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COMMISSION

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October 3, 2016

Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, Ky. 40601

RE: Case No. 2014-00342  
Response to Order No. 4

Dear Commission:

In accordance with the issued order in Case No. 2014-00342, Mountain Water District is submitting the following report and attachments in compliance with Order No. 4 of the Commission's Order in the above referenced case. Please refer to Mountain Water District's prior response to Order No. 3(a) for system description and mapping information.

FUNDING SOURCES FOR WATER LOSS ELIMINATION PROJECTS

The Public Service Commission has ordered the Mountain Water District to provide a plan to fund each identified water loss project and identify funding sources. Please find attached a list of credible funding sources the District has proposed for Phase I of Mountain Water District's pursuit to eliminate water loss.

Please see attached the following Exhibits with regard to the District's water loss elimination projects funding:

- EXHIBIT A: Water Loss Prevention Program – Phase I, Contract 1
  - Sub-metering Construction Project – Proposed Funding Sources
- EXHIBIT B: Water Loss Prevention Program – Phase I, Contract 2
  - Service Line and Main Line Replacement Project – Proposed Funding Sources
  - Burning Fork Main Water Line Replacement
  - Big Creek of Sidney Service Line and Meter Replacement (Section 1)
  - Marrowbone Creek Service Line and Meter Replacement (Section 1)

### CONCLUSION

The Board of Commissioners remains steadfast in their commitment to reduce the water loss to the 15% allowable water loss limitation. We will continue our efforts to acquire the funding necessary to see the above projects come to fruition. Please see Exhibits C and D, the Summary Report of the District's monthly Water Loss Committee meeting held on September 28, 2016, and an updated Water Loss Percentage Graph.

**MOUNTAIN WATER DISTRICT  
 WATER LOSS PREVENTION PROGRAM  
 PHASE I - CONTRACT 1 - SUBMETERING CONSTRUCTION PROJECT  
 PROPOSED FUNDING SOURCES  
 TOTAL PROJECT COST - \$1,750,000**

<b>FUNDING SOURCE</b>	<b>LOAN / GRANT %</b>	<b>AGENCY FUNDING</b>	<b>ADDITIONAL FUNDING</b>
Kentucky Department of Local Government (DLG) Community Development Block Grant (CDBG)	100% Matching Grant	\$875,000	\$875,000
Kentucky Department of Local Government (DLG) Coal Severance Fund	100 % Grant	\$1,750,000	N / A
Appalachian Region Commission (ARC)	25% Grant	\$437,500	\$1,312,500
Kentucky USDA Rural Development (RD)	75% Loan / 25% Grant	\$1,312,500 / \$437,500	N / A
Kentucky Infrastructure Authority (KIA) Fund F	50% Loan 50% Principal Forgiveness	\$875,000 / \$875,000	N / A
Kentucky Infrastructure Authority (KIA) Fund B	100% Loan	\$1,750,000	N / A
Kentucky Rural Water Association (KRWA)	100% Loan	\$1,750,000	N / A
National Rural Water Association (NRWA)	100% Loan	\$1,750,000	N / A

Note: This project could be funded in multiple combinations with any of the above funding agencies.

**EXHIBIT A**

**MOUNTAIN WATER DISTRICT  
WATER LOSS PREVENTION PROGRAM  
PHASE I - CONTRACT 2 - SERVICE LINE MAIN LINE REPLACEMENT PROJECT  
PROPOSED FUNDING SOURCES  
TOTAL PROJECT COST - \$1,115,000**

<b>FUNDING SOURCE</b>	<b>LOAN / GRANT %</b>	<b>AGENCY FUNDING</b>	<b>ADDITIONAL FUNDING</b>
Kentucky Department of Local Government (DLG) Community Development Block Grant (CDBG)	100% Matching Grant	\$557,500	\$557,500
Kentucky Department of Local Government (DLG) Coal Severance Fund	100 % Grant	\$1,115,000	N / A
Appalachian Region Commission (ARC)	25% Grant	\$278,750	\$836,250
Kentucky USDA Rural Development (RD)	75% Loan / 25% Grant	\$836,250 / \$278,750	N / A
Kentucky Infrastructure Authority (KIA) Fund F	50% Loan 50% Principal Forgiveness	\$557,500 / \$557,500	N / A
Kentucky Infrastructure Authority (KIA) Fund B	100% Loan	\$1,115,000	N / A
Kentucky Rural Water Association (KRWA)	100% Loan	\$1,115,000	N / A
National Rural Water Association (NRWA)	100% Loan	\$1,115,000	N / A

Note: This project could be funded in multiple combinations with any of the above funding agencies.

**EXHIBIT B**

**MOUNTAIN WATER DISTRICT  
WATER LOSS COMMITTEE MEETING**

**SEPTEMBER 28, 2016**

**MINUTES**

The Mountain Water District Water Loss Committee met on September 28, 2016, at the hour of 9:00 A.M., at the District's office. Members present were Mike Blackburn, Roy Sawyers, David Taylor, Jody Hunt and Tim Campoy. Dan Stratton also attended the meeting.

The meeting was called to order by Roy Sawyers.

Roy updated the Committee on the funding options that have been identified to finance Phase I - Contract I and Contract II of the Water Loss Project, Contract I has a total projected cost of \$1,750,000 and Phase II has a total projected cost of \$1,115,000. He noted that these were listed in order of preference, as we are going to try to secure grant monies, prior to securing any loans. He noted that each project is already in Kentucky Infrastructure Authority's (KIA) Water Resources Information System (WRIS Portal) and that Big Sandy Area Development District (BSADD) will be prioritizing and ranking projects for funding in Pike County in the month of October or November, and finalizing ranking within their Development District in December.

Next, he presented the Leak Detection Report for August, and it was noted that losses have gone up from 27.71% to 39.44%. This was directly attributed to the loss of personnel through the District's transition to independent operations, hiring and training new personnel during this time period. This forced us to reshuffle our personnel, and our Water Conservation Department was unable to aggressively pursue leaks during this time period. The months ahead should improve now that we have the personnel in place.

Roy also gave out a report on failed meters, and noted that they were about the same as last month, which is contributing to our problem. A separate plan is being developed to address this issue.

Mainline issues are being addressed, as they are discovered.

There being no further business, the meeting was adjourned at approximately 9:30 A.M.

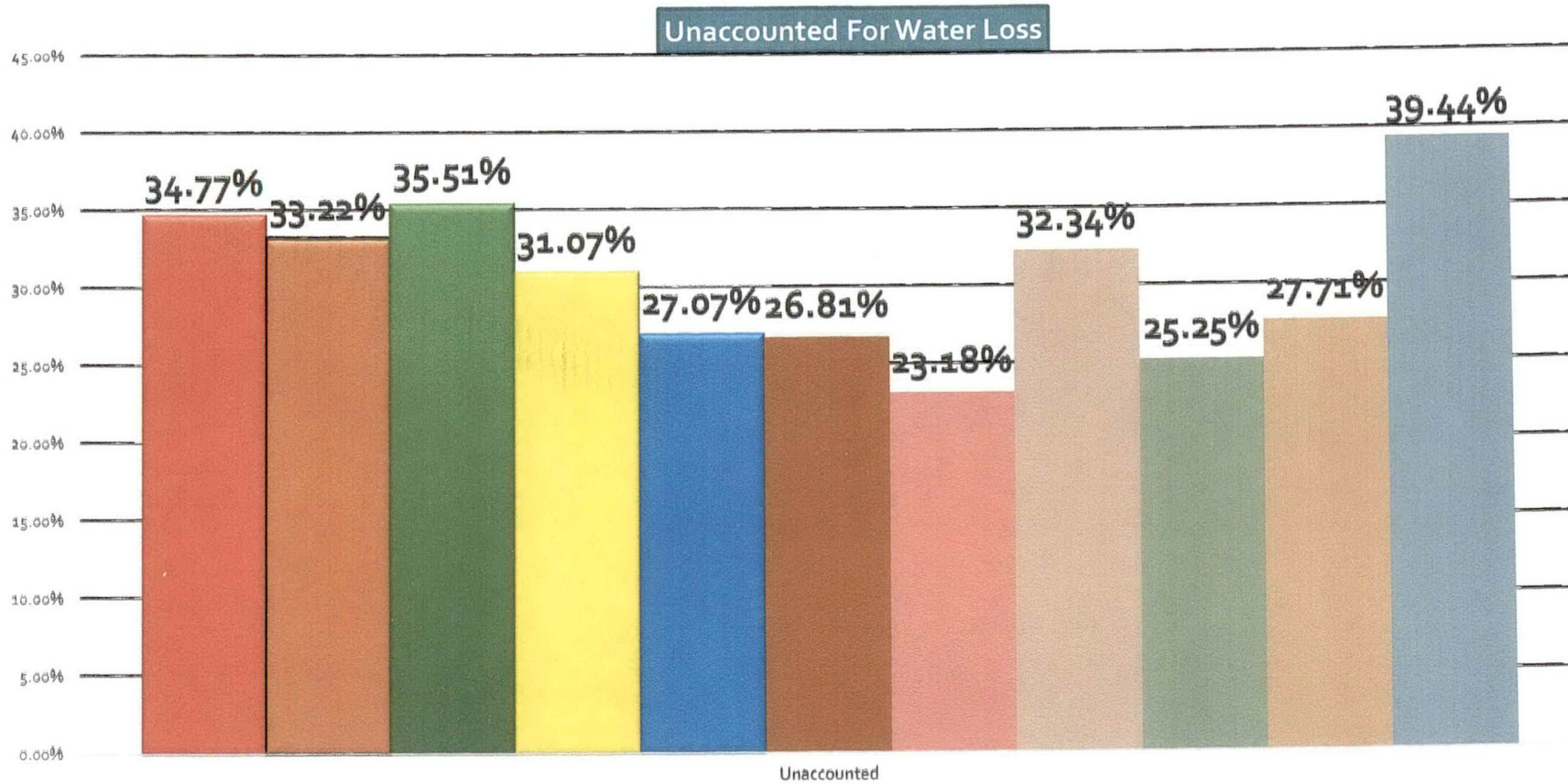
  

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Daniel P. Stratton, Esq.

**EXHIBIT C**

OCT, 15   NOV, 15   DEC, 15   JAN, 16   FEB, 16   MAR, 16   APR, 16   MAY, 16   JUN, 16   JUL, 16   AUG, 16



## EXHIBIT D