

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WILLIAM C. HILL)	
)	
COMPLAINANT)	
)	
v.)	
)	CASE NO. 2017-00316
MUHLENBERG COUNTY WATER)	
DISTRICT)	
)	
DEFENDANT)	

RESPONSE OF
MUHLENBERG COUNTY WATER DISTRICT
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 27, 2018

FILED: May 7, 2018

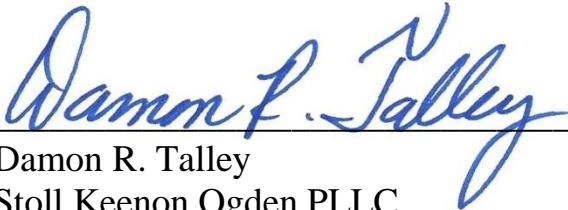
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**RESPONSE OF MUHLENBERG COUNTY WATER DISTRICT TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Comes the Muhlenberg County Water District, for its Response to the Commission Staff’s First Request for Information, and states as shown on the following pages.



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*Counsel for Muhlenberg County Water
District*

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WILLIAM C. HILL

COMPLAINANT

v.

**MUHLENBERG COUNTY WATER
DISTRICT**

DEFENDANT

CASE NO. 2017-00316

**CERTIFICATION OF RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of Muhlenberg County Water District's Response to the Commission Staff's First Request for Information. The response submitted on behalf of Muhlenberg County Water District is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: 5/7/2018

 Superintendent

Craig Porter, Superintendent
Muhlenberg County Water District

MUHLENBERG COUNTY WATER DISTRICT

CASE NO. 2017-00316

Response to Commission Staff's First Request for Information

Question No. 1

Responding Witness: Craig Porter

- Q-1. Refer to Muhlenberg District's November 30, 2017, Answer to Complaint. With the understanding that Muhlenberg District has not performed or hired a licensed engineer to perform any studies on connecting its water system to William C. Hill's, ("Mr. Hill") property, using institutional knowledge, describe the procedures that Muhlenberg District proposes to use to provide water service for Mr. Hill, including a detailed listing of prices and items to be paid by Mr. Hill, by Muhlenberg District, and prices or items or services which are anticipated to be provided by Todd County Water District ("Todd County").
- A-1. Muhlenberg District believes the best, quickest, and least expensive method for Mr. Hill to obtain water service to his property is for him to apply for water service directly from the Todd County Water District ("Todd District"). Muhlenberg District stated this position in its November 30, 2017 Answer. It sent a letter to Todd District on January 2, 2018 to facilitate Mr. Hill's Application being favorably received by Todd District. A copy of this letter is attached as **Exhibit 1-1**. In addition, this position was restated at the Informal Conference conducted by PSC Staff on February 7, 2018. To the best of its knowledge and belief, Mr. Hill has never applied for water service from Todd District.

Mr. Hill's Expense. Mr. Hill has previously agreed to construct, at his own expense, the entire length of a 3-inch diameter water line. The water line would connect to Todd District's existing distribution line; it would extend along the McPherson County Road for a distance of approximately 400 feet to Mr. Hill's driveway (referred to on some maps as "Forest Hills Road"); and it would extend along his driveway back to his existing farmhouse. This is a distance of 1.2 miles. According to documents previously filed by Mr. Hill, he has already had McGhee Engineering prepare these Plans and Specifications. It is unknown what this expense would be. Presumably, Mr. Hill would either construct this water line himself or he could negotiate with a private contractor to construct it for him. Nevertheless, this is an expense which Mr. Hill has consistently agreed to pay.

In addition, Mr. Hill would need to pay Todd District's standard tap fee for a 5/8- x 3/4-inch meter. Todd County's current tap fee for this size meter is \$750. A copy of Todd District's relevant Tariff Sheet is attached as **Exhibit 1-2.**

Todd District's Expense. Under this proposal, Todd District's only expense would be to install a residential 5/8- x 3/4-inch meter, meter box, and other appurtenances upon receipt of Mr. Hill's tap fee. Since Mr. Hill

has already agreed to extend his 3-inch water line to connect to Todd District's water line, Todd District would not have to extend its line or reimburse Mr. Hill for any portion of the line that he installs.

Muhlenberg District's Expense. If Todd District directly serves Mr. Hill as outlined above, then Muhlenberg District would not bear any expense whatsoever. As previously stated, there is no reason for Muhlenberg District to be a "middle man" in this transaction. Todd District will be supplying the water; Mr. Hill will be installing the water line. There is no reason for Muhlenberg District to pay Todd District to install a master meter at the point where Mr. Hill's water line connects to Todd District's water line and then for Mr. Hill to pay Muhlenberg District to install a residential meter 400 feet "downstream" on the same water line at the point where it reaches Mr. Hill's driveway.

EXHIBIT 1-1

Muhlenberg County Water District

P. O. BOX 348
GREENVILLE, KENTUCKY 42345

January 2, 2018

Todd County Water District Manager
P O Box 520
Elkton, Kentucky 42220

To Whom It May Concern:

It is our understanding that Mr. William C Hill will soon be applying for water service from Todd County Water District. He is seeking water service for his farm house located off McPherson Road.

Mr. Hill plans to request that you set him a 5/8 x 3/4- inch residential meter at the end of your 3 – inch water line that runs along McPherson Road. His driveway is located approximately 400 feet from the end of your water line. Mr. Hill is willing to install, at his own expense, his service line starting at the meter that you set on McPherson Road. He will run his service line along McPherson Road until it reaches his driveway (a distance of approximately 400 feet). He will then run his service line down his private drive to his farm house, which is located approximately one mile north of McPherson Road.

As you probably know, the Muhlenberg County Water District (MCWD) does not have any practical, economic way of providing water service to Mr. Hill. MCWD's closest water line is located approximately 4 miles away on Kentucky Highway 181 South. It stops near the Muhlenberg-Todd County line.

The purpose of this letter is to confirm that MCWD has no objection to Todd County Water District providing water service to Mr. Hill from your existing McPherson Road water line. We believe that you are already providing water service along McPherson Road to at least three other customers who live in Muhlenberg County. We are very pleased that you are providing water service to these Muhlenberg County customers and we hope that you will serve Mr. Hill as well.

If you need a more formal document from MCWD waiving its right to serve Mr. Hill's property and consenting for Todd District to serve Mr. Hill, we will be happy to have our attorney prepare such a document.

Sincerely



Muhlenberg County Water District

Cc: Damon R. Talley

EXHIBIT 1-2

FOR Todd County Water District

PSC KY NO. 8943

SHEET NO. 16

CANCELLING PSC KY NO. _____

SHEET NO. _____

Todd County Water District

(NAME OF UTILITY)

met for the meter tested, no charge will be made for the test regardless of the results of the test. (see item #15)

7. PSC Meter Test Complaint. Any customer of the District may request a meter test by written application to the Kentucky Public Service Commission and charges for this test will be as shown in the current PSC Rules and Regulations and will be collected by the Public Service Commission. Such a request shall not be made more frequently on one meter than once each twelve (12) months.

8. Returned Check/Failed ACH Fee. A \$25 fee will be levied and paid by the customer to the District on each payment returned to the district for any reason.

9. Tap On Fees. The established tap-on fee is based on the size of the installed metering equipment and is as follows: (see item #26)

5/8" x 3/4" meter	\$750.00
All other size meters	Actual Cost of Installation

10. Investigation of Theft or Tampering With Meter Fee. No one shall willfully or negligently break damage, destroy, uncover, deface, or tamper with any structure appurtenance, equipment or part of the water system. Any person violating this provision will be subject to arrest and/or discontinuance of service and will pay an Investigation of Theft or Tampering with Meter Fee equal to the actual cost of damages incurred.

11. Damaged Radio Read Meter Fee. No one shall willfully, or negligently damage the radio read meter or any part of the water system. Any person violating this provision will be subject to discontinuance of service and will pay the cost to repair/replace damaged meter or any damaged part of the water system. (see item #23)

DATE OF ISSUE February 3, 2014
MONTH / DATE / YEAR

DATE EFFECTIVE April 1, 2014
MONTH / DATE / YEAR

ISSUED BY *Dr. George D. Brown*
SIGNATURE OF OFFICER

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
EFFECTIVE 4/1/2014 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

MUHLENBERG COUNTY WATER DISTRICT

CASE NO. 2017-00316

Response to Commission Staff's First Request for Information

Question No. 2

Responding Witness: Craig Porter

Q-2. Provide all internal memorandums, policy statements, correspondence, and documents related to providing service to Mr. Hill's property located near McPherson Road.

A-2. Muhlenberg District sent a letter to Todd District on January 2, 2018 to facilitate Mr. Hill's Application for water service being favorably received by Todd District. This letter is attached to the previous question as **Exhibit 1-1**.

Muhlenberg District is not aware of any other written correspondence related to providing service to Mr. Hill's property. Most of the communications have been by phone call or in-person between Craig Porter or his predecessor and Mr. Hill. After diligent review, Muhlenberg District cannot locate any internal memorandums, policy statements, correspondence, or other documents that are not already filed in the record in this case related to providing service to Mr. Hill's property.

MUHLENBERG COUNTY WATER DISTRICT

CASE NO. 2017-00316

Response to Commission Staff's First Request for Information

Question No. 3

Responding Witnesses: Craig Porter & Legal Counsel

Q-3. Refer to Todd County's March 27, 2018 Response to Commission Letter ("Todd County's Response") filed April 2, 2018.

- A. Provide the rates for Muhlenberg District to purchase water from Todd County at a metering point near the Todd/Muhlenberg County line.
- B. Provide all costs that will be incurred by Muhlenberg District to place a metering point at this location.

A-3.

- A. Todd District does not have a published wholesale rate. On May 7, 2018, Legal Counsel for Muhlenberg District spoke to Todd District's manager to inquire about a wholesale rate. Todd District's manager indicated that the rate would be \$5.87 per 1,000 gallons if Muhlenberg District were to install a metering point at the end of Todd District's line, which is located approximately 400 feet from Mr. Hill's driveway. He also stated that Muhlenberg District would not be required to pay a monthly minimum fee.

This rate provided from Todd District's manager contradicts the Todd District rate previously quoted to Muhlenberg District in 2016 (the rate quoted in 2016 was \$6.69 per 1,000 gallons). Muhlenberg

District has used this \$5.87 rate when calculating costs, but the rate is an issue that needs to be resolved if Muhlenberg District is ordered to place a master meter near the Todd/Muhlenberg County line.

- B. If the Commission orders Muhlenberg District to act as the “middle man” and place a metering point near the Todd/Muhlenberg County line, Todd District will require Muhlenberg District to install at least a 2” master meter. The cost of installing a 2” master meter is approximately \$7,000. On the other hand, if Mr. Hill purchases directly from Todd District and installs a 5/8- x 3/4-inch meter, he would pay a tap fee of only \$750. If and when he develops the proposed subdivision, he can then upgrade the meter.

MUHLENBERG COUNTY WATER DISTRICT

CASE NO. 2017-00316

Response to Commission Staff's First Request for Information

Question No. 4

Responding Witnesses: Craig Porter & Robert Pickerill, Bell Engineering

Q-4. Refer to Muhlenberg District's November 30, 2017 Answer to Complaint, paragraph 14. Also, refer to Todd County's Response.

- A. Describe in detail the difference in the cost between the proposal that Mr. Hill obtain service from a metering point near the Todd County line and the cost Muhlenberg District would incur extending their line from the Muhlenberg District main located on Kentucky Highway 181 South to Mr. Hill's property, as described in paragraph 14 of its November 30, 2017, Answer to Complaint.
- B. Provide the cost of flushing a 4-inch line.
- C. Provide the cost of flushing a 3-inch line.
- D. Provide the projected cost if the line is first placed on Mr. Hill's property and later extended to the proposed 47 lot subdivision.
- E. Provide the costs of extending a line from the proposed metering point in Item 3, above, to Mr. Hill's property.

A-4.

- A. The capital cost difference will be nearly seven hundred thousand dollars. There will also be a very substantial operating cost difference because of the additional line flushing that would be required.

Capital Cost. If Muhlenberg District is required to construct a new 4-inch diameter water main as described in paragraph 14 of its November 30, 2017 Answer, it would cost approximately \$364,000

just for the construction costs of the water line. In addition, Muhlenberg District has serious concerns regarding whether it can deliver a sufficient quantity of water with adequate pressure to serve Mr. Hill's proposed 47 lot subdivision without also constructing a booster pump station.

Muhlenberg District engaged the services of a consulting engineering firm, Bell Engineering, to perform a hydraulic analysis because of the likelihood that a booster pump station will need to be constructed if Muhlenberg District is required to construct approximately four (4) miles of 4-inch diameter water main from the end of its existing water main on Kentucky Highway 181 to Mr. Hill's driveway. Bell Engineering made a field visit and inspection of the area on Thursday, May 3, 2017. It has since completed the hydraulic analysis and has determined that it will be necessary to construct a booster pump station in order to adequately serve Mr. Hill's proposed 47 lot subdivision. According to Bell Engineering, the estimated construction cost of the booster pump station is \$125,000.

Exhibit 4-1, which is attached, shows the Engineer's Preliminary Opinion of Probable Project Costs. Including the

construction cost and other engineering and project expenses, the Engineer estimates a total cost of **\$686,676.46**.

On the other hand, if Todd District can provide service to Mr. Hill as described in Question 1 of this Response, there will be no capital expense. Mr. Hill will have to pay a tap fee in either scenario (purchasing water directly from Todd District or from Muhlenberg District).

CPCN. There is also a serious legal issue that will probably preclude Muhlenberg District from constructing the water line extension from Kentucky Highway 181 to Mr. Hill's property. The route of this proposed line will parallel Todd District's existing water line that runs from Kentucky Highway 181 along Kentucky Highway 1785 to McPherson County Road and then continues along McPherson County Road to a point approximately 400 feet before it reaches Mr. Hill's driveway. Muhlenberg District's proposed water line is a classic "duplication of facilities." It parallels an existing water line; it will be located almost entirely in Todd County; it runs through the service area of a competing utility; and all the customers are already served by Todd District.

Operating Costs. The difference in operating costs will primarily be the additional flushing expenses associated with maintaining water quality in four (4) miles of a 4-inch diameter water line with very little use. There will be additional costs to operate and maintain the booster pump station, including for electricity and pump maintenance.

- B. The cost of flushing a 4-inch diameter water line depends upon three (3) variables: (1) length of the line; (2) frequency of flushing; and (3) cost of the water. For our purposes, we will assume a four (4) mile long water line. It has a line volume of 13,793 gallons. Based on best practices for a public utility and advice of Bell Engineering, the water line should be flushed every three (3) days to maintain water quality. This means that it would need to be flushed 122 times per year. This will use 1,682,746 gallons ($13,793 \text{ gallons} \times 122 = 1,682,746 \text{ gallons per year}$). This volume will be rounded up to 1,683,000 gallons.

Currently, Muhlenberg District is purchasing water from Central City at a wholesale rate of \$2.63 per 1,000 gallons. This means the total annual flushing cost will be approximately \$4,426 ($1,683,000 \text{ gallons} \times \$2.63 \text{ per } 1,000 \text{ gallons} = \$4,426.29$).

Notice that Mr. Hill's anticipated water usage has not been subtracted from these flushing requirements. In his Complaint, Mr. Hill estimates that he will only use 2,000 gallons per month or 24,000 gallons per year. This is negligible compared to a flushing requirement of approximately 1,683,000 gallons per year. An average customer uses 4,000 gallons per month or 48,000 gallons per year. Again, this amount is negligible and will not reduce the amount of water that will need to be flushed through the water line to maintain water quality.

- C. The cost of flushing a 3-inch diameter water line depends upon the same three variables. It appears that the only feasible way to serve Mr. Hill is through Todd District. For our purposes, we will assume a 1.2 mile long water line and a water cost of the Todd District wholesale rate of \$5.87 per 1,000 gallons. This 3-inch diameter water line has a line volume of 2,327 gallons. Based on best practices for a public utility and advice of Bell Engineering, the water line should be flushed every three (3) days to maintain water quality. This means that it would need to be flushed 122 times per year. This will use 283,894 gallons ($2,327 \text{ gallons} \times 122 = 283,894 \text{ gallons per year}$). This volume will be rounded up to 284,000 gallons.

Assuming the wholesale rate of \$5.87 per 1,000 gallons, which was quoted by Todd District on May 7, 2018, the total annual flushing cost will be approximately \$1,667.00 (284,000 gallons x \$5.87 per 1,000 gallons = \$1,667.08).

In his Complaint, Mr. Hill estimates that he will only use 2,000 gallons per month or 24,000 gallons per year. An average customer uses 4,000 gallons per month or 48,000 gallons per year. We will assume Mr. Hill uses an amount between his estimate and the average customer, which is 3,000 gallons per month or 36,000 gallons per year. Mr. Hill's use will reduce the flushing cost by approximately \$211.00 (36,000 gallons x \$5.87 per 1,000 gallons = \$211.32).

The total annual amount of flushing expense to be borne by Mr. Hill is approximately \$1,456 (\$1,667 - \$211 = \$1,456).

- D. Mr. Hill has agreed to pay the cost of the line along his driveway and on his property. See Response to Question No. 1. Accordingly, Muhlenberg District has not estimated the projected cost if the line is first placed on Mr. Hill's property and later extended to the proposed subdivision.

- E. The 400 feet from the proposed metering point to Mr. Hill's driveway is included in the 1.2 mile long 3-inch line, which Mr. Hill has already agreed to pay for. See Response to Question No. 1.

Caveat: It should be noted that Muhlenberg District has not performed any engineering studies to determine whether Todd District has adequate flow and pressure to serve Mr. Hill's proposed 47 lot subdivision. Before Mr. Hill takes any further action for planning his subdivision, this information needs to be obtained because Todd District has not represented that it can serve Mr. Hill. A hydraulic analysis will have to be performed on Todd District's system.

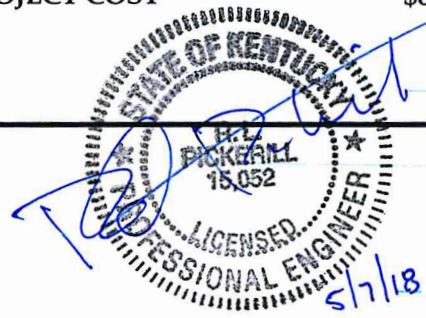
EXHIBIT 4-1

(RESPONSE TO 4a)

ENGINEER'S PRELIMINARY OPINION OF PROBABLE PROJECT COSTS

**McPherson Road 4 Inch Waterline Extension
Muhlenberg County Water District
May, 2018**

Line No	Work Item	Quantity	Unit	Unit Price	Total
1	4" SDR 17 PVC Pipe, Inc. Fittings, Complete	21,000	LF	\$15.00	\$315,000.00
2	Remove Flushing Assembly, Tie to Existing 4" PVC	1	EA	\$250.00	\$250.00
3	4" DIMJ Gate Valve, Box & Concrete Collar	5	EA	\$650.00	\$3,250.00
4	Flush Hydrant Assembly, Inc. Valve, Complete	4	EA	\$2,750.00	\$11,000.00
5	Concrete Cap at Stream Crossings	5	EA	\$1,665.00	\$8,325.00
6	Linemarkers	25	EA	\$66.50	\$1,662.50
7	Cr. Stone Trench Backfill, Across Streets & Drives	300	Tons	\$27.50	\$8,250.00
8	Trench Width Asphalt Repair	85	LF	\$25.00	\$2,125.00
9	Trench Width Concrete Repair	10	SY	\$75.00	\$750.00
10	Extra for Rip-Rap Stone, On Order of Engineer	100	Tons	\$30.00	\$3,000.00
11	Automatic Air-Release Valves	3	Each	\$2,000.00	\$6,000.00
12	Search & Extra Depth Trench Excavation, On Order of Engineer	25	CY	\$50.00	\$1,250.00
13	Extra Crushed Stone for Trench Stabilization, On Order of Engineer	100	Tons	\$27.50	\$2,750.00
14	Booster Pump Station	1	LS	\$125,000.00	\$125,000.00
Probable Construction Cost:					\$488,612.50
Administration and Legal Expenses			5%		\$24,430.63
Land, Structures, Rights of Way, Appraisals			5%		\$24,430.63
Architectural and Engineering Fees			8.79%	RD Curve	\$42,949.04
Other Architect and Engineering, Geotechnical			1.50%		\$7,329.19
Project Inspection Fees			7.47%	RD Curve	\$36,499.35
Subtotal					\$624,251.33
Project Contingency			10%		\$62,425.13
TOTAL OPINION OF PROBABLE PROJECT COST					\$686,676.46



CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Muhlenberg County Water District's May 7, 2018 electronic filing of this Response is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on May 7, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original copy in paper medium of this Response will be delivered to the Commission on or before May 9, 2018.


Damon R. Talley