

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

19 March 2018

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

Subject: Case No 2017-00244
Information Request

Dear Ms Pinson

Please find attached responses to the First Request for Information to West Carroll Water District. As chair of the West Carroll Water District Board I will be available upon request to answer questions you may have. With notice I will request any of the staff of Carrollton Utilities to also answer questions including

Bill Osborne	General Manager
Chas Robbins	Finance Officer
Chris Rose	Superintendent

All questions are answered accurately and truthfully to the extent of my knowledge, information and belief after reasonable inquiry.

Sincerely,

West Carroll Water District

By 

Vickie Edwards
Chair

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1 a. Carrollton Utilities has approximately 30 full time employees and various part time/seasonal employees depending on the time of year. Carrollton Utilities provides personnel necessary to operate the District on a day to day basis including situations that require overtime. The amount of overtime is estimated at the time of fee negotiation, usually in April proceeding the fiscal year. The District pays the prearranged fee regardless of the fluctuations in overtime over the course of the year. The District doesn't pay any direct employee benefit costs except to the extent that some personnel costs are included in the maintenance fee. Carrollton Utilities offers the same employee benefits to all full-time employees whether they perform occasional services to the District or routine service to the District. Although a majority of the employees of CU perform services for the District over the course of a typical month as demonstrated herein, a limited amount of the employee benefit expenses are included in the maintenance cost fee structure. The two employees assigned to the District on full time basis have 100% of their benefits included in the maintenance fee agreement. The accounting and collection staff consisting of five people each have 10 percent of their employee benefits included in the maintenance fee. The District has 982 customers which represents 12 percent of the 8,134 total customer accounts served by Carrollton Utilities staff. This table summarizes the budget components used to estimate the 2016-17 fiscal year compared to actual expenses for the period.

Table 1
West Carroll Water District
Maintenance Agreement
July 2016-June 2017

		Budgeted		Actual
Payroll (including FICA)	\$	169,647.25	\$	138,112.11
Vehicle(s) Expense	\$	8,000.00	\$	17,953.47
Equipment	\$	9,000.00	\$	8,847.56
Insurance	\$	39,752.99	\$	43,868.78
Retirement	\$	20,049.07	\$	23,745.48
Training	\$	1,229.14	\$	-
Supplies	\$	500.00	\$	747.93
Bill Prep and postage	\$		\$	6,333.65
Utilities and software (20% of total)	\$		\$	4,668.96
Proposed Contract Amount	\$	248,178.45	\$	244,277.95

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1.a.i. The Payroll portion of the annual compensation for the subject period was budgeted at \$169,647.25. The actual Payroll cost for the period was \$138,112.11. These totals include the employer portion of FICA. See attached Exhibit 1 for the detail broken down per employee. Employees not covered by any portion of the Maintenance agreement are not shown. However, the grand totals at the bottom of the sheet show total CU payroll expenses.

1.b.i. When the Annual Compensation was set prior to July 1, the Employee Insurance amount was estimated at \$39,752.99. The total allocated to the West Carroll contract based on actual employee costs for the period was \$43,868.78. This total is comprised of Health Insurance and life insurance as summarized in the tables below. Note that West Carroll was only allocated seven employees for health insurance and nine employees for life insurance. Employees are required to pay the full cost of dental, vision, disability, etc.

TABLE 2 - HEALTH INSURANCE PREMIUM

Emp #	Emp. Title	Type	ANNUAL PREMIUM	ANNUAL Employee Paid	CU PORTION	West Carroll PORTION
5	Director Fin.	Fam	\$23,027.04	\$2,340.00	\$18,618.34	\$2,068.70
8	Supervisor	Fam	\$21,875.64	\$2,340.00	\$15,628.51	\$3,907.13
35	Maint. I/Meter Reader	E/C	\$12,952.68	\$780.00	\$6,086.34	\$6,086.34
38	Cust. Ser. Rep	E/C	\$12,305.04	\$0.00	\$11,074.54	\$1,230.50
40	Maint I	Fam	\$21,875.64	\$0.00	\$0.00	\$21,875.64
46	Maint I	E	\$7,195.92	\$0.00	\$0.00	\$7,195.92
51	Cust. Ser. Rep	E/C	\$12,952.68	\$0.00	\$11,657.41	\$1,295.27
	Total		\$395,349.96	\$12,740.00	\$338,950.46	\$43,659.50

Notes: E/C = Employee Child, Fam = Family

TABLE 3 - EMPLOYER PAID LIFE INSURANCE PREMIUM

Emp #	Emp. Title	ANNUAL PREMIUM	CU PORTION	West Carroll PORTION
5	Director Fin.	\$65.40	\$60.10	\$6.54
8	Supervisor	\$65.40	\$65.40	\$13.08
17	Cust. Ser. Rep II	\$65.40	\$65.40	\$6.54
35	Maint. I/Meter Reader	\$65.40	\$65.40	\$32.70
37	Utility Billing Sup.	\$65.40	\$65.40	\$6.54
38	Cust. Ser. Rep I	\$65.40	\$60.10	\$6.54
40	Maint I	\$65.40	\$0.00	\$65.40
46	Maint I	\$65.40	\$0.00	\$65.40
51	Cust. Ser. Rep I	\$65.40	\$60.10	\$6.54
	Total	\$1,700.40	\$1,553.71	\$209.28

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1.c The Retirement portion of the annual compensation for the subject period was budgeted at \$20,049.07. The actual Retirement cost for the period was \$23,745.48. See attached Exhibit 1 for the detail broken down per employee. Employees not covered by any portion of the Maintenance agreement are not shown. However, the grand totals at the bottom of the sheet show total CU Retirement expenses.

1.d Actual Training expense of \$622.54 is include in the Actual Payroll total of \$138,112.11. This value (\$622.54) represents the time billed by personnel while in training such as safety training and certification training required by Kentucky Division of Water.

1.e The Vehicle expense portion of the annual compensation for the subject period was budgeted at \$8,000. The actual Vehicle cost for the period was \$17,953.47. See attached Exhibit 2 for the detail broken down per expense item. Exhibit 2 shows three major items:

- * Gasoline, Repair & Maintenance - \$2,804.07
- * CNG - \$2,180.04 (note the primary truck is dual fuel, gasoline and natural gas)
- * Depreciation - \$12,969.36 (on three trucks)

1.f The Equipment expense portion of the annual compensation for the subject period was budgeted at \$9,000. The actual Equipment cost for the period was \$8,847.56. For the purpose of this line item, equipment includes heavy equipment used to maintain the District water mains such as backhoe, excavators, dump trucks, boring equipment, etc. The table below shows the original cost of each piece of equipment, the annual depreciation and the portion assigned to West Carroll (25%).

TABLE 4 – EQUIPMENT

SHARED EQUIPMENT TYPE	Original Cost	Total Annual Depreciation	West Carroll Portion
2016 BACKHOE	\$74,250.00	\$7,425.00	\$1,856.25
2015 MINI EXCAVATOR	\$38,801.44	\$7,760.28	\$1,940.07
2010 SKID STEER LOADER	\$31,258.00	\$2,604.83	\$651.21
TRAILER FOR SKID STEER	\$5,325.00	\$177.50	\$44.38
VACUUM EXCAVATOR	\$36,814.00	\$306.78	\$76.70
2015 BORE MISSILE	\$14,843.76	\$1,484.40	\$371.10
SOIL CONDITIONER/HARNESS	\$7,371.79	\$737.16	\$184.29
2015 HINO DUMP TRUCK	\$74,471.43	\$14,894.28	\$3,723.57
	\$283,135.42	\$35,390.23	\$8,847.56

1.f The Supplies expense portion of the annual compensation for the subject period was budgeted at \$500. The actual Supplies cost for the period was \$747.93. For the purpose of this line item, Supplies includes miscellaneous small tools and supplies purchased for the district. The table below shows the detailed charges.

Table 5 - Supplies

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Fiscal Year 2016 - 2017
10-700-72013

	Journal Date	Debit
OPERATING SUPPLIES		
O'REILLY AUTO PARTS JULY 2016	7/28/2016	\$16.48
TOOLE & ROSE SUPPLY JULY 2016 SUPPLIES	7/29/2016	\$8.72
WALLERS METER, INC. 142431	7/28/2016	\$147.78
TOOLE & ROSE SUPPLY 1607-614767 IMPACT WRENCH-WC TRUCK	7/29/2016	\$472.00
TOOLE & ROSE SUPPLY AUGUST 2016 SUPPLIES	8/31/2016	\$10.30
MCNEALS, INC MARCH 2017 SUPPLIES	3/31/2017	\$18.49
MCNEALS, INC APRIL 2017 SUPPLIES	4/25/2017	\$56.98
TOOLE & ROSE SUPPLY MAY 2017	5/1/2017	\$7.20
O'REILLY AUTO PARTS MAY 2017 SUPPLIES	5/1/2017	\$9.98
YTD Total for		\$747.93

Other Expense Items

Carrollton Utilities outsources bill preparation and mailing service for monthly customer bill presentment. The cost assigned to West Carroll based on the number of bills printed and mailed is \$6,333.65. This value is shown on the actual cost summary in Table 1.

Table 1 also shows actual cost of building electric, internet service and telephone. This total amount of \$4,668.96 is derived by assigning 20% of the total charges incurred by Carrollton.

Carrollton has not assigned any charges for building rent to West Carroll. Likewise, there are no charges assigned to West Carroll for Administrative and Engineering payroll and benefit costs.

2 a. Explain why West Carroll did not terminate the agreement with CU based on water loss of 30.1 percent.

The West Carroll Water District Board understands the challenges of finding and repairing leaks which we believe contribute the majority volume of the water loss. The District Board sees the evidence of the leak repairs each month. Leaks are an enormous maintenance challenge for the District. The District has several characteristics that pose an even higher challenge for West Carroll than some other public water system. Some of the challenges are unavoidable, like the number of miles of mains (88.7 miles) compared to the number of customers served (982). Some have very expensive solutions, like problem main replacement. Below is a summary of the steps taken to reduce water loss associated with leaks:

The system is rural with lines crossing creeks, hills, pastures and other areas that are extremely difficult to survey/inspect by any means, even walking. The District has installed a number of isolation valves to help identify leaks under creeks/rivers. The District has also relocated sections of mains that lie adjacent to streams.

Much of the system is nearly 50 years old and was constructed with inferior materials and techniques/bedding. The District has tracked the leak locations geographically and the

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cause of the leak to identify the worst locations and replaced long sections of main. The Gilgal water main was replaced in 2013 at a cost of \$128,793 for the sole purpose of reducing frequent leaks. The cost of was \$115,000/mile which demonstrates the challenge for a small rural water system with almost 90 miles of main and only 982 customers to cover the debt service associated with wholesale main replacement.

Many times, the rocky soil will absorb the leak or allow it to move underground a significant distant making it much harder to find. There are many cases where a leak can only be found by exposing the main in several locations and then simply digging up long sections of main until the actual location is discovered. The District found and repaired 44 leaks in 2016. The typical leak is about 14 gallons per minute. The average unaccountable for water loss for 2016 was 30 gallons per minute. Based on these statistics the District is finding and repairing a leak every week that is large enough to effectively reduce the water loss to acceptable levels. The problem, of course, is that leaks are occurring as fast as they are being fixed. Doubling the manpower assigned to the District would allow the leaks to be found quicker but would be much more expensive than the cost of the water loss.

The District has requested and received assistance from Kentucky Rural Water Association personnel on numerous occasions. KRWA has provided training on leak detections equipment and techniques that have been beneficial.

The District has invested in the installation of leak detection meters, data logging meters, ultrasonic flow meters and sonic water loss detection devices to assist with leak detection and location.

The District is of the opinion that, given the challenges listed above, Carrollton Utilities is meeting the expectations of the District. The District feels that CU continues to take every step necessary to meet the water loss target. For every major break that is repaired we have another, or we have catastrophic wash out from flash flooding, floods or landslides. The infrastructure is 43 years old and has many creek crossings and rocky terrain. CU has been aggressively looking for leaks and has been successful in finding some very large leaks that have gone undetected for an undetermined amount of time due to the location of the breaks. A more labor-intensive approach will be costly, and the District must weigh the likely benefits of that approach against the cost of the water loss. In summary, the Board decided to continue its management relationship with Carrollton Utilities due to the following:

- Carrollton Utilities has extensive knowledge of the West Carroll distribution system with over 20 years' experience of operating the system on a daily basis.
- Carrollton Utilities' proximity to the district enables a high degree of efficiency to the operation and convenience to the West Carroll customer base.
- Carrollton Utilities has demonstrated a high degree of expertise and diligence in working toward the improvement of the District's water loss.
- The West Carroll Board reviews water loss data on a monthly basis and discusses best approach for corrective action.

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2b. Explain why West Carroll has made no official efforts to amend the Operational Agreement with a termination provision with regards to water loss targets.

Given the monthly reading cycles and time delay in seeing the effects of leak repairs and other water loss reductions measures, the District feels a 60-day unilateral ability to terminate is sufficient to address water loss as well as any other issue that would give rise to termination.