



KATELYN L. BROWN
DIRECT DIAL: (502) 568-5711
katelyn.brown@skofirm.com

500 WEST JEFFERSON STREET
SUITE 2000
LOUISVILLE, KY 40202-2828
MAIN: (502) 333-6000
FAX: (502) 333-6099

April 19, 2019

RECEIVED

APR 22 2019

PUBLIC SERVICE
COMMISSION

Ms. Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Re: *Application of Cannonsburg Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076*
Case No. 2018-00376

Dear Ms. Pinson:

Please find enclosed an original and ten (10) copies of Cannonsburg Water District's Motion for Surcharge.

Should you have any questions, please contact me at your convenience.

Sincerely,

Stoll Keenon Ogden PLLC

A handwritten signature in blue ink that reads "Katelyn Brown".

Katelyn L. Brown

KLB
Enclosures

RECEIVED

APR 22 2019

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CANNONSBURG)	
WATER DISTRICT FOR RATE)	CASE NO. 2018-00376
ADJUSTMENT FOR SMALL UTILITIES)	
PURSUANT TO 807 KAR 5:076)	

MOTION FOR SURCHARGE

Cannonsburg Water District (“Cannonsburg District”), by counsel, hereby respectfully requests the Kentucky Public Service Commission (“Commission”) to approve a new monthly water loss reduction surcharge of \$4.00 per active meter.

In support of this Motion, Cannonsburg District states as follows:

1. Cannonsburg District has a history of high unaccounted-for water loss,¹ but has diligently worked over time to reduce its water loss. In 2012, the Commission authorized the assessment of a \$5.53 monthly surcharge on all customers for a period of 36 months to fund Cannonsburg District’s non-revenue water reduction efforts and required these funds to be kept in a separate account.²

This monthly surcharge has since ended, but Cannonsburg District recognizes more progress must be made to reduce its water loss.

¹ Monthly Water Loss Report for January 2017 shows nearly 55% water loss (filed on 4/18/2017 in Case No. 2014-00267). The most recent Staff Report states “Staff determined Cannonsburg District’s actual test-year water loss was 39.19 percent or 24.19 percent above the allowable limit.” Staff Report at 14 (filed on 3/19/2019 in Case No. 2018-00376).

² *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, Case No. 2011-00217, Order at 9-10 (June 4, 2012).

2. Cannonsburg District's separate account holding the remaining surcharge funds has a current balance of approximately \$521,000.

3. Cannonsburg District has identified its most critical need for further reduction of its unaccounted-for water loss – the installation of approximately 36 new zone meters and replacing the 10 existing zone meters. This project is called the Phase I – Zone Metering Project or the Phase I Project.

4. Recently, Cannonsburg District engaged the services of Bell Engineering to assist it in its ongoing water loss reduction efforts. Bell Engineering has prepared an Opinion of Probable Cost for the Phase I – Zone Metering Project. The estimated cost of the Phase I Project is approximately \$987,000. A copy of Bell Engineering's Opinion of Probable Cost is attached hereto and incorporated herein by reference as **Exhibit 1**.

5. Cannonsburg District's Board of Commissioners acknowledges that it is necessary for Cannonsburg District to raise more revenue to finance its proposed Phase I Project and other water loss reduction efforts. The most feasible method is to implement a new monthly surcharge. At its monthly Board of Commissioners meeting held on April 17, 2019, Cannonsburg District adopted a Resolution requesting the Commission to authorize a new water loss surcharge in the amount of \$4.00 per month per active meter. A copy of Resolution No. 2019-04-01 is attached hereto and incorporated herein by reference as **Exhibit 2**.

6. The \$4.00 per month per meter water loss surcharge proposed by Cannonsburg District will generate approximately \$170,000 per year (42,528 annual bills x \$4.00 = \$170,112).³ If the surcharge is effective for four years, approximately \$680,000 will be generated.

7. The Staff Report dated March 29, 2019 in this case recommends that the Commission reduce Cannonsburg District's purchased water expense by \$249,736 and reduce its purchased power expense by \$16,615, or a total reduction of \$266,351, to eliminate the cost of water that is in excess of the 15% water loss limitation set forth in 807 KAR 5:066, Section 6(3).⁴

8. The proposed surcharge will generate approximately \$170,000 per year, which is considerably less than the \$266,351 annual reduction recommended in the Staff Report. To generate surcharge revenue of \$266,351, the surcharge will need to be increased to \$6.26 per month ($\$266,351 \div 42,528 \text{ bills} = \6.26). The rates recommended in the Staff Report will increase a typical residential customer's monthly water bill from \$42.68 to \$44.41. If the surcharge is set at \$6.26, then a typical residential customer's bill will exceed \$50.00. Cannonsburg District seeks to keep the total monthly bill, including the surcharge, below \$50.00. A monthly surcharge of \$4.00 will accomplish this objective. ($\$44.41 + \$4.00 = \$48.41$).

³ See Application, Attachment 5 "Billing Analysis with 2017 Usage & Existing Rates," Case No. 2018-00376 (Nov. 13, 2018).

⁴ Staff Report on Cannonsburg Water District at 14, Case No. 2018-00376 (Mar. 19, 2019).

9. Cannonsburg District expects the new monthly surcharge, if approved, to be subject to similar conditions as those set forth in the Order approving the initial \$5.53 monthly surcharge.⁵

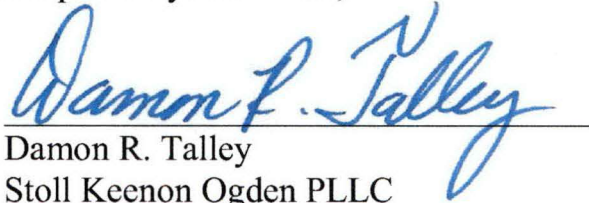
10. The Commission is well aware of the past efforts of Cannonsburg District to reduce its water loss and the need for further reduction. Pursuant to the August 7, 2014 Order in Case No. 2014-00267, Cannonsburg District has been filing monthly progress reports and monthly water loss reports for the last several years. Cannonsburg District believes that the evidence contained in the case record in Case No. 2014-00267 and the evidence that will be produced at the formal Hearing on April 25, 2019 will be sufficient for the Commission to approve Cannonsburg District's request for a new monthly surcharge.

⁵*Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges, Case No. 2011-00217, Order at 7-9, paragraphs 17 and 18 (June 4, 2012).*

WHEREFORE, Cannonsburg District respectfully requests that the Commission issue an Order approving its request for a new monthly surcharge in the amount of \$4.00 per month per active meter for a minimum of four (4) years.

Dated: April 19, 2019

Respectfully submitted,



Damon R. Talley
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KY 42748-0150
Telephone: (270) 358-3187
Fax: (270)358-9560
damon.talley@skofirm.com

Katelyn L. Brown
Stoll Keenon Ogden PLLC
500 West Jefferson Street, Suite 2000
Louisville, Kentucky 40202
Telephone: (502) 568-5711
Fax: (502) 333-6099
katelyn.brown@skofirm.com

Counsel for Cannonsburg Water District

CERTIFICATE OF SERVICE

The undersigned hereby certifies that an original and ten (10) copies of the foregoing Motion have been mailed to the Public Service Commission on this 19th day of April, 2019.



Damon R. Talley

EXHIBIT 1



April 17, 2019

Mr. Tim Webb, Superintendent
Cannonsburg Water
1606 Cannonsburg Road
Ashland, Kentucky 41102

**Re: Opinion of Probable Cost
Phase I-Zone Metering Project
Phase II-Service Line Connection and Meter Replacement Project**

Dear Mr. Webb:

On behalf of Bell Engineering, we wanted to thank for taking the time to meet with us last week. As requested, we are attaching opinion(s) of probable cost for the referenced projects. We understand that the focus of each project is the continued reduction of non-revenue water (NRW) in the Cannonsburg system. The following is a brief summary of the scope of work that will be covered under each project.

Phase I - Zone Metering Project

1. Installation of approximately 36 "omni" zone metering devices equipped with pressure monitoring equipment that can be incorporated into the existing flex-net system.
2. Replacement of approximately 10 existing zone metering devices with new "omni" zone metering devices equipped with pressure monitoring equipment that can be incorporated into the existing flex-net system.
3. Development of a comprehensive hydraulic model that can be used to improve current operating efficiency and plan for changes in future demand.

Phase II - Service Line Connection and Meter Replacement Project

1. Replacement of approximately 600 existing service line connections.
2. Purchase of approximately 500 I-pearl meters equipped with flex-net capabilities to be installed by Cannonsburg Water.

2480 fortune drive, suite 350, lexington, kentucky 40509
859/278-5412 phone 859/278-2911 fax www.hkbell.com

bell engineering. creating. improving. planning for the future.

Mr. Tim Webb, Superintendent
April 17, 2019
Page 2

3. Upgrades and expansion of existing system wide telemetry.
4. Development of a capital improvements plan (CIP), flushing plan and condition assessment report for all tank and pump station sites.

Please understand that the attached probable cost were developed based on information gathered at our initial meeting and may need to be revised and updated as each project progresses.

Thank you again for allowing us the opportunity to meet with you. We look forward to working with you in the future. Should you need any additional information or further assistance please do not hesitate to contact us at your convenience.

Sincerely,
BELL ENGINEERING



Alan Bowman, PE
Project Engineer

Attachments

- c: Mr. Kelly Gillespie, President, Bell Engineering
Mr. Damon R. Talley, Attorney-at-Law, Stoll Keenon Ogden PLLC



Lexington, KY | 859.278.5412
 Hopkinsville, KY | 270.886.5466
 Asheville, NC | 828.774.5499

OPINION OF PROBABLE PROJECT COST

Project: PHASE 1 - ZONE METERING PROJECT

Client: CANNONBURG WATER DISTRICT

- No Design Completed
- Preliminary
- Final Design

Date: APRIL 2019

Contract No.: 691-19-A

Est. By: RAB

Checked By: KGG

SHEET: 1

OF: 1

Drawing No.: N/A

ITEM NO.	ITEM DESCRIPTION	QUANTITY		MATERIAL		LABOR		TOTAL COST
		NO.	UNIT	PER UNIT	TOTAL	PER UNIT	TOTAL	
CONSTRUCTION								
1	NEW 3-INCH OMNI ZONE METER	13	EA	\$7,500	\$97,500	\$3,500	\$45,500	\$143,000
2	NEW 4-INCH OMNI ZONE METER	2	EA	\$9,500	\$19,000	\$4,000	\$8,000	\$27,000
3	NEW 6-INCH OMNI ZONE METER	20	EA	\$14,000	\$280,000	\$4,500	\$90,000	\$370,000
4	NEW 12-INCH OMNI ZONE METER	1	EA	\$22,500	\$22,500	\$5,500	\$5,500	\$28,000
5	REPLACE EX. 6-INCH OMNI ZONE METER	10	EA	\$14,000	\$140,000	\$6,000	\$60,000	\$200,000
TOTAL OPINION OF PROBABLE CONSTRUCTION COST								\$768,000
PROJECT COST								
1	ENGINEERING FEES - DESIGN (USDA RD CURVE)							\$50,000
2	ENGINEERING FEES - BIDDING (USDA RD CURVE)							\$7,000
3	ENGINEERING FEES - CONSTRUCTION ADMINISTRATION (USDA RD CURVE)							\$14,000
4	ENGINEERING FEES - INSPECTION (USDA RD CURVE)							\$47,000
5	HYDRAULIC MODEL (LUMP SUM)							\$25,000
6	CONTINGENCIES (APPROXIMATELY 10% CONSTRUCTION)							\$76,000
7	LEGAL / ADMINISTRATIVE							\$10,000
TOTAL OPINION OF PROBABLE PROJECT COST								\$987,000

R.A. Bowman II
 4/17/19



Lexington, KY | 859.278.5412
 Hopkinsville, KY | 270.886.5466
 Asheville, NC | 828.774.5499

OPINION OF PROBABLE PROJECT COST

Project: PHASE II - SERVICE LINE CONNECTION AND METER REPLACEMENT PROJECT

Client: CANNONSBURG WATER DISTRICT

Date: APRIL 2019
Est. By: RAB

Contract No.: 691-19-A
Checked By: KGG

- No Design Completed
- Preliminary
- Final Design

SHEET: 1 **OF:** 1

Drawing No.: N/A

ITEM NO.	ITEM DESCRIPTION	QUANTITY		MATERIAL		LABOR		TOTAL COST
		NO.	UNIT	PER UNIT	TOTAL	PER UNIT	TOTAL	
CONSTRUCTION								
1	REPLACE EXISTING SERVICE LINE CONNECTION, INCLUDING SERVICE SADDLE AND 3/4-INCH POLY ETHYLENE WATER LINE.	600	EA	\$300	\$180,000	\$2,000	\$1,200,000	\$1,380,000
2	PURCHASE NEW RESIDENTIAL METERS, EQUIPPED WITH "FLEX NET" MONITORING TO BE INSTALLED BY OWNER.	500	EA	\$330	\$165,000	XXXXX	XXXXX	\$165,000
3	TELEMETRY UPGRADES	1	LS	\$250,000	\$250,000	XXXXX	XXXXX	\$250,000
TOTAL OPINION OF PROBABLE CONSTRUCTION COST								\$1,795,000
PROJECT COST								
1	ENGINEERING FEES - DESIGN (USDA RD CURVE BASED ON TOTAL OPCC)							\$99,000
2	ENGINEERING FEES - BIDDING (USDA RD CURVE BASED ON TOTAL OPCC)							\$14,000
3	ENGINEERING FEES - CONSTRUCTION ADMINISTRATION (USDA RD CURVE BASED ON TOTAL OPCC)							\$28,000
4	ENGINEERING FEES - INSPECTION (USDA RD CURVE BASED ON TOTAL OPCC)							\$86,000
5	CAPITAL IMPROVMENTS PLAN (CIP)							\$50,000
6	FLUSHING PLAN							\$5,000
7	CONDITION ASSESSMENT REPORT OF EXISTING PUMP STATIONS AND TANK SITES							\$10,000
8	LEGAL / ADMINISTRATIVE							\$15,000
9	OTHER							\$180,000
TOTAL OPINION OF PROBABLE PROJECT COST								\$2,282,000

PRELIMINARY



4/17/19

EXHIBIT 2

RESOLUTION NO. 2019-04-01

**RESOLUTION OF CANNONSBURG WATER DISTRICT
APPROVING THE REQUEST FOR AUTHORITY TO
IMPLEMENT A NEW MONTHLY SURCHARGE TO FUND
ITS UNACCOUNTED-FOR WATER LOSS REDUCTION
EFFORTS.**

WHEREAS, Cannonsburg Water District (“Cannonsburg”) is a water district organized pursuant to KRS Chapter 74;

WHEREAS, Cannonsburg owns and operates facilities that distribute water to customers in Boyd and Greenup counties;

WHEREAS, Cannonsburg has a history of high unaccounted-for water loss;

WHEREAS, on August 8, 2011, Cannonsburg applied for an adjustment of its rates for water service, and on June 4, 2012, the Kentucky Public Service Commission (“PSC”) authorized the assessment of a monthly surcharge of \$5.53 on all customers for a period of 36 months to fund Cannonsburg’s non-revenue water reduction efforts;

WHEREAS, the monthly surcharge has since ended, but Cannonsburg realizes there is more progress to be made in reducing its water loss;

WHEREAS, the separate account holding the remaining surcharge funds has a current balance of approximately \$521,000;

WHEREAS, Cannonsburg has engaged the services of Bell Engineering (“Bell”) to assist in its ongoing water loss reduction efforts. Bell and Cannonsburg have identified several projects that need to be undertaken to reduce Cannonsburg’s water loss. Bell proposes that these projects be undertaken in multiple phases;

WHEREAS, Bell has estimated the cost to perform Phase I of the water loss reduction projects will far exceed the funds currently available in the surcharge account;

WHEREAS, it is necessary for Cannonsburg to raise more revenue to finance its efforts to reduce its water loss; and

WHEREAS, implementing a new monthly surcharge to fund Cannonsburg’s non-revenue water reduction efforts appears to be the most feasible means to raise the necessary funds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF CANNONSBURG WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and

incorporated as a part of this Resolution.


Section 2. It is hereby determined and declared to be necessary that Cannonsburg request the PSC to authorize a new monthly surcharge in the amount of \$ 4.00 per customer to fund Cannonsburg's unaccounted-for water loss reduction efforts.

Section 3. The Board of Commissioners hereby authorizes the Chairman and General Manager to request that the PSC authorize a new monthly surcharge fee in the amount of \$ 4.00 per month per active meter.


Section 4. This Resolution shall take effect upon its adoption.

ADOPTED BY THE BOARD OF COMMISSIONERS OF CANNONBURG WATER DISTRICT at a meeting held on April 17, 2019, signed by the Chairman, and attested by the Secretary.

CANNONBURG WATER DISTRICT

BY: 
Robert McGuire, Chairman

ATTEST:


Mark Kazee, Secretary

CERTIFICATION

The undersigned Secretary of Cannonsburg Water District (the "District") does hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Commission of the District at a meeting properly held on April 17, 2019, signed by the Chairman of the Commission, attested by the Secretary, and now in full force and effect.

WITNESS my hand this 17th day of April, 2019.

A handwritten signature in blue ink, appearing to read "Mark Kazez", is written over a horizontal line.

Mark Kazez, Secretary