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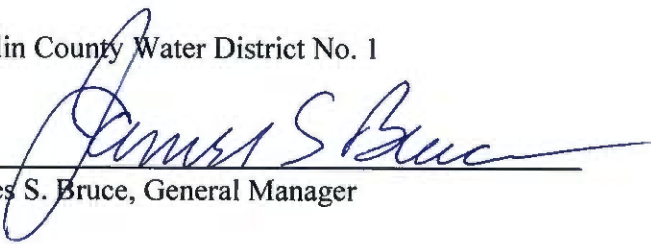
JAN 07 2015

VERIFICATION

PUBLIC SERVICE  
COMMISSION

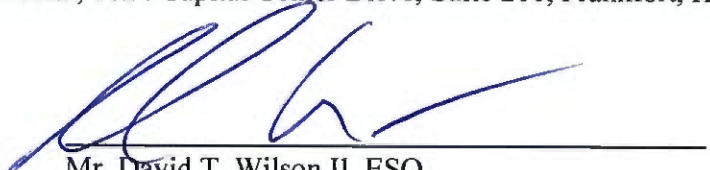
The undersigned, Mr. James S. Bruce, General Manager of the Hardin County Water District No. 1 hereby verifies that he has personal knowledge of the matters set forth in filed letter dated January 2, 2015, to PSC General Rate Case 2013-00050, and that he is duly designated by the Board of Commissioners of the Hardin County Water District No. 1 to sign and submit this information its behalf.

Hardin County Water District No. 1

By   
James S. Bruce, General Manager

CERTIFICATION

This is to certify that a true and correct copy of the foregoing was delivered on or about the 7th day of January, 2015 to Mr. Jeff Derouen, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY. 40601-8204 and to Hon. Jennifer Black Hans, Executive Director Office of Rate Intervention, Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, KY. 40601-8204

  
Mr. David T. Wilson II, ESQ.  
Attorney for Hardin County Water District No. 1

STATE OF KENTUCKY  
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 5 day of January, 2015, personally appeared before me, James S. Bruce and David T. Wilson, II, who being by me first sworn, subscribed to and acknowledged that they both represent the Hardin County Water District No. 1, a Kentucky Corporation, that they have signed the foregoing document as General Manager and Attorney of the Corporation.

 #517425  
NOTARY PUBLIC, STATE OF KENTUCKY

My Commission Expires; 9/17/18

# Hardin County Water District No. 1

*Serving Radcliff and Hardin County for Over 60 Years*

1400 Rogersville Road  
Radcliff, KY. 40160

RECEIVED

JAN 07 2015

PUBLIC SERVICE  
COMMISSION

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January 2, 2015

Mr. Jeff Derouen  
Executive Director - Kentucky Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40620-0615

**SUBJECT: Required Written Evaluation Submittal  
Case 2013-00050**

Dear Director Derouen;

The final order for the above case required that we complete a process to solicit bids using a Request for Proposal (RFP) process, as well as complete an analysis of the costs for us to self operate and manage our Radcliff Sewer utility. On June 18, 2014 we sent via electronic mail notice to Ms. Ann Ramser with your staff of our issuance of the RFP as well as a link where several related documents could be accessed.

On September 29, 2014 we did receive two proposals in response to our RFP. These were from Veolia Water North America (VWNA) and Severn-Trent Services (STS). The RFP was initially sent on June 13, 2014 to nine different companies known to provide contract operations services. During this time our staff also worked on developing its own pricing model and costs to operate the system. The in-house pricing was completed on September 24, 2014.

After receipt of the proposals our Board decided to use two outside consultants to review different aspects of each proposal, as well as our own pricing structure. A financial review including corporate financial strength and potential impact to future sewer rate increases was completed by Raftellis Financial Consultants (RFC) which was the same firm we used to complete a rate study for this case.

We also contracted with an individual to review the technical and operations of each proposal and our staffing and operations funding. This individual, however, was not able to complete his review and provide a report (and was not paid anything since no deliverable was produced).

I prepared a written summary report for our Board in advance of a special December 10, 2014 meeting. At this meeting the Board reviewed the various options available. Based on the various comparisons between the two private contractor proposal and our self operations pricing, we found that it would be considerably less expensive for us to self operate the system.

Using a 20 year net present value comparison, RFC calculated that the HCWD1 operations would be

January 2, 2015

Required Written Evaluation Submittal - Case 2013-00050  
Mr. Jeff Derouen, Executive Director - Kentucky Public Service Commission

Continued

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17% less than the next lowest cost option (STS). Using a one year, cash basis comparison, the HCWD1 option is 24% less than the next lowest cost option (STS). The annual savings using the base, cash basis, for HCWD1 compared to STS, is \$275,066.

We also decided to compare options for completing the annual 10% CCTV (Closed Circuit Television) inspection and cleaning of the system. This scope had been included in VWNA's base contract. Because of the expensive equipment purchase and operating costs, and that this equipment is used less than 25% of the year, we felt an option to contract out this service should be considered.

We advertised an Invitation for Bid to CCTV / Cleaning contractors on September 7, 2014. On September 29, 2014 we received five bids. The bid documents requested to bid a price to purchase three main CCTV / Cleaning equipment items from HCWD1. The lowest bid, with also the highest equipment purchase offer, was from Robinson Pipe Cleaning.

Staff completed a 20 year net present value comparison between using the Robinson bid, including the equipment purchase, and having HCWD1 continue to do these services in-house. The analysis showed that the contracting option would save 46% compared to continuing this service in-house. The annual cash operating cost savings per year would be 31% less or save \$45,788 per year (in first year).

In order to compare all options on the CCTV / Cleaning, we also required those proposing on the operations contract to submit a separate price for the CCTV / Cleaning service. Using either contracted operating proposal and including the CCTV / Cleaning option was still higher cost than accepting the Robinson bid.

At the special meeting, after reviewing the staff presentation and recommendation, the Board voted to proceed with terminating the VWNA operations contract and having HCWD1 begin self operating the system. The actual operations takeover date will be July 1, 2015. HCWD1 will need to fill nine new positions to operate the utility. A total of \$119,233 will need to be expended for start-up and required equipment and tools which is not currently owned by HCWD1. Of this, \$104,733 will be capitalized which will add \$14,316 annually to depreciation expense.

We are providing ten (10) copies of this letter along with copies of the General Manager's report and recommendation to the Board for the December 10<sup>th</sup> meeting, as well as a copy of a slide presentation made at that meeting. The Commission order also required filing the proposals received, as well as the RFP. Because these documents combined are several hundred pages we have placed these in a Dropbox® folder. These documents including the HCWD1 pricing model spreadsheets, and several other documents, can be accessed and downloaded at the following link;

[www.dropbox.com/sh/nlxb5txiw865zjk/AAAkbnM9PAE-g-jIx\\_khDXY-a?dl=0](http://www.dropbox.com/sh/nlxb5txiw865zjk/AAAkbnM9PAE-g-jIx_khDXY-a?dl=0)

January 2, 2015

Required Written Evaluation Submittal - Case 2013-00050  
Mr. Jeff Derouen, Executive Director - Kentucky Public Service Commission

Continued

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Once the Board has approved the minutes to the special meeting of December 10<sup>th</sup>, we will also file 10 copies of those minutes. The motion made and approved by the Board at that meeting (prior to minutes being approved) reads;

*"Motion to select the self operations option for the Radcliff sewer utility, including awarding annual cleaning and inspection to Robinson Pipe and notify the Public Service Commission by sending summary of costs, and to notify Veolia Water of plans to terminate contract per contract terms, and to authorize staff and legal counsel to carry out all bidding, contracts, purchasing, employment and other required tasks needed to begin operations on July 1, 2015"*

In accordance with this approved motion and action, we intend to proceed with the formal termination notice to VVNA and begin all activities and planning needed to have HCWD1 assume operations and management of the Radcliff Sewer utility effective July 1, 2015.

If you have any questions regarding this decision, please feel free to contact me by phone or electronic mail.

Sincerely,



Jim Bruce, General Manager

Cf; Mr. David Wilson II, HCWD1 Attorney  
Hon. Jennifer Black Hans, Executive Director,  
Office of Rate Intervention, Attorney General, Commonwealth of Kentucky

Encl. Copy of General Manager's Board Report  
Copy of Slide Presentation to Board  
Certificate of Service

**Report On**

# **Radcliff Sewer Operations Options**

**Submitted By;**

**Mr. Jim Bruce  
General Manager**

**To;**

**Board of Commissioners  
Hardin County Water District No. 1**

**December, 2014**



**MEMORANDUM**  
Hardin County Water District No. 1

**DATE:** December 3, 2014

**TO:** Chairman William Gossett  
HCWD1 Board of Commissioners

**FROM:** Jim Bruce, General Manager 

**SUBJECT:** Radcliff Sewer Operations - Proposal Review & Staff Recommendation

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**Timeline & Background:**

As you are aware the process to solicit proposals to operate the Radcliff Sewer Utility ("RSU") was part of the PSC's final order in our rate case, filed in 2013. The PSC order required soliciting both private operations proposals, and pricing the internal operations / management option. Internally we have called this project the Radcliff Sewer Pricing or "RSP". Some of the key dates are;

20-Apr-2008	Took over ownership and operations of the RSU from the City of Radcliff
8-Jun-2009	Initially hired Raftellis Financial Consultants (RFC) to begin a rate study for the RSU
24-Jun-2013	Filed the initial application with the PSC for a rate increase for the RSU
29-Apr-2014	PSC issued final order on rate case requiring HCWD1 to solicit operations proposals and also develop its own internal pricing
15-Jun-2014	HCWD1 issued a Request for Proposal (RFP) for proposals using public notice and directly sent to nine companies
30-Jun-2014	HCWD1 held mandatory pre-proposal meeting at its offices and allowed tours of the RSU (three potential proposers attended)
24-Sep-2014	HCWD1 staff completes its internal pricing model
29-Jun-2014	Two proposals received on RFP deadline. From Severn-Trent Services (STS) and Veolia Water, North America (VWNA)
1-Oct-2014	Board approved using two consultants to review the two proposals and requested final report and recommendation from each

The PSC order also required HCWD1 to file a report with its results of soliciting proposals and its internal costs no later than January 15, 2015 (six weeks from this date).

Other key future dates are; March 2, 2015 is the date by contract we are to notify VWNA if we do not intend to renew its current contract, and June 1, 2015 is the date that the current VWNA contract would terminate if not renewed.

**Key Documents:**

Several documents have been placed in a Dropbox® folder for the Board to access related to this report. The link to find these documents is;

[www.dropbox.com/sh/h9hw893ty9wzsvf/AABdGM2uazd3owi-WH2BS88-a?dl=0](http://www.dropbox.com/sh/h9hw893ty9wzsvf/AABdGM2uazd3owi-WH2BS88-a?dl=0)

Should you prefer a paper copy, please let Andrea know and we can print and have delivered to your house. The proposals are fairly long which is why we asked for these electronically, and have made them available to the Board likewise. Andrea could also help you access the Dropbox folder on your tablet / PC if needed.

Also included in this folder is; the RFC consultant report, the Addendum Message memo which lists all questions asked and answers provided during the proposal development period, a copy of the PSC order and several other documents. Both final pricing spreadsheets are also included as well as the original RFP and Addendum 6 (Q&A answered during proposal development).

**Staff Pricing Development:**

Staff began working on its internal pricing in mid May, 2014. Several different tasks were assigned to a team. Several spreadsheets were then created or developed to record and calculate the many different cost items. Finally, all spreadsheets were merged into one master spreadsheet, having multiple sheets or pages with different types of costs from different sources.

Another spreadsheet is used to calculate all labor and benefits costs, using the staffing HCWD1 proposes to use if operating the RSU. We used a cloud based Project Management program ([www.Teamwork.com](http://www.Teamwork.com)) to assign tasks and deadlines, store and share files and create a GANTT chart.

In our pricing model, we also created new cost centers or operations departments with numerous expense accounts, as we do with all our other departments. These would be for *Sewer Treatment and Collection System*. Those accounts pulled together all the individual expenses gathered from other vendors, suppliers or contracts currently paid by VVNA.

We also reviewed all the individual Repair & Maintenance (R&M) expenses VVNA had charged to the R&M account for 2014. We then were able to categorize these into various line accounts, where that expense would be charged under our cost center or department accounting. For example, some R&M expenses were for vehicle repairs, so we put these under our account name "Transportation Fuel & Repairs". Some of the major expense categories we include in our pricing, along with what is included, how we estimated amount are other comments are;

Item	Amount Budgeted	Source / Calculation	Comment
Labor & Benefits	+ \$810,198	Developed annual work plan, key tasks required, assigned to various job types, calculated pay and benefits using current HCWD1 pay scales	Adds employees for Treatment & Collection departments. No additional administrative or management employees needed  Pay rates include recent approved increases to pay grades for 2015 budget year and new health insurance benefit costs
Depreciation	\$1,081,700 (Adds \$14,316)	Same depreciation on RSU fixed assets but adds calculated increased depreciation on additional start-up assets needed for HCWD1 operations	Added start up equipment cash impact = \$119,233
Debt Service	\$350,645 (No change)	No change since not borrowing any new capital	
Electric / Utilities	\$345,500	Used recent past years and projected actual 2014 for electric bills and includes water & sewer bills	Does not include phone, internet & cell phone which is budgeted under 2 Phone account numbers (\$7,760 / year)

Radcliff Sewer Operations - Proposal Review & Staff Recommendation  
Continued - Page 3

Item	Amount Budgeted	Source / Calculation	Comment
Transportation Fuel & Repairs	\$35,042	Based on HCWD1 County Water department with similar number of vehicles, for Vac Truck, CCTV van and easement machine using annual hours of operation x mfg. fuel rate / hour (= 3,810 gals/year) based on engine sizes x \$3.75/gal for diesel	Also includes \$11,530 / year for repair & maintenance to Vac Truck, CCTV Van & Easement Machine
Repair & Maintenance	\$287,000	Based on review of actual VVNA 2014 expenses charged to R&M account, adjusted for 2014 to year end. Also deducted \$9,800 / year for not paying sales tax which VVNA has had to pay	This amount is categorized to 11 different line accounts in HCWD1 budgeting
Chemicals & Sludge Removal	\$109,400	Used current VVNA contract amount with Red River & annual chemicals expenses based on actual quantities and VVNA current prices from vendors	This amount is categorized to 2 different line accounts in HCWD1 budgeting
Contracted Services	\$66,700	Using some of same vendors VVNA's currently using for same services. Includes lab testing, CCTV Software license, equipment maintenance, SCADA support	Some VVNA expenses HCWD1 would not continue such as ARI contracted vehicle maintenance (\$150k / year), copier lease and maintenance contracts and phone answering service.  HCWD1 would re-bid some of these services periodically to get best, competitive pricing
Liability Insurance	+ \$5,908	Based on estimate provided by C&H assuming HCWD1 added liability to operate the facilities	Total property & liability insurance for RSU would be \$31,800 / year

The total pricing for all new Treatment and Collection expense is \$1,618,508 (excluding the one time start-up cost). Other RSU expenses, other than depreciation and liability insurance, do not change. There are no additional support positions or increase expenses in the other RSU cost centers (Administration and Customer Service) that increase as a result of self operating the RSU.

**Alternate CCTV / Cleaning Proposal:**

In our RFP instructions we required each proposer to submit a separate price to provide the 10% annual CCTV (Closed Circuit TV inspection) and sewer main cleaning service. We did this so we could compare these costs to outsourcing these same services to private companies that specialize in providing these services.

The start-up equipment for HCWD1 operations includes various tools, safety and protective gear and a new trailer mounted cleaner / jetter rig. We also another Vactor Vac truck at Ft. Knox. We already own two other CCTV camera inspection units (at Radcliff) so if we did choose to contract the 10% CCTV/Cleaning, we would still have the equipment needed to clean or inspect mains in an emergency.

We issued Invitation for Bids for these services. On 10-Sep-2014 a pre-bid meeting was held and five companies attended. On 29-Sep-2014 bids were opened from four companies, with a fifth offering an alternative method bid.

The bids were required to include a purchase price offer to purchase the District's three main pieces of equipment we own and provide for this service. Staff then completed a Cost Benefit analysis and net present value analysis of outsourcing these services, and selling our equipment, compared to including with a private operator or HCWD1 performing in-house.



The amounts for the CCTV / Cleaning alternate bids, including HCWD1's costs included in its pricing are;

	VWNA	STS	HCWD1	Robinson	Hydromax	Pipe-Eyes	First Response
Annual Base Services for 10% CCTV / Cleaning	\$9,200	\$291,228	\$148,638	\$90,850	\$139,500	\$114,994	\$75,950
Amount Bid to Purchase Equipment	N/A	N/A	N/A	\$172,000	\$91,000	\$0 (No Bid)	\$0 (No Bid)

RedZone Robotics provided an alternate bid, which did not include an annual CCTV/Cleaning program, but instead proposed a one time total system cleaning and inspection with written report for over \$1 million.

VWNA chose to include CCTV/Cleaning services in their base annual operating bid. The RFP stated that the base bid should not include CCTV / Cleaning services. Therefore VWNA's base annual bid was \$306,363 per year more (+ 26%) than STS.

Staff will have a slide presentation at the meeting to review what the analysis shows, and provide our recommendation. We believe that outsourcing will provide additional annual savings to the RSU with little or manageable risk by using these specialist companies, especially when looking at costs and savings over a 20 year period.

**Limit Account Comparisons:**

In the original VWNA operations contract, there were three limit accounts. These are Electric, R&M and Odor Control. Each of these have an annual limit which VWNA can charge expenses against and is paid 1/12th each month of the limit amount. If at the end of the year they have not spent the limit budget, they must refund the difference to HCWD1.

If they reach the annual limit amount before the end of the year, HCWD1 continues to pay (reimburse VWNA) the overage, regardless of the amount of the overage. In the RFP issued, we asked proposers to submit what they felt the new limit account amounts should be. Since the Odor control was such a small annual amount, and most years expenses were below the limit amount, we did not ask for an Odor Control amount (those expenses would just be included in the annual base fee).

Below is a comparison of the different limit account amounts;

Account Name	VWNA Current	VWNA Proposal	STS Proposal	HCWD1 Included in pricing	Five Year Actual Avg.	2009 ~ 2013 Highest
Electric	\$190,764	\$280,000	\$305,000	\$345,500	\$297,555	\$299,368
Repair & Maintenance	\$193,200	\$193,000	\$173,000	\$287,000	\$274,561	\$351,342
Odor Control	\$15,000	N/A	N/A	N/A	\$2,422	\$7,113
TOTAL	\$398,964	\$473,000	\$478,000	\$632,500	\$574,538	\$657,823

The 2014 projected annual (12 month) amounts for Electric and R&M are currently \$332,544 and \$261,436 respectively. Even though we asked proposers to submit a new limit account amounts, these are actually pass through of actual costs.

A more realistic amount to use in comparisons is an actual or historical amount. Even though a proposer may have submitted a lower amount for a limit account (i.e. STS submitted \$173,000 for R&M) it is unlikely that a lower proposed limit amount could really be much less than the five year average amount. The Electric limit amounts are the actual electric bills paid, which varies primarily due to the amount of rainfall (more rain = more inflow & infiltration into sewer lines and lift stations = more pumping cost). Again, submitting a lower limit amount in the proposal does not mean that our electric costs would be any lower than the actual electric bills, or closer to the five year average.

As you can see, the amount staff used in our internal pricing is more conservative with the electric being based more on the 2014 projected amounts. The HCWD1 total included in our pricing model for these two expense categories is \$632,500 which is 6% more than 2014 projected actual, 33% more than VVNA proposed and 32% more than STS proposed.

**Consultant Recommendations:**

As you recall, the Board authorized retaining two different consultants to review both the private proposals, and HCWD1's internal pricing. The recommendation was to use RFC to complete a financial and financial strength analysis, as well as an impact to future rates, and Mr. Ralph Wiseman to complete a review of the operational and technical aspects of the proposals and HCWD1's planned operations.

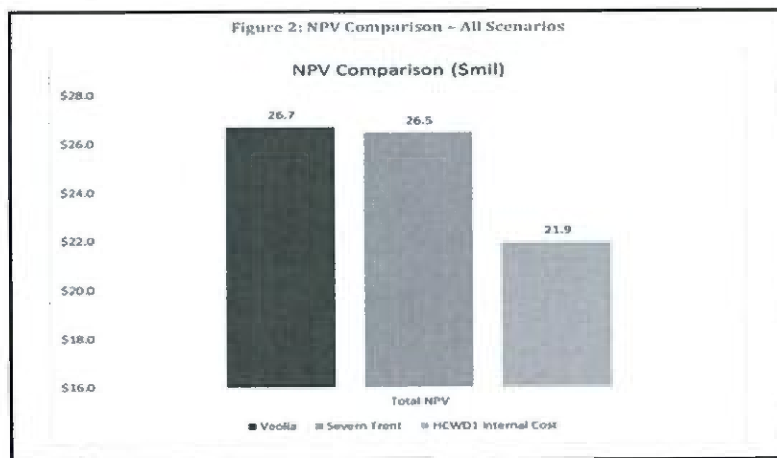
RFC's report is provided in the folder referenced above. We also asked each consultant provide a numerical score to some aspects of the score sheet used by staff, for those areas they were asked to review. These scores are discussed more in the following section.

**RFC Analysis:**

RFC used several financial measurements to compare the two proposals. They also reviewed the most recent financial statements provided with the proposals to compare financial strength of the two corporations. Using information provided in the proposals, they also calculated what the potential for future fee increases, and the magnitude of same might be. They also completed a pro-forma calculation to see what the future fees might be through 2025.

In reviewing HCWD1's internal cost proposal, RFC compared staffing levels, start-up costs and compared HCWD1's proposed operating costs to various industry groups and ratios. The same pro-forma analysis and sensitivity to cost increases was used to review HCWD1's pricing. RFC found that HCWD1's operational cost / account ratio is similar to, although slightly lower, than those in the survey groups.

In Section 7. - Conclusion (page 21) RFC then compares all three options. On page 22 the three options are shown in the Net Present Value, which includes assumed inflation and fee increases through 2035, and presents the total cost in a single net present value amount. The following table is on page 22;



As you can see, the lowest cost option is the HCWD1 self operations, which is 18% less than the VVNA option and 17% less than the STS option.

**Mr. Wiseman Analysis:**

As with RFC, Mr. Wiseman was provided a scope and asked to score different aspects of the proposals. He was also asked to review HCWD1's staffing plan, start-up equipment and compare the two private corporations from an operational and technical perspective.

Mr. Wiseman signed a professional services agreement on 6-October which required a report delivery date of 24-October. During the month of October we did not receive any questions or requests for additional information, nor did he come to Radcliff as he had intended. Due to unforeseen personal and family issues, HCWD1 did not receive his report. While we exchanged several emails and I left voice messages, Mr. Wiseman stopped responding and as of this date we still have not received his analysis report.

**Staff Scoring Method:**

Staff also used a numerical scoring method to rank the two proposals so that a selection could be made, if needed, between the two private operations options. As we typically do when reviewing and evaluating multiple proposals for professional services or studies by consultants, we have each scorer do their own independent review and assign points to different categories on a score sheet.

We also provided the same score sheets to the two consultants and asked them to use the same point system to score certain elements that they were charged with reviewing. Since they both did not review the same sections of the proposals, their scores only were applied to selected categories.

For these proposals, there were nine different major areas which each proposal was to address and explain in the proposal. On the score sheet, each of these had various sub-categories that were scored. The major categories were;

1. Operational Plan (with 6 sub-categories)
2. Emergency Response Plan
3. Quality Management & Assurance Plan
4. Environmental Compliance Plan
5. Operational Transition Plan
6. Financial Strength (with 2 sub-categories)
7. Financial Items & Price (with 5 sub-categories)
8. Past Performance / References
9. Contractual Requirements

Using a score range of 0 - 5 for each item, the maximum score for the above categories (including sub-categories) would be 95 points. Another section was scored for checking all the required elements or items that were required to be in each proposal. There were 47 different items and for each item included which total for all could be 10 points (0.213 each item). The combined total possible points for all required elements was then 105 points.

There were also three optional items that could be scored, if were provided, with each earning 5 points each or up to 15 points total. Since these were optional elements, any points for these items was not included in the final, total scoring, since neither company was required to submit these optional items or optional proposals. The scoring would only be needed if there were two optional items and a score was needed to select a best option, or for breaking a tie on the required elements.

Multiplying the total number of points for elements by the number of scorers for each (excluding Mr. Wiseman's 50 possible points) including points for the required items, resulted in a total maximum score for all elements and from all reviewers of 415. The table below provides the aggregated scores from reviewers within the major categories and total of all scores for each proposer;

Category	VWNA		STS	
	HCWD1	Consultant	HCWD1	Consultant
Required Items	10	N/A	9.79	N/A
Operational Plan	95	N/A	98	N/A
Emergency Response Plan	17	N/A	12	N/A
Quality Management & Assurance Plan	13	N/A	12.5	N/A
Environmental Compliance Plan	13.5	N/A	14	N/A
Operational Transition Plan	10	N/A	17	N/A
Financial Strength	15	3	23.5	4
Financial Items & Price	54	12	56.5	13
Past Performance / References	17	4	17	4
Contractual Requirements	10	3	14	3
SCORERS TOTAL POINTS >>>	254.5	22	274.29	24
TOTAL POINTS >>>	276.5		298.29	
% of TOTAL POINTS POSSIBLE >>>	67%		72%	

(The N/A's after the Required Items, under Consultant, were the areas assigned to Mr. Wiseman to provide a score)

The above aggregate scores are a result of four HCWD1 staff members independently reviewing the proposals and RFC providing their own scores on several elements.

**Consolidated Cost Comparison:**

The following table shows the various options by provider (VWNA, STS or HCWD1) with different pricing items, options and different totals. It also shows the percent difference between HCWD1 internal cost and the next lowest cost option;

Row #	Item	VWNA	STS	HCWD1	% HCWD1 to Next Lowest
1	Base Annual Operations	\$1,471,000	\$1,164,637	\$889,571	- 24 %
2	Limit Accounts (Using 5-Year Avg)	\$572,116	\$572,116	\$572,116	N/A
3	Add for CCTV/Cleaning	\$9,200	\$291,228	\$148,638	+ 1,516 %
4	Sub-Total	\$2,052,316	\$2,027,981	\$1,610,325	- 21 %
5	Change for Contracted CCTV/Cleaning	+ \$21,450	- \$200,378	- \$57,788	+ 247 %
6	Sub-Total w/ Contracted CCTV/Cleaning	\$2,073,766	\$1,827,603	\$1,552,537	- 15 %
7	Start-Up Cost (One Time)	\$0	\$0	\$119,233	N/A

Under any totals for combination of options (rows 4 or 6) HCWD1 is the lowest cost option. Row 6 provides the lowest cost totals by using contracted CCTV/Cleaning services, which costs then are not included in the operator's base annual costs.



The lowest cost option is \$1,552,537 which is having HCWD1 provide its own operations, with Robinson Pipe providing the 10% annual CCTV/Cleaning services. In the slide presentation at the meeting staff will review in more detail what costs are saved, and how the CCTV/Cleaning services could be delivered, using contracted CCTV/Cleaning services, as well as why this is being considered.

**Recommendation:**

Based on the cost savings possible and the resultant reduction of pressure to raise Radcliff sewer rates both immediately and in the future, staff recommends the internal management / operations option.

Staff will also present additional savings possible by using a contracted CCTV / Cleaning company for the 10% annual system inspection and cleaning, as well as some emergency Vac-Truck work.

If this option is selected by the Board, there are critical time constraints and deadlines in the future. During the slide presentation, staff will also review a schedule to move forward with self-operations.

**HCWD1 Radcliff Sewer  
Operations**

**Contracted & Self Operations  
Options**

**December 10, 2014**

**Why Consider Contracting CCTV  
Inspection & Cleaning ?**

**(10% of System)**

## Jim's City of Loveland Experience...



### Key Reasons....

- 1. We still own another Vac Truck at Ft. Knox**
- 2. We would purchase a new cleaning / jetter trailer for Radcliff**
- 3. The Radcliff system has already had up to 60% CCTV inspected (since 2008)**
- 4. We would still have 3 pieces of CCTV equipment for inspection (+ FK Veolia equipment)**
- 5. The contractor would have to agree to emergency Vac / Cleaning response in contract**
- 6. Cleaning / CCTV 10% of system not required or mandatory per reg's**
- 7. Contractor could get 10% CCTV done much earlier in the year to assist with CIP / Budgeting**
- 8. We can control annual costs by changing the % contracted each year**

## Unknowns, Risks, Variables of In-House CCTV - Cleaning

- 1. Wear & Tear on diesel engines, low use**
- 2. Very expensive maintenance costs**
- 3. CCTV Software support costs, obsolescence**
- 4. CCTV equipment constant technology changes, equipment support**
- 5. Expensive equipment replacement costs  
(most expensive in our fleet)**

## Other Systems Survey

### CCTV & Cleaning

System	Own CCTV?	Own Vac Truck?	Annual Goal %	Contract Out?
City of Elizabethtown	Yes (Not a Van)	Yes	None	No
MSD / Louisville	Yes	Yes	10%	More than in-house
Lexington / Fayette	Yes	Yes	None	Yes
City of Bowling Green	Yes	Yes	20%	No
City of Ashland	Yes	Yes	10%	Sometimes
City of Bardstown	Yes (Not a Van)	No	None	Yes
City of Frankfort	Yes	Yes	10% +	Yes (Majority)
City of Florence	Yes	Yes	0 - 7%	No



## CCTV / Cleaning Equipment Utilization....

Item	Year Acquired	Avg Hours / Week	% of 40 Hour Week
Easement Machine	2013	1.6	4%
Aries CCTV / Sprinter	2012	9.4	24%
Vactor 2100 Vac Truck	2000	10.4	26%
Vactor 2100 Vac Truck (Ft. Knox)	2009	9	23%

### CCTV – Cleaning Equipment







\$ ?? Vac-Truck  
2000-01

\$130,000, CCTV Van

\$50,000 Camera &  
Transporter

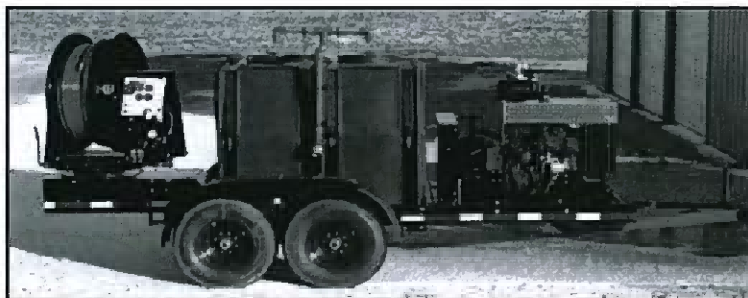
### Main Cleaning / Inspection Tools

Need / Event	Tool / Equipment	
Clearing Blockage, cutting roots....	Jetter / Trailer	
Inspecting Inside Pipe / Recording	CCTV, Cameras	
Hauling waste, pumping out vaults	Vac Truck	
Inspecting Lateral / Service Lines	Lateral Snake CCTV	

## How Would CCTV and Cleaning Get Done ?

**(Both Routine & Emergency)**

**\$50,000**  
**SECA 545, 700 Gal, 800 Ft. Hose, 60HP Motor**  
**2000 PSI, 14,000 GVW Tandem Trailer**  
**(2015)**



**\$20,000**  
**Pole**  
**Camera**  
**System**  
**with**  
**rearview**  
**camera**  
**option**  
**(2014)**

**\$15,000**  
**SeeSnake® MAX rM200 Camera System**  
**(2014)**



**\$295,000**  
**Ft. Knox - Vactor 2100 Vac Truck**  
**(2009)**





### Local Septic Haulers w/ HCWD1 Pumps



Numerous  
Hardin County  
based haulers

HCWD1 Owns  
3 at Radcliff



### Robinson Pipe Cleaning....

(Louisville)

- ✓ Buys \$10,000,000 of new equipment annually
- ✓ National corporation (Carylon), local offices
- ✓ 22 Vac-Trucks located in Louisville & Indiana
- ✓ 34 Jet Cleaning Trucks or trailers
- ✓ 12 CCTV / Inspection Trucks
- ✓ Many other sludge tanker trucks, cleaning rigs, high pressure cleaning equipment, pumps and utility trucks
- ✓ Bid includes emergency call-back response and additional per foot cleaning bid
- ✓ Our project would have 9 operators available or assigned, many with national inspection certification

## 10% CCTV / Cleaning

### Internal In-House Costs (HCWD1 Ops)

Costs of CCTV / Cleaning In-House	\$ / Year
Labor / Benefits (2 FTE's)	\$111,322
Equipment Insurance	\$1,933
Fuel & Vehicle Maintenance	\$24,283
PACP Software License	\$9,600
CCTV Equip Maintenance	\$1,500
<b>TOTAL &gt;</b>	<b>\$148,638</b>

<u>Outflows (Costs):</u>	<u>1st Year</u>	<u>All Years</u>	<u>NPV</u>
Annual Base Contracting Fee \$	90,850 \$	2,251,916 \$	1,654,276
\$ Added Special Call Back Mobilize \$	4,800 \$	118,979 \$	87,403
\$ Added Extra feet cleaned / year \$	7,200 \$	178,468 \$	131,104
	\$ 102,850 \$	2,549,363 \$	1,872,783
 <u>Inflows (Savings):</u>			
Cash Sale of 2001 Vector \$	65,000 \$	79,385 \$	65,000
Cash Sale of Aries / Sprinter \$	42,000 \$	51,295 \$	42,000
Cash Sale of Easement Machine \$	22,000 \$	26,869 \$	22,000
Vector Insurance Saved \$	937 \$	23,226 \$	17,062
Aries / Sprinter Insurance Saved \$	913 \$	22,631 \$	16,625
Easement Mach Insurance Saved \$	83 \$	2,057 \$	1,511
Labor Savings \$	111,322 \$	3,148,151 \$	2,312,657
Vector Annual Maintenance \$	7,031 \$	174,279 \$	128,027
Aries / Sprinter Annual Maintenance \$	2,500 \$	61,968 \$	45,522
Easement Machine Maintenance \$	500 \$	12,394 \$	9,104
Annual Fuel - All 3 Vehicles \$	14,252 \$	353,255 \$	259,504
Annual PACP Software License \$	9,600 \$	237,957 \$	174,805
Future Vector Replacement \$	\$	400,194 \$	284,271
Future Aries / Sprinter Repl \$	\$	\$	\$
Future Easement Mach Repl \$	\$	\$	\$
Upgrade CCTV Cameras / Software \$	\$	55,747 \$	40,342
Annual CCTV Equipment Maint \$	1,500 \$	37,181 \$	27,313
	\$ 148,638 \$	4,686,586 \$	3,445,744
		\$ 2,137,224 \$	1,572,961
		\$	78,648

## CCTV & Cleaning

### In-house vs. Contract

### 20 Year NPV Calculation

< Replace in 2026 (25 Years old)

< Replace in 2026 (25 Years old)

< NPV Annual Savings

**CCTV-Cleaning  
In-house vs. Contract  
20 Year NPV Calculation**

**NPV Cost of Contracting =  
\$1,872,783**

**NPV Savings of In-House =  
\$3,445,744**

**NPV of Savings = \$1,572,961**

**Annual NPV Savings = \$78,648**

**HCWD1 Internal Costs,  
Comparisons**

## **HCWD1 Cost Advantage Over Private Corporation....**

- 1. No Sales taxes paid**
- 2. No Income taxes paid**
- 3. No dividends to shareholders paid**
- 4. We are a non-profit entity**

## **Cost Reduction Items (Compared to Veolia)**

- 1. Re-bid LS Mowing (\$ ?)**
- 2. Stop Copier Lease & Maint Contract (\$5,017)**
- 3. Stop answering service (\$709)**
- 4. Stop ARI Vehicle Maintenance (\$150,391)**
- 5. No vehicle / equipment lease payments (\$ ??)**
- 6. Don't do annual thermal inspection (\$1,250)**
- 7. Save on Veolia Corporate reporting labor / activity**
- 8. 1 Less Supervisor, no Administrative Support**

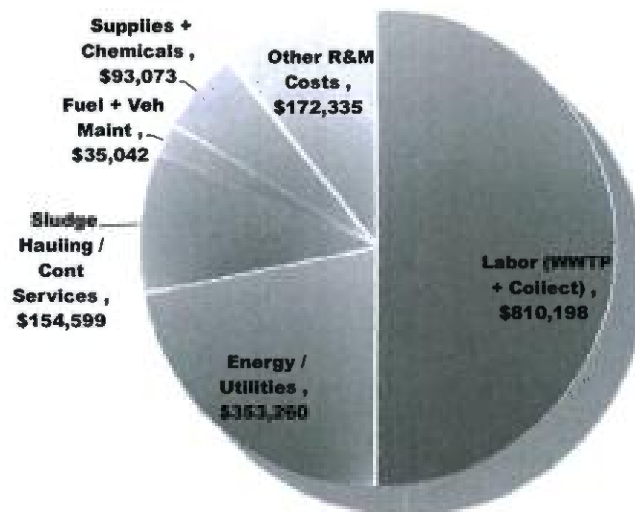
### HCWD1 Staffing vs. Proposers

STS	Veolia (New Proposal)	HCWD1
Proj Manager	Proj Manager	Sewer Utility Supervisor (C/T)
Admin Asst.	Admin Asst.	Maint & Controls Spec (C/T)
Operations Supv	Facilities Supv	WW Collection Oper III (C)
Plant Operator	Electrician	WW Collection Oper I (C)
Maintenance Supv	Operator II	WW Treatment Oper II (T)
Electrician	Operator II	Heavy Equip Oper IV (C)
Field Tech	Field Service Tech	WW Collection Oper IV (C)
Sewer Syst Maint Mgr	Field Service Tech	WW Treatment Oper III (T)
Operator	Field Service Tech	WW Collection Oper I (C)
Technician	Field Service Tech	Field Tech
	Field Service Tech	WW Treatment Oper III (T)
<b>10 Total FTE (7)</b>	<b>11 Total FTE (?)</b>	<b>11 Total FTE (9)</b>

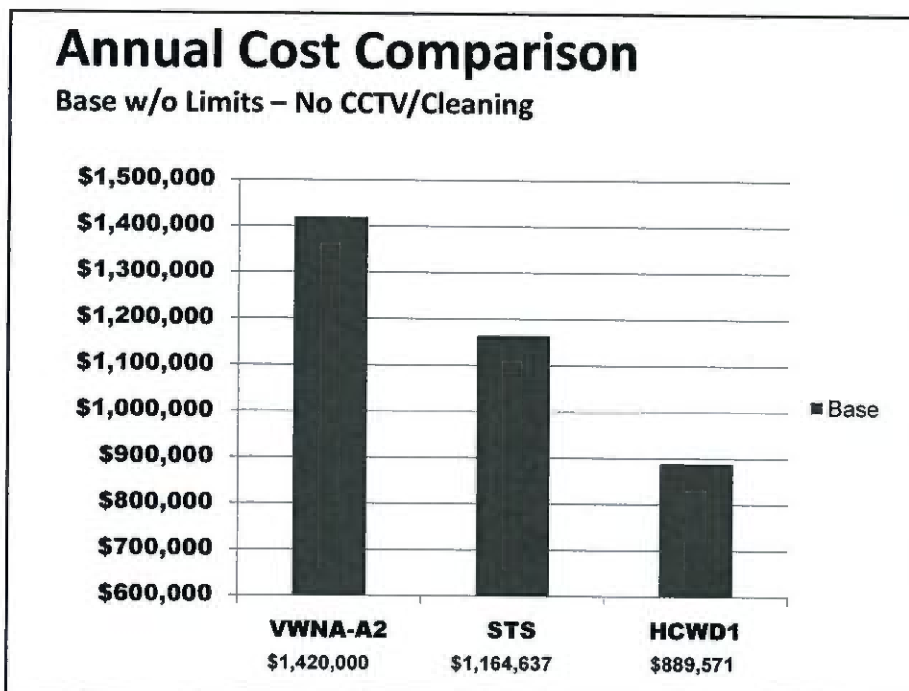
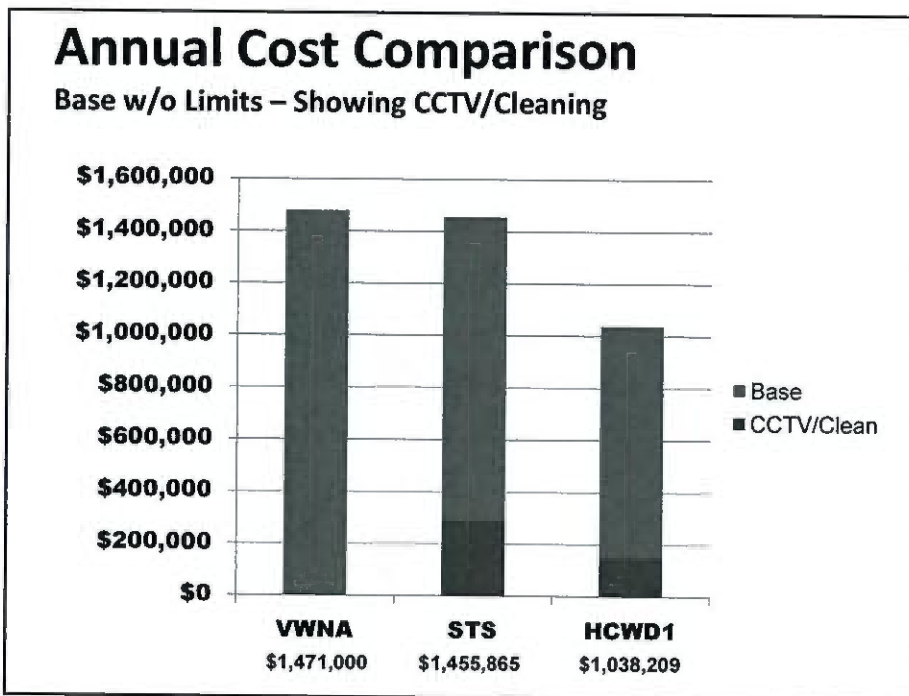
(RED = Positions doing CCTV / Cleaning)

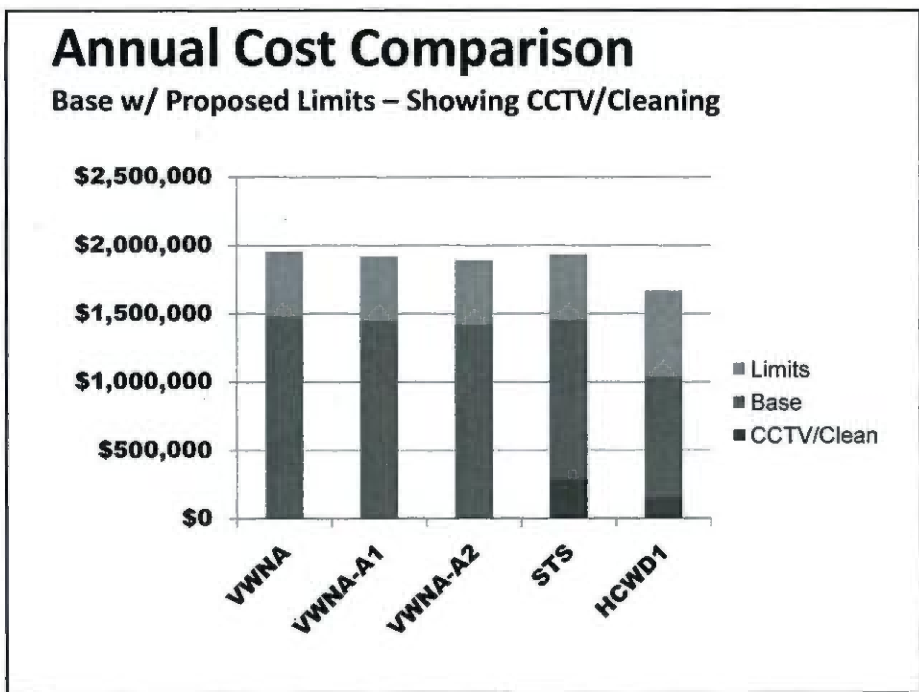
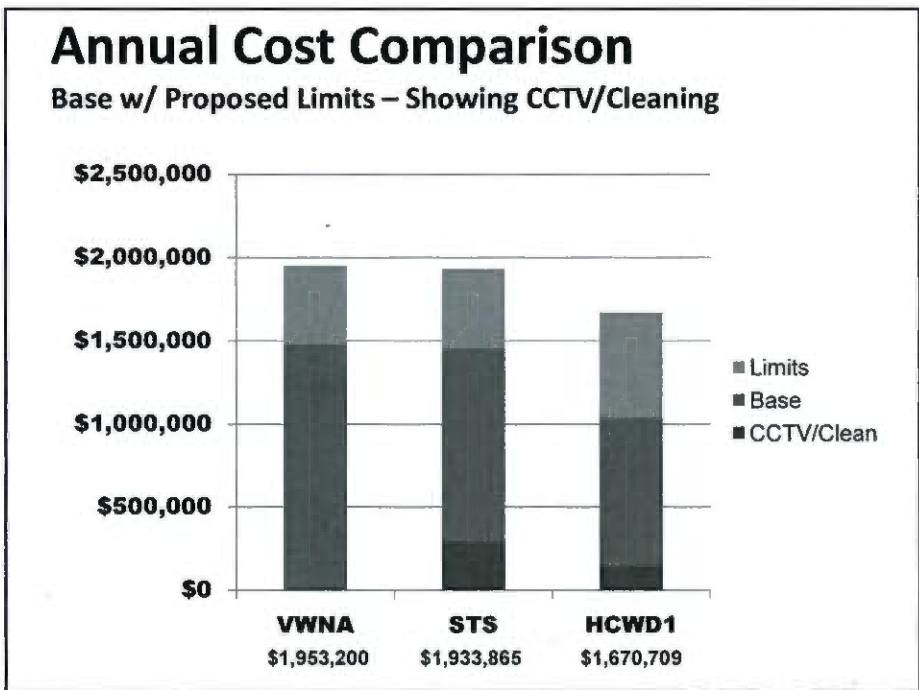
### Proposed HCWD1 Annual Cost = \$1,618,508

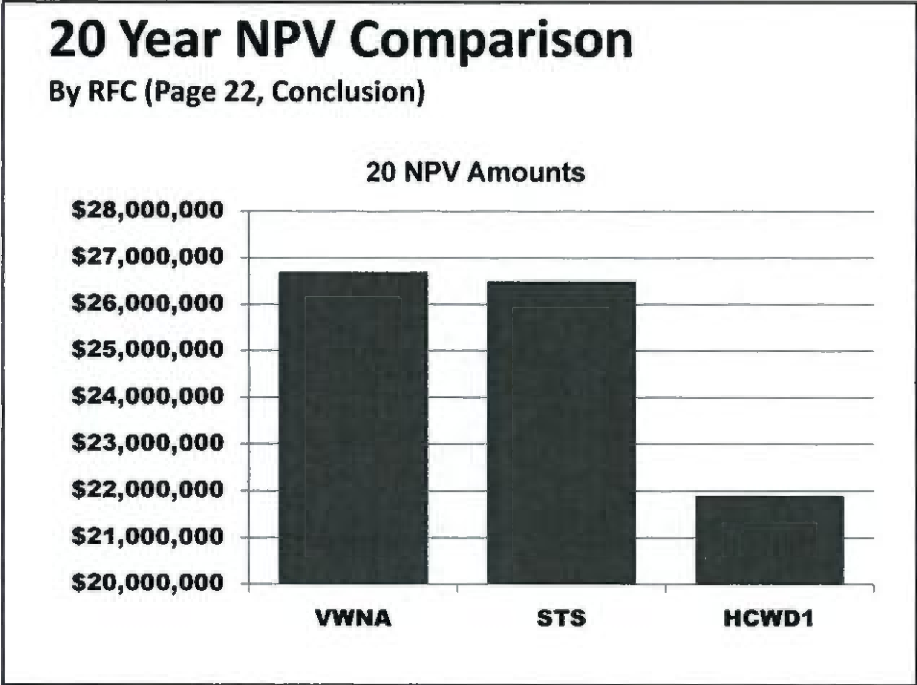
(Just Operations)











### One Time Start-Up Expenses

Item	Cost Estimate	Annual Depreciation
Trailer Jetter Machine	\$50,000	\$7,143
Mini-Excavator (1/3 share)	\$12,333	\$1,233
Hydraulic Unit & Tools	\$21,700	\$2,270
Safety Equipment	\$10,000	\$2,000
Line/Metal Locators	\$4,100	\$350
Computers / Laptops (6)	\$6,600	\$1,320
Misc WWTP Tools / Equip	\$3,000	(Exp)
Electrician Tools	\$6,500	(Exp)
Misc Small Tools	\$5,000	(Exp)
<b>TOTAL &gt;</b>	<b>\$119,233</b>	<b>\$14,316</b>

### HCWD1 Employee Sewer Experience

<u>Name / Title</u>	<u>Years Sewer Utility Exp.</u>	<u>Certifications</u>
Jim Bruce General Manager	21	CO - WW Collect I
Brett Pyles Operations Manager	28	KY - WW Collect III PACP / MACP Certified
Richard Stranahan FKW Distribution Supervisor	4	WW Collection Crew
Daniel Clifford Int. Engineering Manager	9	KY - WW Collect III PACP / MACP Certified
Phil Clark PWTP Supervisor	21	KY - WW Treatment I
Amanda Spalding WQ / Measurement Spec	1 8+	KY - WW Treatment I Sewer WWTP Lab Analysis
<b>92 Years Combined Experience</b>		

### Staff Recommendation....

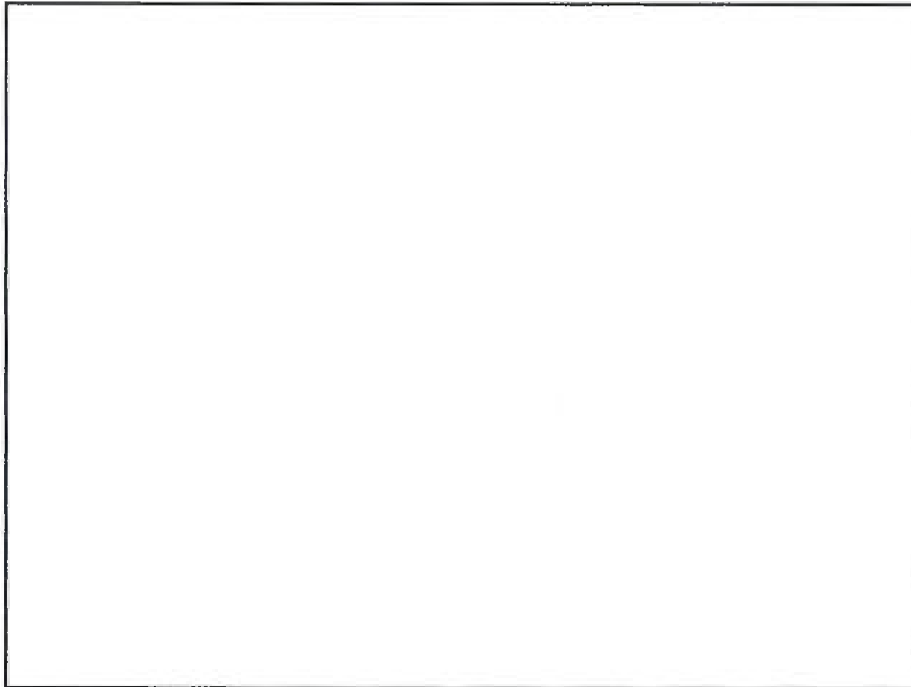
**...To select HCWD1 internal operations and management and also accept Robinson Pipe's low bid for CCTV & Cleaning 10% of system annually**

## Timeline / Dates for HCWD1 Ops...

<b>Task</b>	<b># Weeks from Today</b>	<b>Deadline</b>
<b>Notice of Award to Robinson Pipe</b>	<b>1</b>	<b>28-Dec-2014</b>
<b>File report with PSC</b>	<b>3</b>	<b>15-Jan-2015</b>
<b>Notify VVNA of contract termination</b>	<b>11</b>	<b>2-March-2015</b>
<b>Required bidding of equipment / services</b>	<b>15</b>	<b>24-March-15</b>
<b>Advertise for new positions</b>	<b>20</b>	<b>1-May-2015</b>
<b>Hire Supervisor</b>	<b>22</b>	<b>15-May-2015</b>
<b>Offer Positions to new employees</b>	<b>25</b>	<b>1-June-2015</b>
<b>Receive / Install new equipment</b>	<b>27</b>	<b>15-June-2015</b>
<b>Process / Enroll New employees</b>	<b>27</b>	<b>19-June-2015</b>
<b>Execute Robinson Contract</b>	<b>28</b>	<b>22-June-2015</b>
<b>Start-Up Operations</b>	<b>29</b>	<b>1-July-2015</b>

**Questions ?.....**





**Suggested Motion Language....**

***“Motion to select the self operations option for the Radcliff sewer utility, including awarding annual cleaning and inspection to Robinson Pipe and notify the Public Service Commission by sending summary of costs, and to notify Veolia Water of plans to terminate contract per contract terms, and to authorize staff and legal counsel to carry out all bidding, contracts, purchasing, employment and other required tasks needed to begin operations on July 1, 2015”***