

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH)	CASE NO.
WOODFORD WATER DISTRICT FOR A RATE)	2022-00035
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On February 3, 2023, South Woodford Water District (South Woodford District) filed a letter requesting clarification regarding whether a contract that it had entered into meets the requirements of the Commission’s January 17, 2023 Order to “obtain the services of an outside independent consultant to assist in preparing and issuing” a request for proposals (RFP) to maintain South Woodford District’s distribution system.¹

Although framed as a request for clarification, South Woodford District’s request is actually a request for the Commission to determine that a contract that the utility previously executed with a third party satisfied the requirements established in the January 17, 2023 Order. For the reasons set forth below, the Commission finds that South Woodford District’s request should be denied for failing to meet the stated requirements in the January 17, 2023 Order.

¹ Order (Ky. PSC Jan. 17, 2023) at 21. This matter was filed as an alternative rate filing under 807 KAR 5:076. Commission regulation 807 KAR 5:076, Section 13, allows an authorized official of the applicant who is not licensed to practice law in Kentucky to file certain documents, such as responses to Commission orders. Because this letter is filed in response to the Commission’s January 17, 2023 Order by the utility’s board chair, the letter was filed in accordance with 807 KAR 5:076, Section 13(1).

BACKGROUND

The January 17, 2023 Order contained findings and ordering paragraphs regarding of the requirement that South Woodford District to obtain the services of an outside independent consultant to assist in preparing and issuing an RFP to potential firms interested in providing distribution system maintenance to South Woodford District.

Ordering paragraph six states:

Within three months from the date of service of this Order, South Woodford District shall obtain the services of an outside independent consultant to identify potential firms interested in providing distribution system maintenance to South Woodford District; assist in preparing an RFP; issue the RFPs to solicit bids from identified firms; and analyze the bids received (i.e.; costs and bidder's qualifications); identify the top responses to the RFPs; and document the consultant's analysis.²

Ordering paragraph seven states:

Within six months from the date of service this Order, South Woodford District shall submit to the Commission a written report that discusses the results of the RFP solicitation for the contract distribution maintenance. The report shall include a detailed analysis supporting the decision.³

In its letter, South Woodford District sought approval that the contract with a third party that was attached to the letter would meet the requirements of the January 17, 2023 Order. In its letter, South Woodford District asserted that RFPs recently issued in other water districts have “not been successful in lowering the prices for the water prices for the water district” and received “little to no responses.”⁴ South Woodford District claimed that this is due to the nature of the industry, the limited number of companies that do such

² Order (Ky. PSC January 17, 2023), ordering paragraph six.

³ Order (Ky. PSC January 17, 2023), ordering paragraph seven.

⁴ February 3, 2023 Letter at unnumbered page 1.

work, and that the few companies that do manage water utilities are very regionalized. South Woodford District explained that due the high price of maintenance, it already contracted with Gatewood Water Service to manage all meter reading, maintenance and operations. Southern Woodford District maintained that “Gatewood Water Service is probably the only company in Central Kentucky that does this type of service.”⁵

DISCUSSION AND FINDINGS

For the reasons discussed below, based upon the letter, contract and case record, the Commission concludes that South Woodford District has not satisfied the requirements contained in the January 17, 2023 Order, and thus South Woodford District’s request that the Commission find that the contract with Gatewood Water Service complies with the directives in the January 17, 2023 Order should be denied.

In the Commission Staff’s Report issued on September 13, 2022, Commission Staff explained its concerns that South Woodford District failed to issue an RFB, but instead limited negotiations to the then-current provider, Gatewood Water Service, which resulted in a 60.88 percent increase.⁶ In the January 17, 2023 Order, the Commission reiterated that concern based upon the significant increase in the contractual maintenance cost and the South Woodford District board’s “failure to follow due diligence protocol” by not seeking bids from multiple providers.⁷ Based upon those concerns, the Commission outlined the specific steps that South Woodford District must take to rectify the issue.

⁵ February 3, 2023 Letter at unnumbered page 1.

⁶ Commission Staff’s Report (Ky. PSC Sept. 13, 2022) at 20.

⁷ January 17, 2023 Order at 15.

In its letter, South Woodford District offers only generalized, conclusory statements in support of its previous decision to retain Gatewood Water Service despite the significant increase in expense and the board's failure to exercise due diligence protocols to provide adequate, efficient and reasonable service at fair, just and reasonable rates. South Woodford District provided no evidence to support its decision, only conjecture that Gatewood Water Service is "probably" the only company in Central Kentucky to offer this service and that other districts that obtained RFPs for infrastructure maintenance were not successful in lowering prices or that "little to no response" was received from such RFPs.⁸

For these reasons, and consistent with the January 17, 2023 Order, the Commission finds that South Woodford District's contract with Gatewood Water Service failed to comply with the requirements in the January 17, 2023 Order, and therefore the request should be denied.

The Commission further finds that all requirements ordered in the January 17, 2023 Order remain in full force and effect. Failure to comply with a Commission Order may lead to civil penalties assessed under KRS 278.990.

IT IS THEREFORE ORDERED that:


1. South Woodford District's request that the existing contract with Gatewood Water Service complies with the requirements of the January 17, 2023 Order is denied.
2. The case remains open until South Woodford District submits documentation of its compliance with the January 17, 2023 Order and until the

⁸ February 3, 2023 Letter at unnumbered page 1.

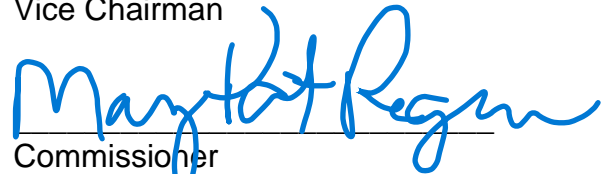
Commission issues an Order addressing South Woodford District's Water Loss Reduction Surcharge, whichever occurs last.

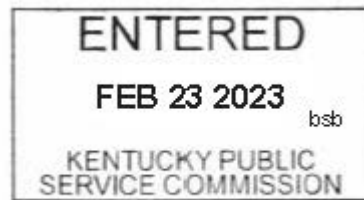
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PUBLIC SERVICE COMMISSION


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ATTEST:


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