts owed, as well as amounts that will be owed for services to be provided in the future.

Information Request Number 9. State whether Airview is willing to continue operating the system if a rate increase is granted.

Answer: No. An increased rate would not solve the serious financial problems experienced by Airview due to the inability to effectively and efficiently collect the delinquent amounts owed, as well as amounts that will be owed for services to be provided in the future.

Information Request Number 10. State whether the system is currently in compliance with all Public Service Commission and Kentucky Division of Water regulations. If not, describe in detail each area of noncompliance.

Answer: Airview is not in compliance with all Public Service Commission regulations, as the Public Service Commission requires 7 day a week inspections of the WWTP and Airview is only able to pay for 4 inspections a week. Additionally, the Public Service Commission requires annual sewer and manhole inspections and the annual sewer

and manhole inspections have not been completed since 2013. The Energy and Environment Cabinet filed an Administrative Complaint against Airview on February 25, 2016, due to Notices of Violation issued on or about May 19, 2011, July 20, 2012, June 13, 2013, August 12, 2014, January 15 and 16, 2015, and July 8, 2015. Airview states that its discharge is in compliance with its permit at this time.

Information Request No. 11. Provide the status of the Airview discharge permit.

Answer: Airview's KPDES permit expired on January 1, 2014, and an application for a renewed permit was timely filed. Pursuant to the applicable regulations, the KPDES permit remains in effect until a new permit is issued.

Information Request No. 12. Identify all individuals, surrounding sanitation districts, and municipal systems contacted regarding a potential transfer or sale of the system, and the result of any such communications.

Answer: The City of Elizabethtown, Hardin County Water District No. 1 and Hardin County Water District No. 2. To date, none of these entities have been willing to accept the Airview WWTP and collection system. The City of Elizabethtown is reconsidering whether it should take ownership of the Airview WWTP and collection system.

Information Request No. 13: State whether any Airview residents have been approached or have expressed interest regarding operating or taking over the system.

Answer: No.

Information Request No. 14: Does Airview intend to relinquish control and ownership of interests in all property necessary for providing utility service as provided for under KRS 278.021? List and describe all such property interests and their estimated value.

Answer: Airview intends to relinquish control and ownership of interests in all property necessary for providing utility service. However, upon the decommissioning of the WWTP, Airview will request that possession of the real property be returned to it so that the real property can be sold, subject to sanitary sewer easements that the new owner may require. The proceeds of the sale of the property will be used to pay off Airview's outstanding liabilities. Airview's interests consist of the WWTP and related equipment and the real property upon which the WWTP is located. The WWTP and related equipment is considered to have only minimal fair market any value and the real property has an estimated value of \$30,000 to \$50,000, once the WWTP and related equipment are removed.

Information Request No. 15: Identify any other state or local agencies that have been contacted regarding the proposed abandonment.

Answer:

- Mayor of the City of Elizabethtown, Kentucky
- Department of Water and Wastewater of the City of Elizabethtown
- Department of Planning and Development of the City of Elizabethtown
- Hardin County Water District No. 2
- Hardin County Water District No. 1
- Hardin County Planning and Development Commission
- Lincoln Trail District Health Department
- Office of the Attorney General
- Judge/Executive of Hardin, County, Kentucky
- Kentucky Department of Environmental Protection, Division of Water.

Information Request No. 16: If Airview is authorized to abandon, detail the procedures and processes it will follow in shutting down the utility.

Answer: If Airview is authorized to abandon the WWTP and collection system, it will follow the normal statutory procedure and turn over the WWTP and collection system to the Receiver appointed by the Franklin Circuit Court. The Receiver would continue to operate the system in order to provide wastewater treatment services to Airview's 203 customers.

Information Request No. 17: State whether the affirmative vote, approval, or consent of the member(s) of Airview was required to authorize the filing of an action to surrender all of its property interests and rights in and to the property owned by Airview necessary to provide utility service. If such is the case, provide a summary of the process of affirmative vote, approval, or consent and supply all related business records that document the process. If not, explain why, and fully describe the process that authorized the filing of the Notice in the instant case.

Answer: The two members of Airview made a unanimous decision to abandon the Airview WWTP and collection system and requested the undersigned to file the abandonment request with the Public Service Commission.

Information Request No. 18: Provide a list of all property held by Airview used in providing utility service. Provide a copy of each deed, easement, or agreement corresponding to the real property utilized by Airview in providing utility service.

Answer: To be provided.

Information Request No. 19: Identify how Airview has authorized the transfer of the property used in providing utility service and provide any instrument of transfer that has been executed by Airview. If an instrument of transfer has not been executed, state whether one will be prepared in connection with the proposed abandonment.

Answer: Any necessary documents will be prepared once the abandonment request has been approved and a Receiver has been appointed.

Information Request No. 20: Provide a list of each pending court case in which Airview is a party.

Answer: None. As previously indicated, Airview is a Defendant in an Administrative Action filed by the Energy & Environment Cabinet, File NO. DOW-34206-046.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing ANSWERS were served by electronic mail, on this 22nd day of August, 2016 upon:

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March 19, 2014

Airview Utilities, LLC
PO Box 91588
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40291
Attn. Mr. Lawrence W. Smither

By E-mail
ericcarrico@gmail.com

RE: Airview WWTP

Mr. Smither:

Thank you for the opportunity to inspect and provide recommendations for the future treatment plant options associated the Airview Utilities waste water treatment plant located in the city of Elizabethtown, Kentucky. I am submitting this letter based on the information found on the site visit and subsequent follow up meetings. The letter details a work plan, cost assumptions, and summary of pricing including clarifications and exceptions for the work. Feel free to contact me with any questions or comments you may have in regard to anything in this report. I look forward to discussing these items at your convenience.

Sincerely,

Eric M. Carrico PE
License No. 25090

ATTACHMENT A

SUMMARY REPORT

The project consisted of evaluating construction alternatives for the existing Airview Utilities Wastewater Treatment plant located in Elizabethtown, Kentucky. The existing treatment plant was constructed approximately 40 years ago. The existing plant has a capacity of approximately 50,000 gallons per day for treatment of sanitary sewage. The treatment plant was originally designed for connections of the Airview neighborhood which consisted of a total 203 connections. Since the initial construction, additional residential services have been added to the treatment plant lowering the overall capacity of the system. Additionally as the overall sewer system has aged an increase of inflow and infiltration has developed from deteriorating pipes, manholes, and other components of the system which occur as a sanitary system treatment life cycle ends. Infiltration and inflow are two such problems that are affecting large and small collection systems around the country.

Infiltration is excess water which flows into old or damaged collection systems from the surrounding soil. For example, high groundwater or water remaining in the soil after rain events will often infiltrate mainline pipes, joints, service laterals, connections, and other parts of the system which have deteriorated, cracked, sagged, or collapsed. Additional unwanted water may also enter the collection systems from above ground sources such as leaky manhole covers or combined storm water/wastewater connections. In addition, private residences may have roof, cellar, yard, area, or foundation drains inappropriately connected to sanitary sewers. Any extra water flowing into the collection system from above ground sources, either intentionally or unintentionally is referred to as inflow. When collection systems become old and in disrepair, it often is very difficult to determine exactly how much of the extra wastewater is in the system as the result of inflow versus infiltration. A system of this age has reached the end of its useful life based on the following conditions which may also indicate the presence of I/I and a need to determine the size of replacing the entire treatment system.

- Greater than anticipated flows measured at the wastewater treatment facility
- Hydraulic overloading of treatment facilities indicated by “washout” of treatment processes
- Sewer system overflows or bypasses after rainfall events
- Lift station overflows
- Excessive power costs for pumping stations
- Overtaxing of station facilities resulting in frequent mechanical replacements
- Excessive treatment costs for the community
- Complaints of odors, pipe corrosion, settlement, structural failure, and collapse of pipes.

Due to its age and condition, I recommend the replacement the existing system after a full investigation of the impacts of I and I within the existing distribution network which contributes to the existing wastewater treatment plant. Based on these investigations a similar modern plant such as the one shown below should be sized accordingly and installed in parallel to the existing. A estimate of cost for a similar system with capacity of 55,000 GPD is \$300,000 with another \$200,000 required to upgrade from secondary treatment to tertiary treatment if required. It will also require approximately \$45,000 to bring the current plant into compliance to serve as a system

backup and offer extra capacity to address I/I concerns. An estimated additional \$75,000 will be required to restore the current lagoon. I would also suggest a \$20,000 reserve to begin mapping and addressing I/I issues.

Please contact me if you have any further questions or comments.

Eric M. Carrico, PE
License No. 25090

