

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BIG SANDY	)	
WATER DISTRICT FOR A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY TO	)	
DEPLOY AN ADVANCED METERING	)	CASE NO.
INFRASTRUCTURE AND GEOGRAPHIC	)	2023-00163
INFORMATION SYSTEM, ISSUANCE OF	)	
EVIDENCE OF INDEBTEDNESS, AND REQUEST	)	
FOR EXPEDITED RELIEF	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO BIG SANDY WATER DISTRICT

Big Sandy Water District (Big Sandy District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on July 11, 2023. The Commission directs Big Sandy District to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the

---

<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Sandy District shall make timely amendment to any prior response if Big Sandy District obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Big Sandy District fails or refuses to furnish all or part of the requested information, Big Sandy District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Big Sandy District shall, in accordance with 807 KAR 5:001E, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, page 2, which states, "As a result of the net cost savings achieved by the Leak Reduction Project, no rate increases will be needed as a result of the Leak Reduction Project." Also, refer to Commission regulation 807 KAR 5:066(6)(3) which states:

Unaccounted-for water loss. Except for purchased water rate adjustments for water districts and water associations, and

rate adjustments pursuant to KRS 278.023(4), for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Upon application by a utility in a rate case filing or by separate filing, or upon motion by the commission, an alternative level of reasonable unaccounted-for water loss may be established by the commission. A utility proposing an alternative level shall have the burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section.

a. Describe how the reduction of excess water loss will result in no cost impact for the ratepayers, given the water loss in excess of 15 percent is not included in tariffed rates but costs for depreciation, debt service, and working capital for the proposed project will be included in future rate calculations.

b. Explain the impact the proposed project will have on Big Sandy District's "Water Loss Detection and Control Program Surcharge."

2. Refer to Application, page 6.

a. State the brand of the 1,500 meters that Big Sandy District replaced in 2020.

b. State the failure and error rates of the meters purchased in 2020.

c. Describe Big Sandy District's efforts to resolve issues with the manufacturer for the meters purchased in 2020.

3. Refer to Application, page 6.

a. State how the 2020 purchase of meters was funded and whether they were purchased under a certificate of public convenience and necessity (CPCN) approved by the Public Service Commission.

b. For the meters purchased in 2020, state the original value, the net book value as of December 31, 2022, and the estimated useful life used to determine depreciation rates.

c. For the meters not replaced in 2020, state the original value, the net book value as of December 31, 2022, the estimated useful life used to determine depreciation rates, and the installation year.

d. Provide the salvage value for the meters purchased in 2020.

4. Refer to Application, page 13. State the inflationary pressures that concern Integrity Water and Energy, LLC (Integrity) with respect to each project component and whether the risk is for an external supplier or costs to Integrity internally. Quantify the risks for each project component and the basis for the assessment.

5. Refer to the Application, Exhibit 1.

a. Explain whether Big Sandy District considered requesting proposals for an advanced metering infrastructure (AMI) project or geographic information system (GIS) project, either separately or together, without a guaranteed savings component. If not, explain why not.

b. Explain why Big Sandy District chose “Guaranteed Energy Savings Contract” as the language for its Request for Proposals (RFP).

c. State how the proposed project for water loss reduction meets the advertised bid request for a “Guaranteed Energy Savings Contract.”

6. Refer to the Application, Exhibit 1.

a. State whether Big Sandy District received any inquiries about the RFP. If so, provide the number of inquiries.

b. Describe how potential bidders would have concluded that the project was potentially for water loss reduction given the advertised description of “Guaranteed Energy Savings Contract” and the absence of bid specifications.

c. Describe the evolution of the decision to pursue a Guaranteed Energy Savings Contract, including any discussions Big Sandy District had with Integrity prior to the RFP advertisement.

7. Refer to Application, Exhibit 2, page 1, “Figure 1: Expected reduction in % NRW over time.” Describe the sources of savings in 2006 through 2043 and quantify, in dollars, any inflation included in the amounts.

8. Refer to the Application, Exhibit 2, page 3 which states, “The extended team also includes many of your staff that are invested in our team by assisting us with site surveys, data acquisition, question and answers, etc.” By quarter from inception of the project, quantify the estimated hours that will be required for Big Sandy Staff participation. List position, hourly rate, hours required, and number of required hours in excess of each employee’s presumed regular weekly hours of 40.

9. Refer to the Application, Exhibit 2, page 5 and Exhibit 6, page 3.

a. Explain the time period over which Integrity will be responsible for repairs to Big Sandy District’s pipelines to achieve reduced water loss.

b. Provide the estimated cost of any repairs performed by Integrity and confirm those costs are included in the contract price.

10. Refer to the Application, Exhibit 2, page 11. Provide a revised project schedule.

11. Refer to the Application, Exhibit 2, page 22.

- a. Provide the calendar years that correspond with the project years.
- b. Explain why program savings begin in year 0.
- c. Provide the charts in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

12. Refer to the Application, Exhibit 2, page 22.

- a. Explain why the “Additional Client Repair Budget” is \$0.
- b. Provide the methodology used to project the 13 percent reduction in purchased water and 5 percent reduction in maintenance water usage.
- c. Explain whether the wholesale production cost estimate was escalated over 20 years.

13. Refer to the Application, Exhibit 2, page 22.

- a. Provide the methodology used to project the 5.5 percent increase in meter accuracy and explain what time period the increase would occur.
- b. Provide the methodology used to project the 2.5 percent “Annual Rate Increase” and explain how this number is used in the calculation.

14. Refer to the Application, Exhibit 2, pages 22 and 25 and Exhibit 6, pages 27 and 33.

- a. Explain how and over what period “new savings and increase in revenue” will be guaranteed.
- b. Explain how and over what period meter accuracy will be guaranteed.
- c. Explain how and over what period non-revenue water reductions will be guaranteed.

15. Refer to the Application, Exhibit 2, Integrity Proposal in general.
  - a. Describe the qualifications of each Integrity team member and their role in the proposed project.
  - b. Provide a list of similar projects, project start and completion dates, and describe the success history of each project in quantifiable terms including projected and actual results excluding inflation impacts.
16. Refer to the Application's discussion of savings in general.
  - a. State whether each year's asserted savings is independent of other years.
  - b. If savings during a measurement period exceeds projected savings, state whether the excess savings will be banked against future years.
  - c. Provide copies of all financial analysis (tables and charts) presented in the application excluding inflation and system growth assumptions.
17. Refer to the Application's discussion of GIS in general.
  - a. State who will conduct the GIS mapping and state the time required both in terms of elapsed time and actual work-hour effort that will be required.
  - b. Describe the process for determination of GIS requirements.
  - c. State whether Integrity or Big Sandy District has made any assessment of mapping information available from the Kentucky Infrastructure Authority's (KIA) Water Resource Information System Portal (WRIS) for Big Sandy District at [https://kygeonet.ky.gov/kia/dw/?config=config\\_zoom.json&esearch=KY0100944&slayer=2&exprnum=0](https://kygeonet.ky.gov/kia/dw/?config=config_zoom.json&esearch=KY0100944&slayer=2&exprnum=0) and whether the information could be utilized to reduce the cost of the proposed project.

18. Describe the financial accounting under Generally Accepted Accounting Principles (GAAP) for guaranteed performance contracts in relation to the following:

a. If savings are not achieved during a fiscal year, state whether the utility will be permitted under GAAP to record a deferred asset (or receivable) for an unmitigated settlement amount with Integrity.

b. Describe how Big Sandy District will be able to ensure that rate payers are not burdened with the costs of the proposed project (depreciation, debt service, working capital) for the test year that is used for any future rate case.

19. Provide a current capital plan for Big Sandy District and respond to each of the following:

a. If a current capital plan is not available, state the last time that Big Sandy District updated its capital plan.

b. Provide a list of anticipated waterline replacements, the age of the lines being replaced, the percentage of total lines in the distribution system, the diameter, linear footage to be replaced, estimated cost, anticipated sources of funding, customers directly affected by the replacement, and anticipated start and completion dates for each project.

c. Explain whether Big Sandy District will replace lines with leaks or will only repair leaks individually.

20. Refer to Case No. 2019-00275, final Order dated October 7, 2019.<sup>2</sup>

---

<sup>2</sup> Case No. 2019-00275, *Application of Big Sandy Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Oct. 7, 2019), final Order.



a. Describe the activities that were completed in reference to “beginning the process of G.P.S. mapping of the system” that is referenced in the project description on page two of the October 7, 2019 final Order.

b. Provide the cost incurred and supplier who performed the activities.

c. State how the activities performed under the authority of this CPCN will benefit or be utilized by Integrity in conjunction with their proposed GIS activities.

21. State whether any of the requested items or projects in this case overlap with any of the items that the Commission authorized Big Sandy District to purchase using water loss surcharge funds granted in Case No. 2022-00301.<sup>3</sup>

22. State whether Big Sandy District purchased the 1,000 water meters authorized in Case No. 2022-00301,<sup>4</sup> and if so whether Big Sandy District intends to replace those meters with the AMI meters.

23. State how this will affect the employee that Big Sandy District was authorized to hire to work exclusively on leak detection and repair in Case No. 2022-00301.<sup>5</sup>

24. Provide a map indicating the location of the proposed fourteen new meter pits and identify them by zone.

25. State whether Big Sandy District considered any other meter brand besides Neptune and explain why Neptune was chosen over any others.


---

<sup>3</sup> Case No. 2022-00301, *Electronic Big Sandy Water District’s Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC May 30, 2023).

<sup>4</sup> Case No. 2022-00301, *Electronic Big Sandy Water District’s Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC May 30, 2023).

<sup>5</sup> Case No. 2022-00301, *Electronic Big Sandy Water District’s Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC May 30, 2023).

26. State whether Big Sandy District considered any other model of meter than the Neptune MACH 10, and if so explain why the Neptune MACH 10 was chosen over any others.



Linda C. Bridwell, PE  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED   JUN 26 2023  

cc: Parties of Record

\*Big Sandy Water District  
18200 Kentucky Route #3  
Catlettsburg, KY 41129

\*R. Brooks Herrick  
Dinsmore & Shohl, LLP  
101 South Fifth Street  
Suite 2500  
Louisville, KENTUCKY 40202

\*Easton B. Depp  
Dinsmore & Shohl, LLP  
101 South Fifth Street  
Suite 2500  
Louisville, KENTUCKY 40202

\*Honorable Kerry E Ingle  
Attorney at Law  
Dinsmore & Shohl, LLP  
1400 PNC Plaza  
500 West Jefferson Street  
Louisville, KENTUCKY 40202