

March 19, 2018

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MAR 19 2018

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: IN THE MATTER OF: AN INVESTIGATION INTO THE FEASIBILITY OF
PROPOSED MERGER OF CAWOOD WATER DISTRICT AND BLACK MOUNTAIN
UTILITY DISTRICT PURSUANT TO KRS 74.361 - Case No. 2018-00068

Executive Director Pinson:

Please find enclosed and accept for filing in the above-styled matter an original and six (6) copies of Cawood Water District's Supplemental Response to Commission Staff's First Request for Information, Item No. 6. Cawood Water District submitted its initial responses to Commission Staff's First Request for Information on March 5, 2018 (which responses are adopted and incorporated herein by reference), but requested and was granted additional time to file this Supplemental Response by the Commission's Order entered March 15, 2018. Please return a file-stamped copy of this submission to me.

I appreciate your assistance with this matter, and please do not hesitate to contact me with any questions or concerns.

Respectfully submitted,



Mark David Goss

Enclosures

Executive Director Pinson
Case No. 2018-00068
March 19, 2018
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CERTIFICATE OF SERVICE

Pursuant to 807 KAR 5:001 Section 6, the undersigned certifies that, consistent with 807 KAR 5:001 Section 4(8), true and accurate copies of this letter and its enclosure have been placed into the custody and care of the United States Postal Service on March 19, 2018, for service upon the following:

Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437



Mark David Goss
Counsel for Cawood Water District

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**PUBLIC SERVICE
COMMISSION**

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**AN INVESTIGATION INTO THE FEASIBILITY)
OF PROPOSED MERGER OF CAWOOD WATER) CASE NO. 2018-00068
DISTRICT AND BLACK MOUNTAIN UTILITY)
DISTRICT PURSUANT TO KRS 74.361)**

**CAWOOD WATER DISTRICT'S
SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION, ITEM NO. 6**

Filed: March 19, 2018

**Cawood Water District
Case No. 2018-00068
Commission Staff's First Request for Information**

6. Provide the Harlan County Fiscal Court meeting minutes that contain the 2017 votes on the proposed merger between Cawood District and Black Mountain, and explain in full detail why Cawood District did not merge with Black Mountain.

Supplemental Response:

At its regular meeting held July 18, 2017, the Harlan County Fiscal Court adopted a motion “to recommend that Cawood Water District begin the process of merging with Black Mountain Utility District.” Approximately four (4) months later, at its November Board meeting, Cawood Water District (“Cawood”) was informed of the Harlan County Fiscal Court’s recommendation by the County Judge/Executive, Dan Mosley. Cawood was unaware of any merger proposals prior to its November Board meeting; thus, at that meeting, extensive discussions took place between Cawood and Judge Mosley concerning the appropriate path forward in light of the Harlan County Fiscal Court’s recommendation. Ultimately, the parties agreed that Cawood should work aggressively to address the issues negatively impacting its service and, if those efforts did not yield substantial improvements, proceed with a merger as recommended by the Fiscal Court.

Immediately following its November Board meeting, Cawood began undertaking significant actions to improve the service it provides its customers. These actions include:

- Replacing the District’s Plant Manager. On or about November 22, 2017, Cawood hired Ronnie Williams as its new Plant Manager. Mr. Williams has extensive relevant experience and is well-respected in the area. His work ethic, honesty, and ability to communicate with customers and employees has served and will continue to serve Cawood well. The overall operation of Cawood’s plant has vastly improved since Mr. Williams began employment.
- Installing New Leadership. To fill a vacancy, Tim Rice was appointed to Cawood’s Board in January, 2018. Mr. Rice’s experience as a local businessman for over thirty (30) years is an asset to Cawood’s governing body. Cawood’s other Board members are equally as qualified and all are committed to improving all aspects of Cawood’s service to its customers.

- Enhancements to Operations. For several years Cawood's billing activities have been performed off-site by a respected local accountant, David Burkhart. However, beginning April 1, 2018, billing will be brought in-house and performed by Mr. Burkhart at Cawood's business office. In addition, Cawood intends to utilize internal staff as much as possible in 2018 to handle other aspects of the District's finances. Cawood is also working towards achieving 100% employee certification (in plant operation and/or water distribution).

- Infrastructure Repairs. Cawood has redoubled its efforts to identify and address line leaks throughout its entire system. However, there is an area in Cawood's system that presents the majority of identified and significant leaks which have resulted in water service outages. The approximate 2.25 mile stretch of water line running alongside U.S. Highway 421, south of the City of Harlan, between the communities of Grays Knob and Lenarue was moved by the State of Kentucky during a major road-widening and redesign project in the early 2000's. Much of this water line was not installed correctly by the state's contractor and is as much as 25 feet deep in places. Large boulders and concrete barrier walls have been required to be removed during water line break repairs. Cawood is acutely aware of the service disruptions that this portion of its system causes and is diligent in repairing leaks or breaks as soon as they can be located. The majority of repairs made by Cawood just since December 15, 2017 are in this 2.25 mile stretch and include:
 - 12/15/17 – 8" line at Neff
 - 1/3/18 – Ava St. ¾" service line
 - 1/8/18 – ¾" service line at Hwy 3001
 - 1/9/18 – 8" line at Hwy 421
 - 1/14/18 – 8" line at Hwy 421
 - 1/22/18 – 8" line at Hwy 421
 - 2/5/18 – 8" to 6" reducer at Appalachian Challenge Academy, Grays Knob
 - 2/6/18 – 8" line at Hwy 421
 - 2/8/18 – ¾" service line at Hwy 3001

- Investment in Plant. Cawood has replaced approximately 75 outdated or malfunctioning meters since December, 2017, as well as installed approximately 50 pressure reducing valves. Just last week (March 12, 2018), Cawood drained and cleaned the 75,000 gallon tank at its plant. This is likely the first time such maintenance had been performed in several years. Cawood has also purchased additional equipment and supplies in recent months to help ensure its employees

are properly prepared to maintain the system and address issues which arise.

Equipment and supplies purchased since December, 2017, includes:

- Transit Time flow meter
 - Leak detection
 - Meter validation
 - Metal detector
 - Valve location
 - Line tracing
 - Listening device
 - Leak detection
 - Line location
 - Valve operation
 - Hydrant flow meter
 - Hydrant pressure
 - Adaptable to any line for line pressure
 - Three (3) turbidity meters
 - 4- 8" pvc sdr17 pipe
 - 3- 6" pvc sdr17 pipe
 - 7- 8" Hymax couplings
 - 7- 6" Hymax couplings
 - 2- 90 deg. Hymax elbow
 - 90- 5/8 x 3/4 meters
 - 12- 18" meter boxes
 - 25- 18" meter box lids
 - 50- 70xldm pressure reducing valves
 - 30- 600xllusc pressure reducing valves
 - 12- tandem meter setters
 - 4- 12" Hymax couplings
 - 2- 12" Mega Lug flange kits
- Strengthening Relationships. Cawood has recognized the need to better communicate with its customers and believes its new leadership and employees further that goal. Cawood has also developed a presence on social media to ensure customers remain informed and have another method of contacting Cawood if necessary. Cawood is also working to build stronger working relationships with the Kentucky Division of Water and other local utility districts.

As evidenced from the above, Cawood is taking very seriously its need to address issues that have impacted the service it provides. As a direct result of its efforts thus far, Cawood's monthly water loss for the month of February totaled approximately 15%, a

substantial reduction from the 40-50% monthly water loss experienced for the past several years. Cawood expects the improvements it has made (and continues to make) will ensure the provision of reasonable and adequate water service to its customers going forward.

Cawood also takes very seriously the Harlan County Fiscal Court's recommendation with respect to a merger with Black Mountain Utility District ("BMUD"), and it is not wasting the opportunity discussed with Judge Mosley to make improvements and proceed judiciously. While Cawood is committed to proceeding in the best interest of its customers, there are numerous, substantial concerns with a merger between Cawood and BMUD, including the fact that: (1) Cawood has its own water plant and produces most of the water it sells, while all water sold by BMUD is purchased from other producers at a retail rate; (2) Cawood has certified plant operators, unlike BMUD; (3) the two districts use different types of meters and it would be logistically inefficient to try and combine them; and, (4) the two districts are not interconnected, as they are separated by Harlan Water Works. Such an interconnection would prove difficult and very costly. Cawood believes these issues and others render necessary a thoughtful and cautious approach to a possible merger with BMUD.

Cawood requests that the Commission consider allowing it until the end of fiscal year 2018 (December 31, 2018) to put into place the several reforms mentioned in this response and determine whether satisfactory progress is being made. The District would be very willing to provide the Commission with quarterly status reports for the second, third and fourth quarters of 2018 documenting this progress and would also be willing to answer any questions which the Commission might have resulting from these reports.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN INVESTIGATION INTO THE FEASIBILITY)
OF PROPOSED MERGER OF CAWOOD WATER) CASE NO. 2018-00068
DISTRICT AND BLACK MOUNTAIN UTILITY)
DISTRICT PURSUANT TO KRS 74.361)

VERIFICATION OF TIM RICE

COMMONWEALTH OF KENTUCKY)
COUNTY OF HARLAN)

Tim Rice, being duly sworn, states that he has supervised the preparation of the supplemental response of Cawood Water District to Commission Staff's First Request for Information, Item 6, in the above-referenced case and that the matters and things set forth in the response are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Tim Rice

The foregoing Verification was signed, acknowledged and sworn to before me this 19th day of March, 2018, by Tim Rice.



NOTARY PUBLIC
Commission Expiration: 12/01/21