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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

NOV 30 2018
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF THE RATTLESNAKE)
RIDGE WATER DISTRICT FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY) Case No. 2018-00371
TO CONSTRUCT, FINANCE AND INCREASE)
RATES PURSUANT TO KRS 278.023)

Response to Commission Staff's First Request for Information

The Rattlesnake Ridge Water District (the "District"), by counsel, hereby files its Response to the Commission Staff's First Request for Information, dated November 28, 2018, as follows:

Q 1. Refer to the Final Engineering Report, page 1. The report acknowledges that the District has an extremely high water loss.

a. Explain what portion of the projects being requested in this application will address the extremely high water loss.

b. Explain why the Preliminary Engineering Report included replacement of 16,368 LF of the water main along KY 7 to Glen Lawson Road, which presumably may have helped to alleviate some of the District's high water loss, yet this portion of the project was not included in the Final Engineering Report.

c. State whether any of the proposed construction, in this case, is designed to reduce the level of water loss. For each project designed to address water loss, estimate the amount of the reduction.

d. If none of the projects will address the extremely high water loss, explain why.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 1(a):

The improvement project is primarily an upgrade project. Most of the items in the project are necessary to keep the District's infrastructure optimally functional for the foreseeable future. The SCADA improvements at the plant will enable the District to catch tank overflows and major line breaks faster.

RESPONSE 1(b):

Initially the District thought it needed a larger storage tank to replace the 504 East and 504 West tank and a new pump station to address low pressures in the part of the system served by these two tanks. This would have required a larger and higher-class water line at the intersection of KY 7 and KY 504 and along KY 504 past Glen Lawson Road. Once the hydraulic analysis was complete as part of the preliminary engineering it was clear that the new tank, pump station and line were not needed only two taller elevated tanks at the current locations. The USDA, Rural Development ("RD") Preliminary Engineering Report is one of the very first items completed in the RD processing checklist; unfortunately, said Report is completely before detailed engineering analysis is undertaken. If the new tank, pump station, and line had been left in the project and constructed it would have resulted in too much pressure in the low areas and numerous pressure-reducing valves would have been needed. The two taller tanks will correct the low-pressure problems and save money.

RESPONSE 1(c):

As stated in Response 1(a), the items in this project are to upgrade existing facilities to optimize operations for the foreseeable future.

RESPONSE 1(d):

The project corrects deficiencies in a number of the District's infrastructure that impedes efficient and effective operations. The District determined that at this time it was necessary to upgrade, rehab and replace critical components of its system so it would be reliable into the foreseeable future for its customers. The major emphasis of this project was to address low pressure in the KY 504 area, serve new customers, replace the Diamond Ridge pump station (which was running almost 24 hours a day and in poor condition), renovate or construct a new office (the District's current office space is a double wide trailer and they are very limited in space inside and outside for customer parking), and repair tanks in poor condition.

The District's Board of Commissioners considered doing meter replacement, service line replacement (this is where the majority of their water loss is located), and install master meters in various parts of the distribution system to assist with water monitoring. However, the total cost of the project ballooned and the Commissioners felt they needed to address the other items first and could undertake another project to address the meters, service lines and water loss.

The District has been repairing service line leaks in house and has made significant progress. The water loss was brought down to approximately 38% recently but with the colder weather, service line leaks have spiked and the water loss has climbed again. The District has repaired over 20 service lines and 4 major line leaks so far this month. The District has utilized representatives of the Kentucky Rural Water Association to assist with determining where the water losses are located and how to approach fixing same.

Q 2. Refer to Final Engineering Report, Page 2, Selected Alternative, Item 1, Purchase an existing facility and retrofit as office building.

a. Reconcile this statement and the statement in the Application, page 1, item 4, (iii) construction of a new office.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 2(a):

Initially, the District thought they would be able to buy one of the few existing buildings in the area and renovate. They even tried to purchase the building in front of the property they currently occupy but no deal could be obtained. The District was able to purchase property that has a 40x60 foot maintenance building. A new office building will be constructed and attached to the existing maintenance building which will be renovated.

Q 3. Refer to Final Engineering Report, page 5, revised budget for Contract No. 5 – New Office Building, \$679,004.75.

a. Provide a complete detailed description of what Contract No. 5 contains.

b. Provide a complete detailed itemization of the \$679,004.75.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 3(a):

Contract 5 is the site work, construction of a new office building, and renovations to the existing maintenance building.

RESPONSE 3(b):

The low bid for Contract 5 was as follows:

Site work - \$97,138.28

Renovation to existing maintenance building - \$92,138.21

New office building addition - \$489,728.26

Per the Contract specifications work and payment will be for the following:

SITE WORK: Payment is lump sum for all site work associated with the construction of a new office building, and shall include all costs associated with insurance, mobilization, demobilization, materials, equipment, submittals, certifications, license, submittals and all other work as related to the plans and specifications. This shall also include the paving, sidewalks, curbs, landscaping, seeding, straw, grading and drainage.

RENOVATIONS TO EXISTING MAINTENANCE BUILDING (INCLUDING CARPORT AND REAR SHED): Payment is lump sum for all renovation work associated with the existing maintenance building, existing carport, and rear shed, and shall include all costs associated with insurance, mobilization, demobilization, materials, equipment, submittals, certifications, license, submittals and all other work as related to the plans and specifications. Payment shall also include the prefinished standing seam roof, soffit and gutters, down spouts, rakes, paint, infill of two (2) windows, replacement of existing aluminum door with steel flush door, and new opening and door in CMU wall.

NEW OFFICE BUILDING ADDITION: Payment is lump sum for all work associated with the construction of a new office building and shall include all costs associated with insurance, mobilization, demobilization, materials, equipment, submittals, certifications, license, fees, submittals and all other work as related to the plans and specifications. Payment shall also include all work required to complete a 2555 SF office building, including the plumbing, mechanical, electrical, foundation, interior and exterior piping, HVAC equipment, lighting, excavation, steel reinforcement, back fill, relocation of the antenna and existing MTU from the existing office and all other related items necessary for the complete installation as shown on the plans and other related items necessary for the complete installation not enumerated elsewhere.

Q 4. Refer to Final Engineering Report, page 5, Other Construction.

a. Provide an explanation and itemization of the Property for Office Building, \$160,000; Interest on Property for Office Building, \$2,500; Installation of Septic System at New Office, \$10,000; Office Furnishings, \$15,000.

b. Explain why these costs are included as separate items and not part of Contract No. 5's expenses.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE: 4(a):

The District paid \$160,000 for the property; \$70,000 to the owner, Matt Pritchard and \$90,000 to the Commercial Bank of Grayson to satisfy a lien on the property. Interest was paid to the bank as the District had to borrow the \$90,000 as the option to purchase was running out and Mr. Pritchard was not willing to wait any longer. The short term bank loan will be paid off at or shortly after the RD Pre-closing scheduled for December 7, 2018. The septic tank installation was actually installed at less than budgeted at \$6,050 which included the land, permit from Carter County Health Department and installation. The office furnishings have not been purchased; they won't be purchased until the building is nearly complete. The \$15,000 is an estimate based on similar Districts furnishing new offices in the area.

RESPONSE: 4(b):

It was thought that the septic tank installation and office furnishings could be obtained by vendors locally at less cost than as part of Contract 5. Most contractors would likely subcontract this at a mark-up.

Q 5. Provide the following information for the calendar year 2017: Purchased Water; Purchased Power for Pumping; and Purchased Chemicals.

a. Explain why this information was omitted from the 2017 Annual Report filed with the Commission.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 5:

Purchased Water - \$13,318.55
Purchased Power for Pumping – \$260,335.39
Purchased Chemicals - \$170,110.77.

RESPONSE 5(a):

The District did not realize that this was not listed in the 2017 Annual Report. In reviewing the 2017 Annual Report and the 2017 Audit; the expenses listed above are in the Annual Report but not broken out correctly. The District believes the chemicals were listed in materials and supplies (620) not Chemicals (618) and the power and water purchase were put in Miscellaneous (675) not Purchased Water (615) and Purchase Power (616). The District has reached out to the auditor for an explanation but do not have one at this time. The District will make sure that this is not repeated in the 2018 Annual Report.

Q 6. Provide the street address of the existing facility that has been, or will be, acquired by the District for use as its new headquarters.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 6:

5302 South State Highway 7, Grayson KY 41143.

Q 7. Provide the name of the person or entity that has sold or will be selling, the existing facility to the District for use as its new office building.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 7:

Matt Pritchard.

Q 8. Provide a copy of a recent real estate appraisal of the existing facility to be used as the new office building. If no appraisal exists, provide the basis for the purchase price of \$160,000.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 8:

The Appraisal is attached hereto as **Exhibit A**. The appraisal states the value of the property at \$100,000. Mr. Pritchard was going to list the property on the market for more than the appraised value. The District negotiated with him and settled on the \$160,000 figure. Again, there was no other available commercial property in the area that had willing sellers.

Q 9. State whether any employee of the District or member of its Board of Commissioners are related to, or have a business relationship with, the person or entity that has sold or will be selling the existing facility for use as the new office building.

WITNESS: W. C. Gilbert, General Manager, Rattlesnake Ridge Water District

RESPONSE 9:

No employee or Board Member is related to, or has a business relationship with, Mr. Matt Pritchard.

The undersigned has prepared this Response as Counsel to and on behalf of the Rattlesnake Ridge Water District, a governmental agency, and hereby certifies that this Response is true and accurate to the best of the undersign's knowledge, information and belief formed after a reasonable inquiry.

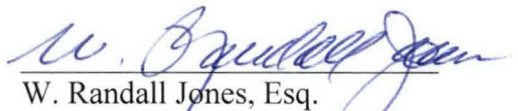
Respectfully Submitted:

Rubin & Hays

By 
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Certificate of Service and Filing

The undersigned, Counsel to the Rattlesnake Ridge Water District, in Case No. 2018-00371, hereby certifies (i) that an original and ten copies of the foregoing were served and filed, via hand delivery, to Ms. Gwen R. Pinson, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; and (ii) that true and accurate copies of the foregoing were mailed via the United States Postal Service, first class, postage prepaid to all parties of record, all on this November 30, 2018.


W. Randall Jones, Esq.
Rubin & Hays

APPCO APPRAISAL SERVICE

Commercial - Industrial

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December 28, 2017

Commercial Bank of Grayson
208 East Main Street, P.O. Box 7
Grayson, Kentucky 41143-0007
Attn.: Mark Strother

Re: Appraisal
5302 SR 7
Grayson, Carter County, Kentucky

Dear Mr. Strother:

With your request I have undertaken the steps necessary to complete an appraisal of the referenced property. The results are contained within the attached document.

Based on the data gathered in conjunction with the analysis of the market factors discovered, it is my opinion the market value of the fee simple interest of the property as of December 26, 2017 is \$100,000.00 (One Hundred Thousand Dollars).

Should you have any questions regarding this report, please do not hesitate to contact me.

Sincerely,


R.J. Robinson