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ADMITTED IN KY AND WV

January 28, 2019

Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Martin County Water District
PSC Case No. 2016-00142

To Whom It May Concern:

Enclosed please find Martin County Water District's Amended Response to Commission Staff's Seventh Request for Information which is being filed to amend the responses in question number 9 a, b, and c.

The electronic filing receipt is also enclosed.

Thank you for your attention to this matter.

Very truly yours,

BRIAN CUMBO

BC/ld
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)
OPERATING CAPACITY OF MARTIN)
COUNTY WATER DISTRICT)
PURSUANT TO KRS 278.280)

CASE NO. 2016-00142

**MARTIN COUNTY WATER
DISTRICT'S AMENDED RESPONSE
TO COMMISSION STAFF'S
SEVENTH REQUEST FOR
INFORMATION**

CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was mailed and emailed on this the 28 day of January, 2019, to the following:

Public Service Commission (*Via USPS*)
P.O. Box 615
Frankfort, KY 40602

Hon. Mary Varson Cromer (*Via Email only*)
Appalachian Citizens' Law Center, Inc.
317 Main Street
Whitesburg, KY 41858
mary@appalachianlawcenter.org

Hon. M. Todd Osteloh (*Via Email only*)
Hon. James Wilson Gardner
Sturgill, Turner, Barker & Moloney, PLLC
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BRIAN CUMBO

VERIFICATION

I, Greg Scott, of the Martin County Water District, hereby verify that the responses and exhibits attached hereto are true and correct to the best of my knowledge.



GREG SCOTT

STATE OF KENTUCKY)

COUNTY OF MARTIN)

SUBSCRIBED, SWORN and ACKNOWLEDGED before me by Greg Scott this 25th
day of January, 20 19.
My Commission Expires: 9-18-22.



NOTARY PUBLIC, STATE AT LARGE

1. Provide documentation of any request made by Martin District between January 1, 2017 and January 1, 2018 to the Martin County Attorney or Commonwealth Attorney for the 24th Judicial District for the prosecution of any person for theft of water.

RESPONSE: See Exhibit #1 previously filed on January 4, 2019.

2. Provide documentation of any request made by Martin District between January 1, 2018 and the date of this request for information to the Martin County Attorney or Commonwealth Attorney for the 24th Judicial District for the prosecution of any person for theft of water.

RESPONSE: See Exhibit #1 previously filed on January 4, 2019.

3. Provide documentation of all actions that Martin District has taken to collect overdue debts for water service provided from January 1, 2018 to the date of this request for information.

RESPONSE: The billing office sends out disconnect notices to customers that are behind on their account. If payment is not received or arrangements are not made with the office by the date on the letter, a non-pay pull work order is issued, and the meter is pulled. See Exhibit #2.

Disconnect reports are printed and accounts are checked to see if there was a payment made while reports were being printed, if an electronic payment was made and has not been applied to the account yet, or if there is a payment plan and if it is current. The incoming mail is checked to make sure a payment has been received, but not applied to account. Service order list is checked to make sure there is not already a work order for a customer request pull or non-pay pull that has been on hold. Account balance is checked to see if it is just a late fee on the account causing the account to be listed. The accounts are marked off the list if there is any reason the letter should not be sent.

January 2018 disconnect letters were mailed. No work orders were sent out because of the crisis that we had that left so many without water for long periods of time.

July disconnect letters were mailed at a later date than normal so the only disconnect completed in that month was one customer that requested an extension from the previous month due to being in the hospital but then did not pay.

September disconnect letters were mailed, but clerk did not scan them in. Work orders were sent out and meters were pulled.

We have approximately 3,500 customers. An estimated average of 748 disconnect letters go out each month. In 9 months, we pulled 489 meters. The amount of disconnect letters that go out each month is unacceptable. We are working on ways to cut that down.

When cheater bars are reported whether by meter reader or someone else in the community, a work order is made and sent out. If one is found, the information is then sent to the County Attorney's office in an attempt to collect money owed. On a few occasions, arrests were made. If multiple cheater bars are found at the same location and no one comes in to rectify the situation, the tap is then disconnected from the main line.

4. Refer to the response to Staff's Post Hearing Request for Information dated August 31, 2018 (Staff's Post Hearing Request), Item 4, Exhibit 3, Attachments 1 and 2. Attachment 1 details each leak adjustment made for the May 2018 billing period. Attachment 2 contains leak adjustments provisions contained in Martin District's tariff on file with the Commission.
 - a. Commission Staff has been unable to calculate how the leak adjustment rate of \$2.00 per 1,000 galls for all remaining usage above the average monthly usage as shown in Attachment 2 has been applied in each billing adjustment in Attachment 1. Provide the average monthly usage for each billing adjustment listed in Attachment 1 and provide an explanation of why the amount credited per 1,000 gallons would be different for each billing adjustment (ex. customer 627088 for fixed leak in yard was credited \$6.10 per 1,000 gallons where customer 534531 was credited \$4.98 and \$5.06 per 1,000 gallons, respectively).

RESPONSE: See Exhibit #3 previously filed on January 4, 2019 which shows the history on each account, as well as the leak adjustment form that is used to calculate the adjustments. The formula is preset, and the information is entered from the invoice(s) the leak was on.

- b. State whether Martin District's tariff Sheet No. 34, Section W, permits Martin District to adjust late charges when making a leak adjustment.

RESPONSE: The tariff does not address the issue of late payment on an account that has requested a leak adjustment. The tariff does state that the adjustment may cover a maximum of two (2) billing periods. Therefore, in some cases, we must wait until the next invoice is ready to complete this process. Removing the late fee is a courtesy we provide our customers.

5. Refer to the response to Staff's Post Hearing Request, Item 7, Exhibit 6.
 - a. Confirm that the security deposit reimbursements for the closed/delinquent accounts were made to another of Martin District's bank accounts other than the account for customer deposits. If this is confirmed, provide a list of Martin District's bank account and state which account the security deposit reimbursements were made to. If this cannot be confirmed, explain in detail to whom these reimbursements were made to and why.

RESPONSE: When an account is closed, the customer's security deposit check is written from the security deposit account. It is given back to the customer if no balance is owed on their account, or a check is written to the Martin County Water District with the name and account it is for, and then applied to the customer's closed account. The check is then deposited in the general account that all other payments to customer's accounts are deposited in.

- b. Explain why the transaction is divided into three separate transactions on the same day, rather than alternatively making a single transaction or dividing it into a single transaction for each account.

RESPONSE: One check is written for multiple accounts to limit the number of checks written.

- c. Explain why there are multiple debits in the amount of \$45.00 on the first page for the same account number (ex. Line Description: 6-00685, 6-00596, and 6-00694 were all debited twice to check number 1131).

RESPONSE: The customers from each of these accounts are deceased. There was one check written to MCWD for multiple accounts and applied accordingly. Check was then deposited into general fund as all other payments are deposited. There was a clerical error on the three accounts in question. These accounts were listed twice by mistake and payment was applied to the accounts. This has been corrected.

6. Refer to Staff's Post Hearing Request, Item 10.

- a. Explain why the response does not provide specific dates or hourly totals by day for each of the three identified individuals.

RESPONSE: The contractors worked 12 hour shifts, 7 days a week. We had a worker monitoring the situation. At that time, we only required the contractors to provide pay period endings on the invoices they turned in for payment. We have since revised our policy.

- b. The hours worked by the three individuals are in excess of a 168 hour week, which implies that there were multiple contractors watching the pumps simultaneously. Provide a detailed explanation as to why two contractors were required to watch the pumps at the same time.

RESPONSE: The contractors were not required to watch the pumps simultaneously. John Jude was under contract to keep the weeds cut at the reservoir, as well as to watch the pumps. This is why it would appear that there were two contractors required to watch the pumps at the same time. James McCoy was scheduled to work from 7 a.m. to 7 p.m. John Jude was scheduled to work from 7 p.m. to 7 a.m. Mr. Jude then went from watching the pumps to the reservoir to cut the weeds when necessary. Avery Lowe was a fill in, as needed.

- c. The invoices for James McCoy, John Jude and Avery Lowe appear to be created by the same software program and do not appear to be signed by the contractor. State whether these invoices were submitted to Martin District by the individual contractors.

RESPONSE: The invoices were submitted by the individual contractors doing the work to Raymond Jude. The invoices were then verified and submitted to accounting for payment.

- d. Provide copies of the cancelled checks that correspond to the invoices provided in the response for the following:

13768	05/11/18	Johnny Jude	\$500
13810	05/25/18	Johnny Jude	\$1,260
13811	05/25/18	James McCoy	\$760
13825	06/01/18	Johnny Jude	\$840
13826	06/01/18	James McCoy	\$840
13895	06/22/18	James McCoy	\$1,680
13896	06/22/18	Johnny Jude	\$1,680
13912	06/29/18	Johnny Jude	\$1,680
13913	06/29/18	James McCoy	\$1,680
13960	07/19/18	James McCoy	\$1,165
13962	07/19/18	Johnny Jude	\$1,040
13963	07/19/18	Avery Lowe	\$160
13967	07/25/18	James McCoy	\$1,920
13968	07/25/18	Johnny Jude	\$1,440
14020	08/31/18	Johnny Jude	\$600

RESPONSE: See Exhibit #4 previously filed on January 4, 2019.

- e. The response states that the wet well pumps at the raw water intake were not protected by safety shutoffs and that this was the reason for employing three outside contractors to watch the pumps.
- i. Explain whether this is a new condition, state how long the lack of safety shutoffs has existed, and explain why this now requires an around-the-clock watch.

RESPONSE: At the time, this was a new situation. The control box had burnt up. We are not sure how long the problem existed, but once it was discovered, the proper vendors were called in to test and order parts. Once parts came in, they were installed. The contractor's services were no longer needed after situation was corrected.

- ii. Explain why employing three contractors to watch the pumps was a better solution than paying for expedited delivery of the safety shutoffs or another corrective course of action.

RESPONSE: The control box was extremely old, and it had to be redesigned and installed. This was a time-consuming matter. At the time, our reservoir was extremely low. Troubleshooting the wet well would require shutting the pumps down. Our reservoir was so critically low that shutting the pumps down for even 2 hours would run the risk of the reservoir running dry. That would have caused the entire county to be without water. It may not have been the best way, but at the time we believed it was the only way to handle the situation.

- iii. Provide the date the safety shutoffs were ordered.

RESPONSE: May 30, 2018.

- iv. State the lead time that was quoted to Martin District when the safety shutoffs were ordered.

RESPONSE: Four to six weeks.

- v. State the date the safety shutoffs arrived and the date they were installed. If the safety shutoffs were installed after the failure of the two pumps, explain whether installing the safety shutoffs prior to the failure of the pumps would have prevented the pumps from failing.

RESPONSE: Arrived July 9, 2018. Installed July 27, 2018. No. Installing the safety shutoffs prior to the failure of the pumps would have not prevented failure of the pumps. Failure resulted because shaft housing came apart.

- vi. Provide the cause of the failure of the two pumps and the date(s) that they failed.

RESPONSE: The casing that housed the shaft, which turns the motor, which then turns the propeller that pumps the water, broke and came apart, causing failure on one of the pumps. The bolts vibrated out of the second pump causing it to fail.

- f. On the invoices in Martin District's response, there were four miscellaneous liability deductions for \$671 each made from payments to contractor James McCoy. Explain why these deductions were made.

RESPONSE: The \$671 deductions from contractor James McCoy's check were child support garnishments.

- g. State whether Martin District will be issuing an IRS Form 1099-MISC at the end of the calendar year 2018 for the two contractors whose payments for services exceed \$600.

RESPONSE: Yes.

- h. Confirm that Martin District is requiring all contractors that provide hourly services to include dates and times of services rendered on their future invoices. Provide a copy of the written procedure to support this policy.

RESPONSE: Yes, the Martin County Water District is now requiring all contractors that provide hourly services to include date and times of services rendered on their future invoices. See Exhibit #5 previously filed on January 4, 2019.

- 7. Refer to the response to Staff's Post Hearing Request, Item 16, Exhibit 11. The column labeled "Vendor Name" lists a number of vendors with the vendors' names cut off. Provide this information with the Vendor Names completely visible and legible.

RESPONSE: See Exhibit #6 previously filed on January 4, 2019.

8. Refer to the response to Staff's Post Hearing Request, Item 18, Exhibit 13.
 - a. Provide the current outstanding balance owed to BlueWater Kentucky.

RESPONSE: See Exhibit #7 previously filed on January 4, 2019.

- b. Explain why BlueWater Kentucky would invoice \$2,500, per paragraph 2 of the payment schedule, when it appears that \$1,500 of the invoice amount has already been invoiced to Martin District and is past due.

RESPONSE: The District was behind on payments. BlueWater Kentucky requested we get them current. The District paid BlueWater Kentucky extra.

9. Refer to the response to Staff's Post Hearing Request, Item 20, Exhibit 15, which contains a schedule of the cost to produce 1,000 gallons of water at the treatment plant.
 - a. Explain how depreciation expense was determined.

RESPONSE: The District relied upon Linda Sumpter's office to calculate the depreciation expense. Ms. Sumpter's office is still associated with the Martin County Water District, but our reliance on her is being reduced. At the time these responses were put together, our counsel mistakenly believed she was no longer associated. Since then, counsel was advised Ms. Sumpter is still associated with Martin County Water District. The average cost per day of depreciation of water treatment equipment was utilized. See attached.

- b. For categories involving salaries and wages and employee benefits, explain which type of employees were utilized in the calculation and if a percentage of employee salaries was allocated from a total, provide the allocation percentage.

RESPONSE: Treatment operators and 70% of administrative and general salaries.

- c. Explain what "TO," "AG", and "SO" represent.

RESPONSE: Treatment & Operations; Administrative & General; Source. These are based on the UFIR matrix. See Exhibit #8 previously filed on January 4, 2019, and response to question #9a.

10. Provide a list of current vehicles owned by Martin District, with the corresponding unit number, make, age, current mileage and status for each vehicle.

RESPONSE: See Exhibit #9 previously filed on January 4, 2019.

11. Provide the Martin County Water fuel log for each month from July 2018 through the last complete month prior to this data request.

RESPONSE: See Exhibit #10. The Martin Water District has been unable to locate the fuel log for the month of August, 2018.

Summary

000 - MARTIN COUNTY WATER DISTRICT

	Cost	Prior	Current
303 - Land - Land rights	214,713.83	0.00	0.00
304 - Structures	500,263.89	128,441.00	10,502.00
305 - Collecting & impounding reservoirs	288,202.65	68,624.00	1,555.00
306 - Lakes, rivers & intakes	2,173,720.33	640,718.00	43,475.00/365= 119
310 - Power generation equipment	15,000.00	4,500.00	3,000.00
311 - Pumping equipment	365,098.99	313,930.00	10,920.00
320 - Water treatment equipment	4,929,868.17	1,570,376.00	94,591.00/365= 259
330 - Distribution reservoir & standpipes	4,071,501.55	1,098,907.00	81,505.00
331 - Transmission & distribution mains	20,183,670.76	8,787,092.00	496,376.00
334 - Meters & meter installation	512,597.32	227,037.00	13,914.00
335 - Hydrants	2,969.00	2,110.00	89.00
339 - Other plant & misc. equipment	887,576.68	799,288.00	12,541.00x15%/365=5
340 - Office furniture & equipment	177,296.04	175,415.00	560.00
341 - Transportation equipment	324,570.05	300,678.00	5,438.00
343 - Tools	29,534.16	29,407.00	80.00
344 - Lab equipment	14,402.81	14,401.00	0.00
345 - Power operated equipment	43,192.91	43,192.00	0.00
346 - Communications equipment	16,896.88	16,896.00	0.00
	<u>34,751,076.02</u>	<u>14,221,012.00</u>	<u>774,546.00</u>

Per Day \$383

Combined

	Cost	Prior	Current
303 - Land - Land rights	214,713.83	0.00	0.00
304 - Structures	500,263.89	128,441.00	10,502.00
305 - Collecting & impounding reservoirs	288,202.65	68,624.00	1,555.00
306 - Lakes, rivers & intakes	2,173,720.33	640,718.00	43,475.00
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335 - Hydrants	2,969.00	2,110.00	89.00
339 - Other plant & misc. equipment	887,576.68	799,288.00	12,541.00
340 - Office furniture & equipment	177,296.04	175,415.00	560.00
341 - Transportation equipment	324,570.05	300,678.00	5,438.00
343 - Tools	29,534.16	29,407.00	80.00
344 - Lab equipment	14,402.81	14,401.00	0.00
345 - Power operated equipment	43,192.91	43,192.00	0.00
346 - Communications equipment	16,896.88	16,896.00	0.00
	<u>34,751,076.02</u>	<u>14,221,012.00</u>	<u>774,546.00</u>