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ADMITTED IN KY AND WV

December 7, 2018

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

RE: Martin County Water District
PSC Case No. 2018-00017

To Whom It May Concern:

Enclosed please find Motion for Clarification and Motion for Revised Schedule of Implementation that was filed electronically. 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 APPLICATION OF THE)
MARTIN COUNTY WATER DISTRICT)
FOR ALTERNATIVE RATE ADJUSTMENT)
)

CASE NO. 2018-00017

MOTION FOR CLARIFICATION AND
MOTION FOR REVISED SCHEDULE OF IMPLEMENTATION

Comes the Martin County Water District (“District”), by counsel, and moves the Commission for an Order, clarifying certain issues relative to the Commission’s Order of November 5, 2018. The District fully intends to comply with the letter and spirit of the Commission’s Order, but to do so effectively, requires further clarification.

Specifically, the District seeks clarification relative to the following issues:

1. On page 11 of the Commission’s Order, the Commission states as follows:

“Therefore, the Commission finds that Martin District accept proposals and, upon supporting its basis for doing so, extend an offer to a neighboring water system to provide contract management, or to a private company to provide contract management.”

Does this language in the Order limit the District to considering proposals from only neighboring water systems, or can other public water systems in Kentucky, or even other states, be considered?

2. On page 12 of the Commission’s Order, the Order states as follows:

“The Commission approved the debt service surcharge in its March 16, 2018 Order, but additionally will now require Martin District to

extend an offer to a neighboring water system to provide contract management, or to a private company to provide contract management. If such an offer is not received by the Commission by January 30, 2019, Martin District will no longer be able to collect the debt service surcharge and Martin District will be ordered to refund the remaining collected surcharge amounts.”

This language appears to require the Martin District to issue an RFP, and receive proposals, analyze those proposals, and submit a written report with detailed analysis to the Commission by January 30, 2019. The language in the Order beginning on page 21, paragraph 4, and parts a, b, c and d, do not speak to an offer being made.

Is it the Commission’s direction that the District have all those things accomplished, and a contract executed with a neighbor water system, or a private company, to provide contract management by January 30, 2019?

3. Item number 5 (page 22) of the Commission’s Order directs the District to “No later than one year from the date of this order, Martin District shall submit a plan, to be approved by the Commission, for the retention and compensation of contract management and the repair, replacement and maintenance of its water distribution system,”

This order appears to conflict with the language in the first full paragraph on page 12 where the deadline is January 30, 2019. The District seeks an Order from the Commission clarifying when the contract management is to be retained. Is the contract manager to be retained within one year from the date of the Order, giving the District until November 5, 2019?


4. The District further seeks an Order from the Commission clarifying whether the District is to hire contract management for all operations of the District, which will require the transition of employees from the Martin County Water District to the private

operator, or is the District to retain contract services for the services of general manager?

5. The Commission has ordered the District to submit a plan for the repair, replacement, and maintenance of its water distribution system, to be paid for in whole or in part from collection of a management and infrastructure surcharge in the amount of \$3.16 per customer, per month. The District seeks an Order of clarification. May the District include this mandate in the RFP issued for operational management services to entities?
6. Finally, based on the experience of Greg Heitzman at BlueWater, as well as other professionals in the industry with whom Mr. Heitzman has consulted, the District requests a revision to the schedule set forth in the Commission's Order. The Affidavit of Greg Heitzman is attached hereto as Exhibit A. The process involved is, frankly, quite complicated. The District intends to comply with the Orders of the Commission, and for what the District believes to be an orderly process that provides the District adequate time, as follows:
 - a. Draft request for interest and qualifications by January 1, 2019.
 - b. Accept letters of interest and qualifications by January 31, 2019.
 - c. Select up to three qualified firms by February 28, 2019, and submit that list in order of priority to the PSC for approval.
 - d. Upon PSC approval of firms by March 15, 2019, issue RFP by March 31, 2019.
 - e. Receive proposals by April 30, 2019.
 - f. Evaluation of proposals and recommend firm to PSC by May 30, 2019.
 - g. PSC approve the contractor selection and affirms the infrastructure surcharge based on proposals submitted by June 30, 2019.

- h. That a period of 60 to 90 days be allowed for negotiating the final scope and contract, to be completed by October 1, 2019.
- i. That the final documents be submitted for legal review and a contract awarded by November 1, 2019.
- j. That a 30 day transition period be provided for employees and management by December 31, 2019.
- k. That the transition be complete by January 1, 2020 for full contract operations.

Wherefore, the District requests appropriate Orders of the Commission consistent with this Motion.


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WATER DISTRICT
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CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was emailed and mailed, postage paid, on this the 7 day of December, 2018, to the following:

Public Service Commission (*Via Email & USPS*)
P.O. Box 615
Frankfort, KY 40602
brittany.koenig@ky.gov

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

Hon. M. Todd Osterloh (*Via Email only*)
Hon. James Wilson Gardner
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street, Ste. 1400
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jameswilsongardner@gmail.com



BRIAN CUMBO

AFFIDAVIT OF GREG C. HEITZMAN

Comes the Affiant, Greg C. Heitzman, after being duly sworn, and states as follows:

1. That I, Greg C. Heitzman, am the President of BlueWater Kentucky and am in the business of offering consulting services to water districts and other entities concerning the water and wastewater industry.
2. That I am a contract consultant for the Martin County Water District.
3. That my CV is attached hereto.
4. That I am familiar with the business of the Martin County Water District, and the challenges it currently faces. I have been intimately involved with the Water District during the time of the Public Service investigation in the rate case, as well as the investigation case.
5. That based on my experience, and my consultations with other professionals in the water and wastewater industry, retaining a qualified management firm for contract operations is a lengthy, complicated process.
6. That based on my experience, the schedule set forth in numerical paragraph 6 of the District's Motion for Clarification and Motion for Revised Schedule of Implementation is a realistic, conservative schedule, that permits the District to perform its due diligence and will permit the District to seek and hopefully secure contract management services that maximize the benefit to the District, and its rate payers, in a financially responsible manner.
7. That the schedule proposed is essentially a two step schedule, which permits the District to solicit, and receive, letters of interest and qualifications. To then choose

among those expressing qualifications expressing interest, to receive request for proposals.

8. That the qualified entities will require time to analyze the finances, rates, water loss and infrastructure of the District.
9. That analyzing requests for proposals from three qualified entities, and performing the District's due diligence relative thereto, is a more manageable approach.

Further the Affiant saith naught.



GREG C. HEITZMAN

STATE OF KENTUCKY)

COUNTY OF Martin)

SUBSCRIBED, ACKNOWLEDGED and SWORN TO before me by Greg C. Heitzman
this the 7th day of December, 2018.

My Commission Expires: 9-18-22.



NOTARY PUBLIC, STATE AT LARGE

EXHIBIT A



BlueWater Kentucky
625 Myrtle Street
Louisville, Kentucky 40208
Mobile: (502) 533-5073
E-mail: gheitzman@bluewaterky.com
Website: www.bluewaterky.com

Greg C. Heitzman, PE, MBA

Career Summary

Senior utility executive with 35 years of experience in the water and wastewater industry, including: executive leadership, senior management, strategic planning, policy development, quality programs, performance benchmarking, operations, engineering, customer service, water branding and capital program management. Advocate for One Water philosophy and the renewal of America's aging water infrastructure. Education includes a MBA and Bachelor's and Master's degrees in Civil Engineering. Licensed Professional Civil Engineer, Kentucky.

Qualifications and Experience

President, 2016 - Present
BlueWater Kentucky, Louisville, KY

Founder and President of BlueWater Kentucky, providing strategic and management consulting services to water/wastewater utilities, consultants and non-profit organizations. BlueWater also develops new technology for the water industry. BlueWater Kentucky incorporated January, 2016.

Executive Director/CEO, 2013 – 2015
Louisville and Jefferson County Metropolitan Sewer District (MSD), Louisville, KY

Executive Director/CEO of the Louisville Metropolitan Sewer District, an urban wastewater, storm water and flood protection utility serving a population of 750,000 through 230,000 customers. Manage the strategic direction and daily operations of the utility. Responsible for 650 employees. FY 2016 budget includes annual revenue of \$270 million, operating budget of \$116 million and capital budget of \$187 million. Retired October 1, 2015.

President /CEO Louisville Water Company and Executive Director Louisville MSD, 2011– 2013
Louisville, KY

In December, 2011, appointed by Mayor Greg Fischer to serve as Executive Director of Louisville MSD following a State Audit of MSD's finance and operations. From December 2011 to July 2013 served as CEO of both utilities with a combined annual revenue of \$375 million, operating budget of \$190 million and capital budget of \$200 million. Responsibilities at MSD included working with a newly appointed Board by the Mayor, a high profile State Audit response, and a senior management restructuring. The management change included retaining new legal, financial and human resource consultants in response to the State Audi and Mayor's directive.

President /CEO, 2007 – 2011
Louisville Water Company, Louisville, KY

President/CEO of the Louisville Water Company, a drinking water utility serving a population of 850,000 through 300,000 customer service connections. Manage the strategic direction and daily operations of the utility. Responsible for 425 employees. 2013 budget included annual revenue of \$150 million with operating budget of \$75 million and capital budget of \$90 million.

EXHIBIT A

Senior Vice President Operations & Chief Engineer, 2006 – 2007 Louisville Water Company, Louisville, KY

Senior officer for engineering, planning, operations and customer service for the utility. Direct staff of 325 management, professional, technical, clerical and union employees. Selected achievements:

- Led a strategic planning team of Board members and senior management in development of top line growth strategy to expand water utility service in the region.
- Completed a 15 year, \$150 million program to renew over 500 miles of aging cast iron water mains and lead service lines installed prior to 1935. The program is considered “best-in-class” for the water industry.
- Directed a \$55 million, 60 MGD Riverbank Filtration Tunnel project for the BE Payne Water Treatment Plant to improve water quality and meet future drinking water regulations.
- Developed plan and initiated \$100 million capital program to upgrade the 100 year old Crescent Hill Water Treatment Plant.

Vice President Operations & Chief Engineer, 2001 – 2005 Louisville Water Company, Louisville, KY

Senior officer for operations, engineering and planning for production and distribution of water. Directed a staff of 225 management, professional, technical, clerical and union employees. Selected achievements:

- Developed the strategy for merger and acquisition of water utilities, including: Kentucky Turnpike Water District, Goshen Utilities, West Oldham Utilities and the City of Shepherdsville
- Completed the \$20 million upgrade of the BE Payne Water Treatment Plant, including plant expansion to 60 MGD, filter renovation, electrical switchgear, and emergency power generation.
- Completed a 10 year, \$60 million expansion of water service throughout un-served areas of Jefferson County. Program included planning, design and construction of the 150 miles main, storage tanks and pumping stations.
- Led the effort to create the Center for Infrastructure Research at the University of Louisville in 2001. The Center is a collaborative partnership between the University of Louisville and utilities to pursue applied research for improving urban infrastructure.

Vice President & Chief Engineer, 1991 – 2000 Louisville Water Company, Louisville, KY

Director of Engineering, including project management, design, and construction administration of annual Capital Improvement Program. Managed design and construction staff of 135 professional, technical, clerical and union employees. Developed and led a partnership with Local Union 1683 to in-source metered service installations in new development. Participated with Executive Leadership Team to develop the “Next Level Plan” for Total Quality Management, including systems based management, quality of work life, partnership with employees, and empowerment.

Various Engineering Positions, 1982 – 1990 Louisville Water Company, Louisville, KY

Various project management, engineering and planning positions, including Assistant Chief Engineer, Principal Planning Engineer, Project Engineer, and Resident Construction Engineer.

Education, Licenses, and Leadership Training

BSCE - Bachelor of Science in Civil Engineering, University of Kentucky, 1980, Lexington, KY
MSCE - Master of Science in Civil Engineering, University of Kentucky, 1982, Lexington, KY
MBA - Master of Business Administration, University of Louisville, 1988, Louisville, KY
Licensed Professional Civil Engineer, Kentucky License #14003 - 1984
Leadership Institute graduate, Louisville Water Company - 2003
Leadership Louisville graduate, 2005; Leadership Kentucky graduate, 2011
Strategic Leadership graduate, Center for Creative Leadership, 2006, Colorado Springs, CO

EXHIBIT A

Board and Committee Appointments

Trees Louisville (Director 2016-17)
Kentucky-Tennessee Section AWWA (Trustee 2015-2016, Vice Chair 2016-17)
Louisville Water Foundation (Founder and Director 2012-2017)
Louisville Better Business Bureau (Director 2008-12, Secretary 2012-14, Vice Chair 2014-15, Chair 2015-16)
Water Research Foundation (Director 2009-2016)
Water Information Sharing and Analysis Center – Water ISAC (Director 2011-2016)
Greater Louisville Chamber of Commerce – GLI (Director 2008-2015)
Kentucky-Indiana Exchange, Regional Leadership Coalition (Director 2011-2015)
WaterStep (formerly Edge Outreach) Advisory Board (Director 2011-2014)
Louisville Fund for the Arts (Director 2008-2014, Campaign Chair 2013)
Lincoln Heritage Council, Boy Scouts of America (Director 2008-2013)
Association of Metropolitan Water Agencies – AMWA (Director 2011-2013)
River Road Business Association (Treasurer 2007-2012)
Kentucky Infrastructure Authority (Director 2000-2010), appointed by Governors Patton, Fletcher, Beshear
University of Louisville, Center for Infrastructure Research Advisory Board (Director 2001-2007)
AWWARF Research Advisory Council Infrastructure Reliability Workgroup (2002-2005, Chairman 2005)
KIPDA Regional Water Management Council (Chairman 2001-2002)
AWWA Water Utility Infrastructure Committee (Member 1995-2008, Chairman 1995-1997)
Kentuckiana Construction Users Council (Director 1995-2007, Chairman 1997-1999, Treasurer 2002-2007)
Highland Community Ministries (Director 1993-2004, Administrative Division Chair 1999-2004)
Kentucky Society of Professional Engineers (Regional Vice President 1998-2001)
Louisville Chapter KSPE (President 1997, President-elect 1996, Vice President 1995, Treasurer 1993-1994)

Honors and Awards

Civil Engineering Career Achievement Award, University of Kentucky (2016)
KSPE Distinguished Service Award (1998, 2003, 2015)
Paul Harris Fellow, Louisville Rotary Club (2014)
Kentucky –Tennessee AWWA Service Award (2013)
Kentucky ASCE Gillim Award (2011)
Kentucky Water Resources Institute Lyle Sendlein Award for Water Practice (2010)
George Warren Fuller Award – Kentucky-Tennessee Section AWWA (2007)
KSPE Professional Development Award for Industry (1996)
Louisville Chapter KSPE Young Engineer of the Year (1994)
Chi Epsilon Civil Engineering Honor Society (1979)
Eagle Scout (1973)

Community Investment Activities

WaterStep – Volunteer and Fund Raising Advisor (2010-17)
Louisville MSD Cares Campaign for Metro United Way, Fund for the Arts, Wednesday’s Child (2012-2015)
Fund for the Arts, Community-wide Campaign Chair (2012-13)
Louisville Water Company - United Way Campaign Chair (2003) and Volunteer (1997-2012)
Louisville Water Company - Fund for the Arts Campaign Chair (2004)
Water-for-People Golf Tournament Fund Raising Committee (1999, 2007)
Boy Scouts of America Fund Raising Volunteer (1992-2012)
St. Xavier High School Scholarship - Elpers Endowment Fund (2003-2016)

Professional and Community Memberships

American Society of Civil Engineers (ASCE)
American Water Works Association (AWWA)
Kentucky and National Society Professional Engineers (KSPE/NSPE)
Rotary Club of Louisville
University of Kentucky and University of Louisville Alumni Association

EXHIBIT A

Publications in Water

Numerical Modeling of Surcharged Storm Sewer Systems, co-authored with Dr. Don J. Wood, Ninth International Symposium on Urban Hydrology, Hydraulics, and Sediment Control Proceedings, July 1982. University of Kentucky, Lexington, KY.

Geo-based Micro CAD Applications in Water Main Replacement and Rehabilitation Selection, AWWA Seminar Proceedings, AWWA Distribution System Symposium, September, 1987. American Water Works Association, Denver, CO.

Micro CAD Applications to the Louisville Water Company's Main Replacement and Rehabilitation Program (MRRP), AWWA Computer Specialty Conference Proceedings, AWWA Computer Conference, April 1989. American Water works Association, Denver, CO.

Distribution System Rehabilitation, Developing a Program, AWWA Out of Sight, Out of Mind Satellite Teleconference and Participant Manual, 1994, American Water Works Association, Denver, Colorado.

Considerations in Implementing a Comprehensive Infrastructure Renewal Program, co-author with Karen Willis, AWWA Annual Conference Proceedings, AWWA Annual Conference and Exposition, June 1995. American Water Works Association, Denver, CO.

2003 Kentucky ASCE Report Card, Steering Committee and contributing author for Drinking Water Report, Kentucky Section ASCE, 2003.

Infrastructure Performance Methodology, Buried Asset Management, contributing author for Participant Manual, AWWA Research Foundation Technology Transfer Workshop, October 28, 2004, American Water Works Association, Denver, CO.

Repair, Replacement, and Rehabilitation of Distribution System, co-author with Neil Grigg, Ph D., Buried Asset Management, Participant Manual, AWWA Research Foundation Technology Transfer Workshop, October 28, 2004, American Water Works Association, Denver, CO.

Louisville Case Study, Buried Asset Management, Participant Manual, AWWA Research Foundation Technology Transfer Workshop, October 28, 2004, American Water Works Association, Denver, CO.

Standardizing Performance Indicators for Water and Wastewater Utilities, Chapter 3, co-author with Nora Freeman, Management Innovation in U.S. Public Water and Wastewater System, Paul Seidenstat et al, 2005 John Wiley & Sons, Inc.

Incorporating Condition Assessment into a Comprehensive Asset Management Program, co-author with Neil S. Grigg, Ph D., Underground Infrastructure Management, November/December, 2005.

The Louisville Water Company - 150 Years of History, October 10, 2010, The Courier Journal, Louisville, KY.

2011 Kentucky ASCE Report Card, Steering Committee and contributing Author for Water and Wastewater Report, Kentucky Section ASCE, 2011.

Bluegrass Economic Advancement Movement (BEAM) Regional Infrastructure Report, Vice Chair and contributing Author for Water and Wastewater Chapter, 2014, Louisville, KY.

Water and Wastewater Finance and Pricing: The Changing Landscape, George Raftelis, Fourth Edition, Executive Review Panel and contributing Author, 2014, CRC Press.

EXHIBIT A

Presentations in Water

Regional Water Planning in Kentucky, AWWA Annual Conference, June 2002, American Water Works Association, Denver, CO.

The Business Case for a Comprehensive Infrastructure Renewal Program, AWWA Annual Conference, June, 2005, Orlando, Florida, American Water Works Association, Denver, CO.

Pharmaceuticals in US Drinking Water, A Technical and Managerial Perspective, Louisville Water Company, May 14, 2009, Louisville, KY.

Operating Strategies to Effectively Manage During the 2008-2010 Recession, Louisville Water Company, September 15, 2009, Louisville, KY.

Surviving or Thriving in Economic Recession: Strategies for Water Utility Leaders, Association of Metropolitan Water Agencies (AMWA) Annual Conference, October 25, 2010, Henderson, NV.

Louisville's Water Works: Celebrating 150 Years of Quality, Service and Innovation, Bingham Fellows, March 24, 2011, Louisville, KY.

Drinking Water Infrastructure Report, Kentucky Infrastructure Report Card, Kentucky Section American Society of Civil Engineers, September, 2011, Kentucky ASCE Convention, Louisville, KY.

The Corporatized Municipal Water Company, American Water Summit, November 14, 2012, Chicago, IL.

The Top 12 Challenges Facing the Water/Wastewater Industry, Neptune Technology Group, Strategic Planning Meeting, May 8-9, 2013, Montgomery, AL.

One Water Consolidation Plan for Water and Sewer Service, AWWA Annual Conference and Exposition, June 10, 2013, Denver, CO.

One Water: The Future of Louisville Water and MSD, Water Professionals Conference, July 16, 2013, Louisville, KY.

The Value of Water: How Water Will Transform Our Economy, IF Water Conference, September 24, 2013, Louisville, KY.

Transformation in the Water Industry, Five Cities Plus Conference, November 13, 2013, Louisville, KY.

The Future of Water, 57th Annual Water & Wastewater Operators Conference, April 7, 2014, Louisville, KY.

Transition to a One Water Partnership for Louisville, AWWA Annual Conference and Exposition, June 9, 2014, Boston, MA.

BEAM Regional Infrastructure Report, Governor's Conference on Energy and the Environment, October 8, 2014, Lexington, KY.

Louisville's Transition to a One Water Partnership, Louisville Branch ASCE Meeting, December 12, 2014, Louisville, KY.

Water Industry Trends and Challenges, Leadership Institute, Army Corp of Engineers, Louisville Branch, February 11, 2015

The Value of Water – The Utility Manager's Perspective, Value of Water Summit, Kentucky-Tennessee Section AWWA, Bowling Green, March 12, 2015.