



BRIAN CUMBO

ATTORNEY AT LAW

86 W. Main St., Suite 100
P.O. Box 1844
Inez, KY 41224
(606) 298-0428
FAX: (606) 298-0316
cumbolaw@cumbolaw.com

ADMITTED IN KY AND WV

February 21, 2022

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

RE: Martin County Water District
PSC Case No. 2020-00154

To Whom It May Concern:

Enclosed please find Martin County Water District's Notice of Filing the information packet for the February 22, 2022 Board meeting.

Thank you for your attention to this matter.

Very truly yours,

BRIAN CUMBO

BC/ld

Enclosure

cc: Martin County Water District
Hon. Mary Varson Cromer

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

ELECTRONIC MARTIN COUNTY WATER)
DISTRICT MANAGEMENT AND OPERATION)
MONITORING PURSUANT TO KRS 278.250)

CASE NO. 2020-00154

NOTICE OF FILING

Comes the Martin County Water District, by counsel, and hereby gives Notice of Filing of the attached information packet for the Martin District monthly Board meeting scheduled for February 22, 2022.


BRIAN CUMBO
COUNSEL FOR MARTIN COUNTY
WATER DISTRICT
P.O. BOX 1844
INEZ, KY 41224
TELEPHONE: (606) 298-0428
TELECOPIER: (606) 298-0316
EMAIL: cumbolaw@cumbolaw.com

CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served via electronic filing on this the 21 day of February, 2022, to the following:

Public Service Commission
ATTN: Nancy Vinsel
P.O. Box 615
Frankfort, KY 40602

Hon. Mary Varson Cromer
Appalachian Citizens' Law Center, Inc.
317 Main Street
Whitesburg, KY 41858


BRIAN CUMBO

Martin County Water District
387 E. Main St.

Phone (606) 298-3885 Inez, Kentucky 41224

Regular Meeting, Tuesday, February 22, 2022 – 6:00 p.m.
Martin County Government Center (2nd Floor)

- 1) Call the meeting to order
- 2) Review and Consideration to Approve Minutes
- 3) Introduction of Guests
- 4) Review and Consideration of Financial Reports
 - A. Review and Consideration to Approve Treasurer's Report
 - B. Review and Consideration to Approve Other Financials
- 5) Review and Consideration to Approve Bills
- 6) Legal
 - A. Any Issues for Discussion with Board Attorney
- 7) Operations
 - A. Alliance Operations Report
 - B. Water Loss Report
- 8) Capital Projects Report
 - A. Project Updates
- 9) Other Old Business
- 10) Other New Business
 - A. PSC Rate Increase
 - B. Bell Engineering/Fishbeck
- 11) Consider Motion to Convene into Closed Executive Session
- 12) Consider Motion to Close Executive Session
- 13) Other and Informational
- 14) Adjourn

Notice is hereby given that, subject to a motion duly made and adopted, the Board of Directors may hold an Executive Session subject to the laws of Kentucky.

**Martin County Water District
Regular Meeting of the Board of Directors
January 25, 2022, Meeting Minutes**

Presiding: James Kerr, Chairman

Present: Directors: Greg Crum, BJ Slone, John Hensley,
Staff: Brian Cumbo (Attorney), Craig Miller (GM), Jon Ridings, (LM),
Cassandra Moore

Guests:

The Regular Meeting of the Martin County Water District was held on January 25, 2022, at the Martin County Government Center, at 42 East Main St (2nd Floor), Inez, Kentucky 41224. Mr. Kerr called the meeting to order at 6:00 p.m.

Mr. Kerr called for review of the December 28, 2021, Regular Board Meeting minutes. Having no questions or further discussions, Mr. Hensley motioned to accept the December 28, 2021, Regular Board Meeting minutes. Mr. Slone seconded. All ayes. Motion carried.

Mr. Kerr inquired if there were any guest requesting to speak. No guest was presented.

Mr. Kerr requested discussion on the review and consideration of the Financial Reports. Mr. Miller detailed each report as submitted. After further discussion, Mr. Slone motioned to approve the Treasurer's report submitted. Mr. Hensley seconded. All ayes. Motion carried. Other Financials were presented by Mr. Miller. After further discussion, Mr. Hensley motioned to approve, Mr. Crum seconded. All ayes. Motion carried. Mr. Kerr discussed that the Loan process was on hold until the PSC rate increase approval.

Mr. Kerr called for review and consideration to Approve Bills. After review and no further discussion, Mr. Slone motioned to approve the list of bills as presented. Mr. Crum seconded. All ayes. Motion carried.

Mr. Kerr asked if there were any legal issues to discuss.

Mr. Kerr called for review of the Operations Report. Mr. Miller provided the Operations report. One potential issue staff ran into was the fabrication of a trailer for the intake pump. Bell Engineering and AWR staff had been in correspondence with two representatives for Xylem to design a custom trailer for the district's Godwin pumps. Both representatives are no longer employees of Xylem and any plans drawn up are seemingly no longer in existence. Staff has been in contact with one of their shop managers and working towards getting a solution to meet the requirements. Construction on the river intake and water plant projects are moving along at a fast and steady rate. Initial design for the ramp has been built and engineering plans have been completed for an extension. A 4" poly line bore was completed that will feed Milo Estates. This line has been fed with a 2" main for years, which is simply not enough water for the number of residents in Milo Estates. There

was a similar issue at Little Lick Branch on Old Rt.3 where the entire hollow has been fed with two 1" jumpers for years. A 4" main was bored and it will be tied into the 6" main that runs alongside Old Rt.3 This will provide much more water to that hollow and should allow customers at higher elevations to remain in water even if there is an issue on the main.

Mr. Miller presented an update of the water loss report.

Mr. Miller presented an update on the capital projects report. Since the last meeting, Bell Engineering has installed micro piles at Raw Water Intake. Completed concrete ramp and steps to the river. Poured three concrete columns and footings for new electrical building deck at Raw Water Intake. Installed chemical feed pipe and manholes around Treatment Units 1-3 at WTP. Excavation has begun for the valve vault at the WTP also.

Mr. Kerr inquired if there was any Other Old Business to discuss. Mr. Miller addressed a question from last month that Mr. Crum had regarding the statements of revenue and expenses. Mr. Miller explained that the reason the actual vs budge for management and operations was different is because of the new accounting software the staff has been using. When initially put into the software the coding numbers were entered incorrectly. Staff fixed this coding. It was only a coding error and exchange of numbers not actual funds.

Mr. Kerr inquired if there was any Other New Business to discuss. Due to the potential for reimbursement from a grant project, staff is recommending the Board pay for the Milo Subdivision bore from the operations accounts, instead of the repair cap. After further discussion, Mr. Slone motioned to approve the payment from the Operations account for the bore. Mr. Hensley seconded. All ayes. Motion carried.

Executive session not required.

Mr. Kerr inquired if there were any other questions before motioning to adjourn.

Having no further items for discussion, Mr. Kerr requested a motion to adjourn. Mr. Hensley motioned to adjourn the meeting. Mr. Crum seconded. All ayes. Motion carried. Meeting adjourned at 7:01 p.m.

Minutes approved this _____ day of _____, 2022.

James Kerr, Chairman

Cassandra Moore, District Clerk

Martin County Water District
Balance Sheet
January 31, 2022

1/31/22

ASSETS

CURRENT ASSETS

Checking Account - Operations	\$	33,851.63
Revenue Fund - EFT		17,003.91
Cash on Hand		900.00
Total Cash		51,755.54
Accounts Receivable		377,092.35
Allowance for Doubtful Accounts		(33,129.09)
Unbilled Accounts Receivable		92,562.00
Inventory		5,557.34
Prepaid Expenses		9,803.12
Total Current Assets		503,641.26

PROPERTY, PLANT, & EQUIPMENT

Land	214,713.83
Water Supply & Distribution System	28,206,273.69
Buildings	500,263.89
Equipment & Furniture	6,369,882.38
Vehicles	138,773.45
Construction Work in Progress	124,899.97
Less: Accumulated Depreciation	(17,786,009.61)
Net Property, Plant, & Equipment	17,768,797.60

RESTRICTED CASH

Security Deposits	187,357.91
Grant Fund	63.07
Sinking Fund - RD	9,019.08
Regions Sinking Fund	17,563.01
KIA Sinking Fund	12,199.59
KACO Sinking Fund	10,711.81
Debt Service Surcharge Fund	1,916.78
Management Infrastructure Surcharge Fund	6,587.11
Depreciation Fund	1,022.02
Accrued Interest Receivable	2.00
Total Restricted Cash	246,442.38

OTHER ASSETS

Deferred Outflows of Resources Related to Pensions	134,959.00
Total Other Assets	134,959.00

Total Assets		\$ 18,653,840.24
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Martin County Water District
Balance Sheet
January 31, 2022

1/31/22

LIABILITIES AND DISTRICT'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	1,389,552.02
Sales Tax Payable		1,686.98
School Tax Payable		6,098.11
Long Term Debt-Current		72,992.86
Accrued Interest Payable		932.50
Customer Deposits		83,528.63
Total Current Liabilities		1,554,791.10

LONG-TERM DEBT

Note Payable - KIA		336,810.50
Lease Payable - KACO		56,221.96
Bonds Payable - 2015 E Current Refunding		1,645,000.00
Bonds Premium - 2015 E, Net of A/Amort		17,361.99
Less Current Portion of L-Term Debt		(72,992.86)
Net Pension Liability		1,080,845.00
Other Inflow Resources - Pension		480,553.00
Total Long-Term Debt		3,543,799.59

Total Liabilities

5,098,590.69

DISTRICT'S EQUITY

Retained Earnings (Deficit)		13,485,066.22
YTD Net Income		70,183.33
Total District's Equity		13,555,249.55

Total Liabilities and District's Equity

\$ 18,653,840.24

Martin County Water District
Statements of Revenues and Expenses
Fiscal Year Jan 01 to Dec 31
For the Month(s) Ending
Actual vs Budget

January, 2022			YTD		Annual
Actual	Budget		Actual	Budget	Budget
		Operating Revenues			
\$ 170,220	\$ 168,104	Water Sales - Residential	\$ 170,220	\$ 168,104	\$ 2,017,245
28,117	26,330	Water Sales - Commercial	28,117	26,330	315,955
5,233	9,104	Water Sales - Public Authorities	5,233	9,104	109,247
-	4	Bulk Water Sales	-	4	50
1,000	2,202	Connection Fees - Tap	1,000	2,202	26,418
5,558	4,740	Late Charge Fees	5,558	4,740	56,874
3,745	3,054	Reconnect/Meter Sets/Other Fees	3,745	3,054	36,644
8,825	8,918	Debt Service Surcharge	8,825	8,918	107,015
15,833	16,078	Management Infrastructure Surcharge	15,833	16,078	192,936
238,531	238,534	Total Operating Revenues	238,531	238,534	2,862,384
		Operating Expenses			
-	21	Materials & Supplies	-	21	249
14,839	833	Water Purchased	14,839	833	10,000
168,507	168,507	Management & Operations Contract	168,507	168,507	2,022,084
21,058	26,667	Utilities	21,058	26,667	320,000
2,903	2,423	Insurance	2,903	2,423	29,070
-	833	Repairs & Maintenance	-	833	10,000
57	270	Outside Services	57	270	3,243
563	1,349	Legal Expenses	563	1,349	16,182
-	-	Accounting/Audit	-	-	7,500
4,583	4,583	Bad Debts	4,583	4,583	54,999
-	56	Bond Trustee Fees	-	56	675
227	278	Dues	227	278	3,330
80	279	Office Expense	80	279	3,344
796	-	Rent Expense	796	-	-
-	629	Taxes	-	629	7,553
-	808	Regulatory Assess Fees	-	808	9,692
-	2	Permits	-	2	23
90	-	KY 811 Services	90	-	-
105	226	Miscellaneous Expenses	105	226	2,708
213,807	207,764	Total Operating Expenses	213,807	207,764	2,500,652
24,723	30,770	Net Income B/4 Other Income (Expenses)	24,723	30,770	361,732
		Other Income (Expenses)			
117,063	-	Capital Contributions	117,063	-	-
11	-	Interest Income	11	-	-
(6,614)	(6,705)	Interest Expense	(6,614)	(6,705)	(80,458)
-	63	Amortization	-	63	753
(65,000)	(65,000)	Depreciation	(65,000)	(65,000)	(780,000)
45,460	(71,642)	Total Other Income (Expenses)	45,460	(71,642)	(859,705)
\$ 70,183	\$ (40,872)	Net Income (Loss)	\$ 70,183	\$ (40,872)	\$ (497,973)

**Martin County Water District
Inez, KY**

Treasury Report

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Billing Charges For the Month of:	Jan-22
Water Revenue	\$ 170,220.22
Water Revenue-Commercial	28,116.65
Water Revenue-Commercial Exempt	5,232.64
Late Charges	5,557.73
Sales Taxes	1,686.98
Debt Service Surcharge	8,825.15
School Tax	6,098.11
Management Infrastructure Surcharge	15,832.91
Returned Check	2,209.12
Interest on Deposits	(3,247.98)
Connection Fees	1,000.00
Other Miscellaneous Fees	3,610.86
Deposits Applied	(1,125.23)
Refund Checks Paid	147.17
Total Billing Charges	\$ 244,164.33
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Gallons Billed	13,530,620
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Customers Billed	3,495
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Accounts Receivable	Jan-22
Beginning Balance	298,996.84
Billing Charges	244,164.33
Bad Debt (Write Offs) Recoveries	545.84
Accounts Receivable Collections	(214,061.96)
End of Month Accounts Receivable	329,645.05
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Operations Account	
Beginning Balance	\$ 72,021.63
Deposits	
Accounts Receivable Collections	214,061.96
Accounts Receivable Collections - Pmts in EFT Revenue Account	(80,812.82)
Sewer Billing Collections in Water Bank Acct - Due to MCS	65,964.62
Other Receipts (Hydrant Meter)	134.59
Deposits Received	2,995.00
Transfers from Other District Accts	92,500.00
Total Deposits	294,843.35
Disbursements:	
Checks Written	(173,174.02)
Pmts made to Sanitation for A/R Collections	(64,354.96)
Transfers to Other District Accts	(43,279.12)
Auto Drafted Utilities	(43,482.67)
Sales and School Tax Payments	(6,950.81)
Returned Checks	(1,666.77)
Bank Fees	(105.00)
End of Month Balance	\$ 33,851.63
	<hr/>
Cash Receipts Collected To Date in:	Feb-22 156,486.26
Bills Submitted for Payment in:	Feb-22 (255,096.96)
Available Balance	4A-4 (64,759.07)
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**Martin County Water District
Inez, KY
Treasury Report
Summary of Cash & Investments
January 31, 2022**

Bank Account	Beginning Balance	Deposits	Interest Earned, Net of Fees	Payments	Ending Balance
Operations Account	\$ 72,021.63	294,843.35	-	(333,013.35)	\$ 33,851.63
Revenue EFT Account	29,203.94	80,812.82	-	(93,012.85)	17,003.91
Cash on Hand	900.00	-	-	-	900.00
Total Unrestricted Cash	102,125.57	375,656.17	-	(426,026.20)	51,755.54
Restricted Cash					
Security Deposits	187,047.10	450.00	7.98	(147.17)	187,357.91
ARC Grant	63.04	117,063.00	-	(117,062.97)	63.07
Rockhouse Project	8,457.73	10,800.00	-	(10,238.65)	9,019.08
Regions Bank-KY 2015E Martin County	99,984.18	10,238.65	2.06	(92,661.88)	17,563.01
KIA Bond & Interest	12,076.93	5,800.00	0.17	(5,677.51)	12,199.59
KY Assoc of Counties Leasing Trust	9,827.69	1,200.00	0.18	(316.06)	10,711.81
Debt Service Surcharge	1,916.71	8,959.41	0.07	(8,959.41)	1,916.78
Management Infrastructure Surcharge	6,586.90	16,069.71	0.21	(16,069.71)	6,587.11
Depreciation Reserve	1,022.00	-	0.02	-	1,022.02
Total Restricted Cash	326,982.28	170,580.77	10.69	(251,133.36)	246,440.38
Total Cash & Investments	\$ 429,107.85	546,236.94	10.69	(677,159.56)	\$ 298,195.92

**Martin County Water District
Billing Summary**

Date	Billed		Gallons (000'S)	Billed # of Customers	Payments Received
	Revenue	YTD Total			
Jan-22	206,132	206,132	13,531	3,495	214,062
Dec-21	182,101	2,047,534	10,570	3,506	243,688
Nov-21	209,735	2,075,167	14,015	3,530	226,606
Oct-21	163,832	1,865,433	8,488	3,543	255,238
Sep-21	239,376	1,701,601	17,268	3,562	232,135
Aug-21	205,478	1,462,225	13,141	3,561	218,646
Jul-21	187,538	1,256,747	13,937	3,571	231,387
Jun-21	198,188	1,069,209	15,411	3,577	220,666
May-21	166,612	871,021	11,619	3,579	210,056
Apr-21	177,176	704,409	13,070	3,607	208,321
Mar-21	168,943	527,233	11,672	3,589	221,475
Feb-21	174,700	358,289	12,558	3,623	178,814
Jan-21	183,589	183,589	13,253	3,497	325,483

Martin County Water District

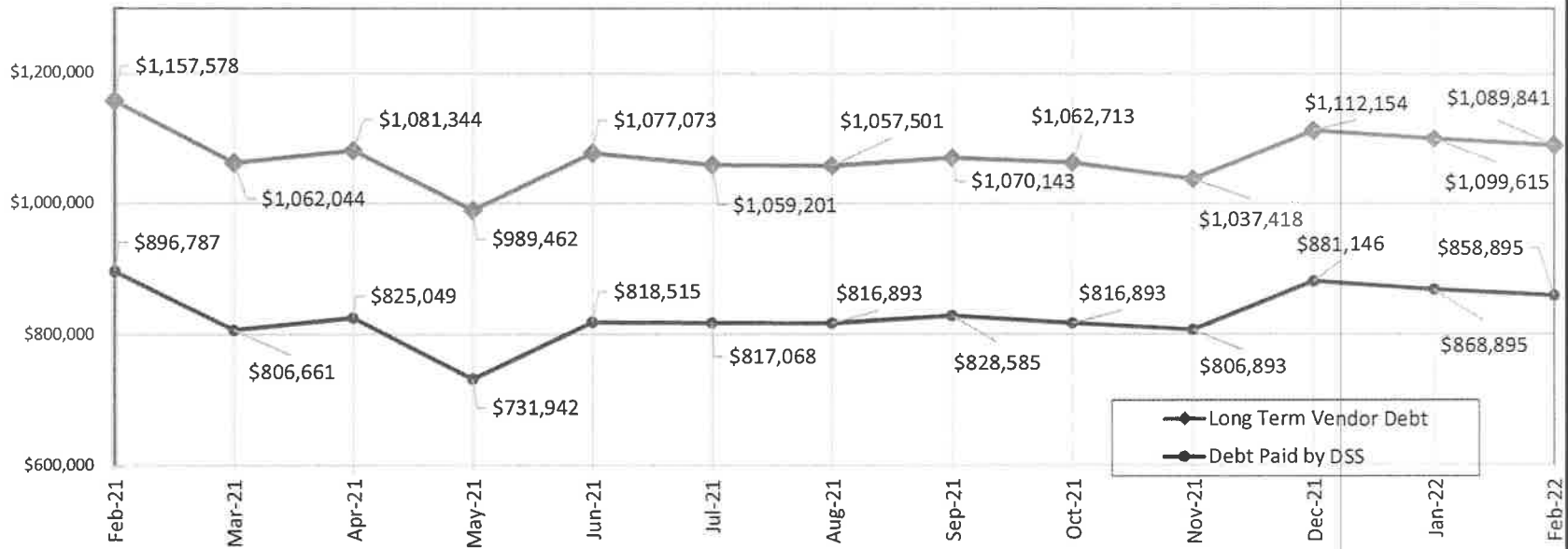
Net Income on a Cash Basis (Snapshot) EXCLUDES DEPRECIATION (format Revised 28 July 20)

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
REVENUE													
Customer Count	3,497	3,623	3,589	3,607	3,579	3,577	3,571	3,561	3,562	3,543	3,530	3,506	3,495
Payments Received	\$325,483	\$178,814	\$221,475	\$208,321	\$210,056	\$220,666	\$231,387	\$218,646	\$232,135	\$255,238	\$226,606	\$243,733	\$214,062
EXPENSES													
Operations Account	\$222,042	\$220,106	\$216,707	\$230,318	\$222,369	\$239,191	\$239,068	\$231,079	\$256,851	\$244,621	\$254,388	\$259,322	\$255,097
Transfers for debt serv funding	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800	\$17,800
Payment Plans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DSS EXP/ (FUNDING)	\$0	\$0	\$0	\$0	\$0	\$15,000	\$0	\$0	\$0	\$10,000	\$0	\$0	\$0
MIS EXP / (FUNDING)													
Sub total	\$239,842	\$237,906	\$234,507	\$248,118	\$240,169	\$271,991	\$256,868	\$248,879	\$274,651	\$272,421	\$272,188	\$277,122	\$272,897
NET INCOME													
Cash Basis	\$85,640	-\$59,092	-\$13,032	-\$39,797	-\$30,113	-\$51,325	-\$25,481	-\$30,233	-\$42,516	-\$17,183	-\$45,582	-\$33,389	-\$58,835

Notes:

- 1: **Payments Received** are those received for the full month
- 2: **Expenses** are those planned and presented in the Board Packet for the referenced month
- 3: **Payment Plans** are payments towards outstanding debt not funded by DSS
- 4: **Operations Account Includes** the estimated DSS and MIS transfers
- 5: **MIS EXP** estimated funds applied to AWR Invoice (An Operations Account Expense) estimated DSS and MIS transfers
- 6: MIS fund beginning balance January 2020-of \$12,244 applied to AWR fee in June
7. Balance of debt -payments to be funded with unused DSS= **\$881,146**
- 8: **Based on the requirements there will be deposits and subsequent withdrawals in DSS/MIS accounts with a likely sum of zero monthly**
- 9: \$15,000 payment made to Xylem from the DSS account not reported in the June 2021 column until the September 2021 financials.
- 10: \$10,000 payment made to Xylem from the DSS account not reported in the October 2021 column until the December 2021 financials.

Martin County Water District Outstanding Vendor Debt



Notes:

1: AWR outstanding invoices are reflected in Long Term Vendor Debt and Debt Paid by DSS retroactively

Vendor Balance

Period: 01/31/22

Martin County Water District

Amounts in \$

Only includes vendors with entries in the period

Group Totals: Vendor Posting Group

No.	Name	Ending Balance 01/31/22
DOMESTIC		
V00006	BRIAN CUMBO	-31,596.60
V00010	ALLIANCE WATER RESOURCES, INC.	-383,518.07
V00012	XYLEM	-68,739.10
V00013	ALL PUMPS SALES & SERVICES	-8,411.90
V00014	CI THORNBURG	-36,345.26
V00015	CI THORNBURG-VFD#2	-12,071.32
V00016	EVANS HARDWARE	-30,362.72
V00017	EVANS HARDWARE #2	-18,820.64
V00018	LINDA SUMPTER, CPA	-151,942.35
V00020	SERVICE PUMPS & SUPPLY	-21,282.99
V00021	SOLES ELECTRIC COMPANY	-13,300.00
V00022	UNITED RENTALS	-56,722.94
V00023	ZIP ZONE EXPRESS	-256,726.95
Total in \$		-1,089,840.84

Martin County Water District, Inez KY
List of Bills for Consideration
22-Feb-22

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Operations Account		
1 AEP	Electric (26 bills) Estimated	\$ 19,103.39
2 Big Sandy RECC	Electric (9 bills) Estimated	\$ 3,013.99
3 Paintsville Utilities	Electric for token (12/6/21 to 1/5/22) Estimated	\$ 46.42
4 Martin County Public Library	Rent (March)	\$ 796.12
5 Martin County Water District	Sanitation (Jan)	\$ 141.67
6 Sales tax	1/2022 (estimated)	\$ 1,487.77
7 School tax	1/2022 (estimated)	\$ 5,463.04
8 Alliance Water Resources	2/1/22-2/15/22 O&M services	\$ 82,222.75
9 Alliance Water Resources	2/15/22-2/31/22 O&M services	\$ 82,222.75
10 Alliance Water Resources	2/22 Suddenlink Reimbursement (June-Dec 2021)	\$ 984.88
11 Alliance Water Resources	2/22 Suddenlink Reimbursement (estimated)	\$ 108.86
12 Alliance Water Resources	2/22 Suddenlink Reimbursement (estimated)	\$ 56.36
13 Management Inf. Surcharge	Estimated (actual collected will be paid)	\$ 14,461.63
14 Debt Service Surcharge	Estimated (actual collected will be paid)	\$ 8,060.67
15 Walker Communications	Phone maintenance (Feb)	\$ 89.00
16 Brian Cumbo	Legal Fees	\$ 562.50
17 Prestonsburg City's Utilities	Purchased Water	\$ 13,502.90
18 Railroad Management	Pigeon Roost UG Pipe	\$ 562.26
19 KY Underground Protection	811 Services (Jan)	\$ 90.00
20 M Dotson Contracting	Customer Tap	\$ 1,600.00
21 KRWA	Annual Enrollment	\$ 2,220.00
22 Department of Local Gov.	Registration Fees 2022	\$ 500.00
TOTAL		\$ 237,296.96
Operations Account - Debt Service Funding		Transfer Amounts
1 KIA	Monthly funding for KIA Bond/Loan	\$ 5,800.00
2 KACo	Monthly funding for lease payment	\$ 1,200.00
3 KRW/Regions Bank	Monthly funding for loan	\$ 10,800.00
TOTAL		\$ 17,800.00
TOTAL OPERATIONS		\$ 255,096.96

Martin County Water District, Inez KY
List of Bills for Consideration
22-Feb-22

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
PAST DUE ACCOUNTS		1/31/2022
	<u>(Based on cash availability)</u>	
1 CI Thornburg VFD # 2	VFD	\$ 12,071.32
2 Xylem	Pump rental	\$ 68,739.10
3 Soles Electric	Pump service	\$ 13,300.00
4 Service Pump & Supply	Pump service	\$ 21,282.99
5 All Pumps Sales & Services	Pump service	\$ 8,411.90
6 Cumbo Law Office	Legal service	\$ 31,596.60
7 Evans Hardware #2	Parts & supplies	\$ 18,820.64
8 United Rentals	Pump Rental	\$ 56,722.94
TOTAL		\$ 230,945.49
DSS Account		
	<u>(Based on cash availability)</u>	
1 Evans Hardware	Parts & supplies	\$ 30,362.72
2 CI Thornburg	Parts & supplies	\$ 36,345.26
3 Linda Sumpter CPA	Accounting fees	\$ 151,942.35
4 Zip Zone	Fuel	\$ 256,726.95
5 Alliance Water Resources	Management	\$ 383,518.07
TOTAL		\$ 858,895.35
Total Past Due Accounts		\$ 1,089,840.84

Martin County Water District, Inez KY
List of Bills for Consideration
22-Feb-22

<u>Vendor</u>		<u>Description</u>	<u>Amount</u>
Security Deposit Account			
Customer			
1	Dustin Burchett	Deposit refund due to customer	\$ 105.82
2	Benjamin Jude	Deposit refund due to customer	\$ 32.04
	Katelyn Jude	Deposit refund due to customer	\$ 31.20
3	Ima Parsons	Deposit refund due to customer	\$ 23.76
	TOTAL		\$ 192.82



Martin County Water District

OUR MISSION

We partner with communities to deliver the finest water and wastewater services available at a competitive price. We are committed to keeping water safe and clean while serving people and taking care of communities with improved technical operations, careful management, and financial oversight, and ensured regulatory compliance.

Alliance Water Resources, Inc.

206 S. Keene
St. Columbia,
MO 65201

(573)874-8080

JANUARY 2022

Administrative

Staff has been actively reminding and referring customers to contact the Big Sandy Community Action Program if they are having trouble paying or maintain services. There have been around 160 customers approved so far for assistance. Staff has yet to receive any of the funding, but have received the promissory note with amounts approved.

Water Treatment

Construction on the river intake and water plant projects are moving along at a fast and steady rate.

Initial design for the ramp has been built and engineering plans have been submitted for an extension. This extension is needed to compensate for the height of the trailer to be built by Xylem. Without the extension, the distance from the water surface to the suction side of the pump would cause issues including priming, cavitation, and vibration.

AWR and Bell Engineering are still waiting for drawings of the customized trailer from Xylem for the intake.

Temporary electric able to supply sufficient power for our large pump has been established at the intake. This is important as it assures power would not be an issue if we were to experience a draught before the intake project is complete.

Both of our pumps are at Xylem waiting to be repaired.

Quotes are being obtained for replacing glass at the Martin County WTP.

Distribution:

The water salesman building at Spicy Mountain was vandalized. The kiosk was stolen with tokens inside it. Wires and breakers were also taken. Damage was done to the electric meter, a backflow preventing valve and more. All stolen and damaged parts have been ordered. The manufacturer informed us they currently have parts on backorder until the end of March and it will be after that before they can send us all the parts needing replaced. We are investigating alternate scenarios, but for now, that is the timeframe.

The project at Little Lick has been completed and the customers there have not been without water.

The distribution team is fully staffed and working hard to implement the water loss program in hopes of reducing water loss.

Safety:

We had two topics in our monthly safety meeting. One was on workplace violence and the other was bloodborne pathogens. It was held on January 25th and led by Kody Rainwater.

Alliance's annual Eagle Audit for 2021 was completed

Training:

Chase Muncy enrolled in a distribution course through Sacramento State University.



 WATER RESOURCES[®]

Alliance

 Professional Water and Wastewater Operations

Martin County Water District

SUMMARY

Customer Service:

Staff has received several customer calls regarding the possibility of TOW's in the county. Staff has followed up on those and have taken the necessary steps and actions to investigate each one. We appreciate the calls and hope customers will continue to contact staff with any issues or information.

Project Updates

SOURCE	AMOUNT	PROJECTS
AML Pilot Nexus Grant-2017	\$3,450,000	A, B, C, D
COE 531 (25% Match)	\$1,869,718	B, C
ARC Grant	\$1,200,000	F
AML Pilot Nexus Grant-2018	\$2,000,000	I
Total Grant	\$8,519,718	

Regulatory

The Martin County Water Treatment Plant performs operational water quality monitoring to ensure compliance with all state, federal safe drinking water act requirements, including chlorine, fluoride, iron, pH, manganese, solids, turbidity, and bacteriological analysis.



 WATER RESOURCES®

Alliance

 Professional Water and Wastewater Operations

Martin County Water District

Water Plant Operation

Water Pumped – November	
Total Water Production (gallons)	52,376,000
Total Water Metered/Billed (gallons)	10,295 ,000
Other Water Used (gallons)	879,000
Total Water Loss (gallons)	37,532,000
Portion of TWL due to Main Breaks (gallons)	
Average Daily Flow (Million Gallons per Day)	1.690 MGD
Maximum Daily Flow	1.762 MGD
Fluoride Used (lbs.)	396.2 LBS
Chlorine Used (lbs.)	1,291 LBS
Lab Tests	3,815 TESTS

Water Quality Analysis

Test	Routine	Special	Repeat
Bacteriological	10 (Pass)	0 (Pass)	
		Reported	Minimum Limit
Fluoride Plant Sample	31	0.78 mg/l Average	0.6 mg/l
Chlorine Distribution Sample	32 32	Low Readings Total - 0.87 mg/L Free – 0.78mg/L	0.2 mg/l

Customer Service Request and Work Orders

Meter Reads	3398
Meter Sets	20
Turn offs-Close account	18
Taps	0
Meter Changes	8
Disconnects for Non-payment	41
Boil Notices	2
Line Locates	71
Water Leaks/Breaks	41
Other/Investigates	201

Water Main Breaks & Service Lines

Date	Location	Pipe Size/Type	Estimated Water Loss (gallons)
3 JANUARY 22	19 Hill View	¾ Service	755,000
3 JANUARY 22	Holden Hills	8" Main	574,000
3 JANUARY 22	451 W Main St	¾ Service	544,000
4 JANUARY 22	168 Nathan Pl	¾ Service	92,000
5 JANUARY 22	15 Spence Br	¾ Service	425,000
5 JANUARY 22	241 Otto Dr	¾ Service	922,000
5 JANUARY 22	80 Tommy Fletcher Rd	Meter	1,058,400
5 JANUARY 22	3283 Coldwater Rd	¾ Service	1,001,000
10 JANUARY 22	290 S Wolf Creek	¾ Service	1,469,000

Repair Expenses Ending January 2022 (EST)

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Bldg. & Grounds Maintenance	\$	\$7,000	0%
Vehicle Maintenance	\$717	\$25,000	3%
Water Plant Maintenance	\$	\$15,000	0%
Distribution System Maintenance	\$17,254	\$90,000	19%
Water Meter Maintenance	\$	\$10,000	0%
Street Maintenance	\$	\$8,000	0%
Totals	\$17,671	\$155,000	11%

Chemical Expenses Ending January 2022 (EST)

Expended	Actual YTD	Annual Budget	% Budget / Line Item
Sodium Hydroxide	\$0	\$11,000	0%
Lime/Caustic Soda	\$0	\$30,000	0%
Polymer	\$0	\$15,000	0%
Chlorine	\$0	\$20,000	0%
Permanganate	\$550	\$19,000	3%
Fluoride	\$758	\$7,000	11%
Chemicals Other - Water	\$0	\$8,000	192%
Totals	\$1308	\$110,000	1%



Martin County Water District

Notes:

- 1) Building & Grounds Maintenance
 - a. \$0.00

- 2) Vehicle Maintenance
 - a. Holbrook Equipment \$316.28
 - b. Butcher's Exhaust & Garage \$356.00
 - c. Middlefork Service Center \$801.06

- 3) Water Plant Maintenance
 - a. \$0.00

- 4) Well Maintenance
 - a. \$0.00

- 5) Distribution System Maintenance
 - a. Service Pump & Supply \$1,780.80
 - b. Consolidated Pipe \$2,086.25
 - c. Consolidated Pipe \$881.92
 - d. Roy Kirk \$1,845.00
 - e. Citco \$969.90
 - f. United Industrial Services \$1,447.88
 - g. Warren Pump \$795.38
 - h. Consolidated Pipe \$1,913.93
 - i. R&J Building Supply \$72.71
 - j. Roy Kirk \$240.00
 - k. Roy Kirk \$585.00
 - l. Consolidated Pipe \$354.46
 - m. Consolidated Pipe \$533.22
 - n. Consolidated Pipe \$741.49
 - o. Consolidated Pipe \$87.45
 - p. Consolidated Pipe \$1,263.88
 - q. Consolidated Pipe \$1,555.42
 - r. Consolidated \$1,102.40
 - s. Roy Kirk \$195.00
 - t. Roy Kirk \$255.00
 - u. Warren Pump \$629.26
 - v. Roy Kirk \$247.50
 - w. R&J Building Supply \$6.35
 - x. Roy Kirk \$200.00
 - y. Roy Kirk \$230.00
 - z. Roy Kirk \$520.00
 - aa. Consolidated \$802.25
 - bb. R&J Building Supply \$89.00
 - cc. R&J Building Supply \$223.09



Martin County Water District

- 6) Meter Maintenance
 - a. Consolidated Pipe \$975.20
- 7) Sodium Bisulfite
 - a. CITGO Water - \$246.31
- 8) Sodium Hydroxide
 - a. \$0.00
- 9) Lime/Caustic Soda
 - a. \$0.00
- 10) Polymer
 - a. Citco \$1,962.01
- 11) Alum
 - a. \$4,488.00
- 12) Chlorine
 - a. CITGO Water - \$2,021.52
- 13) Permanganate
- 14) Fluoride
- 15) Chemicals Other – Water
 - a. Citco \$314.82
 - b. Citco \$828.97

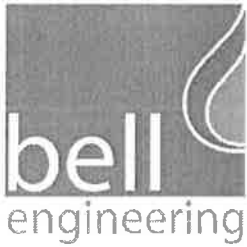
PUBLIC SERVICE COMMISSION

Monthly Water Loss Report

Water Utility: Martin County Water District

For the Month of: January Year: 2022

LINE #	ITEM	GALLONS (Omit 000's)
1	WATER PRODUCED AND PURCHASED	
2	Water Produced	52,376
3	Water Purchased	3,360
4	TOTAL PRODUCED AND PURCHASED	55,736
5		
6	WATER SALES	
7	Residential	11,260
8	Commercial	2,271
9	Industrial	
10	Bulk Loading Stations	
11	Wholesale	
12	Public Authorities	
13	Other Sales (explain)	
14	TOTAL WATER SALES	13,531
15		
16	OTHER WATER USED	
17	Utility and/or Water Treatment Plant	984
18	Wastewater Plant	
19	System Flushing	
20	Fire Department	
21	Other Usage (explain)	
22	TOTAL OTHER WATER USED	984
23		
24	WATER LOSS	
25	Tank Overflows	
26	Line Breaks	23,593
27	Line Leaks	17,628
28	Excavation Damages	
29	Theft	
30	Other Loss	
31	TOTAL WATER LOSS	41,221
32		
33	Note: Line 14 + Line 22 + Line 31 MUST Equal Line 4	
34		
35	WATER LOSS PERCENTAGE	
36	(Line 31 divided by Line 4)	73.96%



MEETING MINUTES
PROGRESS MTG #31
MARTIN COUNTY WATER DISTRICT
MARTIN COUNTY, KENTUCKY
February 8, 2022

LOCATION: Via Teams
TIME: 3:30 PM
Present: Joe Jacobs, Samantha Johnson, Ben Hale, Jimmy Kerr, Madison Mooney, Mary Cromer, Jordan Montgomery, Nina McCoy, Kelly Gillespie, Stephen Caudill

SUMMARY OF PROJECT FUNDING:

<u>Source</u>	<u>Amount</u>	<u>Associated Project(s)</u>
AMLER (2017)	\$3,450,000	A,B,C,D
COE 531 Partnership (25% Match)	\$1,869,718	B,C
ARC Grant	\$1,200,000	E
AMLER (2018)	<u>\$2,000,000</u>	G
TOTAL GRANT	\$8,519,718	

A. CONTRACT 113-19-01

RAW WATER INTAKE IMPROVEMENTS (PUMP PURCHASE ONLY)

1. AML provided clearance to advertise for bids on June 13, 2019.
2. Bids were opened at BSADD at 11:00 AM Wednesday July 3, 2019. Xylem Dewatering Solutions was the only bid received in the amount of \$470,286.07, compared to Bell's opinion of cost of \$500,000.00.
3. Bell made recommendation to award to BSADD and they along with MCWD agreed to accept the bid.
4. On July 29, 2019 Bell received the AML Contractor/Subcontractor Information, Campaign Finance Law Compliance and Affidavit for Bidders Forms from Xylem. These were forwarded to AML.
5. On August 9, 2019 AML advised Xylem had cleared the AVS check and the contract could be signed. Contract documents were forwarded to Xylem.
6. Contract documents were executed by both Xylem and the BSADD. A Notice to Proceed was issued to Xylem after the contracts were executed.
7. The 2 MG pump, 4 MG pump, 2 MG variable speed drive, 4 MG variable speed drive (VFD) and the river screen are complete.

B. CONTRACT 113-19-02

RWI&WTP IMPROVEMENTS

1. The WTP and RWI sites were surveyed.
2. Basins were documented for condition assessment.
3. The Preliminary Engineering Report for the project was completed and distributed.
4. The Phase I Environmental Site Assessment required by the Corps of Engineers was completed and submitted.
5. Vendor proposals for replacement equipment were requested and reviewed.
6. Plans and specifications were developed.
7. Project mapping for NEPA purposes was submitted to AML on February 6, 2020.
8. Project description and Opinion of Probable Construction Costs were submitted to AML on February 17, 2020.
9. Project was submitted for DOW review on March 13, 2020. DOW Construction Permit issued on June 3, 2020.
10. Project was submitted for a COE 4345 Permit Application review on March 20, 2020. Permit was issued on June 8, 2020.
11. The AML Authorization to Proceed was granted on July 31, 2020.
12. The Project was submitted to DOW for a Permit to Construct Along or Across a Stream on April 14, 2020. The DOW requested a public notice be run in the Mountain Citizen newspaper. The notice ran on June 24th, July 1st and July 8th. The period for public comments or objections related to the project ran through July 29th. The permit was issued on August 13, 2020.
13. Project was submitted to Corps of Engineers for Plan and Specification Review March 20, 2020. Corps provided review comments on April 28, 2020. Final plans and specifications including all electrical and structural components of the project were forwarded to the Corps of Engineers for final review during the week of July 13th. The Corps of Engineers completed its review of the final plans / specifications including the opinion of probable cost and certified the package.
14. The Corps of Engineers advertised the Draft Environmental Assessment (DEA) and Finding of No Significant Impact (FONSI) for the project on August 4, 2020 for the 30-day public comment period. KY SHPO requested further consultation. The FONSI was issued October 29, 2020.
15. Project was sent out for bidding on November 11, 2020.
16. A pre-bid meeting for interested contractors was held @ 1:00 p.m. on December 1, 2020.

17. Bids for the project were originally received on December 15, 2020 at 1:00 p.m. Only one bid was received (submitted by Pace Contracting). The project bid was in excess of the available funds.
18. The project was rebid.
19. Bids for the project rebid were opened on April 13th at 1:00 p.m. at the office of the Big Sandy Area Development District. There were four plan holders for the rebid. Only one bid was received (submitted by Pace Contracting).
20. The bid submitted by Pace was \$3,858,387.00.
21. The base bid of \$3,858,387.00 submitted compares to a base bid of \$3,396,220.00 submitted by Pace in December 2020. The difference was \$462,167.00 between the bids.
22. The combined base bids for the RWI/WTP Project and Water Line Replacement in the Beauty/Lovely Project exceeded the funds available for construction activities. Given the grave condition of the Raw Water Intake and Water Treatment Plant, the MCWD took the following actions:
 - A. Defer the construction of the Water Line Replacement in the Beauty / Lovely area until a later date and use the funds budgeted for this project for construction of the RWI/WTP Project.
 - B. Continued submitting funding requests in an effort to obtain funding to construct the Water Line Replacement Project in the Beauty / Lovely area as soon as possible.
 - C. Awarded the Raw Water Intake / Water Treatment Plant Project to Pace Contracting based on the base bid received with the deletions outlined in Table 1.

TABLE 1

DESCRIPTION	PRIORITY TO ADD BACK	AMOUNT
Base Bid submitted by Pace Contracting, Inc.	N/A	\$3,858,387.00
Delete - Backup Generator	1	\$ (175,000.00)
Delete - Roof Replacement over Garage	2	\$ (31,818.00)
Delete - 60' & 20' Sections of 10-Inch Pipe	3	\$ (11,143.00)
Delete - Cash Allowance for Second Trailer	4	\$ (20,000.00)
Delete - Temporary Piping	N/A	\$ (10,000.00)
Change - Augur Cast Piles to Micro Piles	N/A	\$ (17,000.00)
Change - Buried Conduit from Rigid to PVC	N/A	\$ (20,000.00)
Reduce - Pace Markup	N/A	\$ (50,000.00)
Reduce - Various Unit Price Items	N/A	\$ (50,000.00)
TOTAL AWARD AMOUNT		\$ 3,473,426.00

23. A letter awarding the project to Pace under the conditions outlined in Table 1 and subject to concurrence of all the state and federal agencies was sent to Pace on July 9, 2021.
24. Authorization to Proceed was received from AML on September 1, 2021. The USACE had previously granted approval.
25. Executed contract books and bonds were received from Pace on September 8, 2021.
26. A preconstruction meeting was held on September 22, 2021 at the offices of the Big Sandy Area Development District.
27. Contract books were signed and dated by the Big Sandy Area Development District at the preconstruction meeting.
28. A Notice to Proceed (NTP) was issued at the preconstruction meeting. The contract required the contractor be given ten days from the issuance of the NTP before the contract time started.
29. The Contract time began on October 4, 2021. The contract period is 270 days to substantial completion (July 1, 2022) and 300 days to final completion (July 31, 2022).
30. The contractor performed the following since the last progress meeting:
 - Excavated for Valve Vault 1.
 - Poured the foundation floor for Valve Vault 1.
 - Passed electrical inspection of temporary power.
 - Relocated flow monitor.
31. Pace has submitted 44 shop drawings.
32. Preparing a change order to put the Water Treatment Plant backup generator and the roof replacement over the chemical feed room back into the contract.

**C. CONTRACT 113-19-03
LINE IMPROVEMENTS**

1. Bell was able to locate several sets of As-Built Drawings of the water distribution system. Bell scanned copies of all plan sets and returned to MCWD with digital copies of plan sets for MCWD future use.
2. Bell and MCWD personnel have been in the field multiple times locating existing lines, surveying existing meters, valves and fire hydrants and determining routing of new water lines.
3. Location of features affecting alignment of the waterline has been completed.
4. The Phase I Environmental Site Assessment required by the Corps of Engineers was completed and submitted.
5. Plans and specifications have been developed.
6. Project mapping for NEPA purposes was submitted to AML on February 10, 2020.
7. Project description and Opinion of Probable Construction Costs were submitted to AML on February 17, 2020.

8. Project was submitted for DOW review on March 13, 2020. DOW Construction Permit was issued on April 27, 2020.
9. Project submitted to Corps of Engineers Plan and Specification Review March 20, 2020. Corps provided review comments on April 28, 2020. Bell responded to comments and resubmitted plans/specifications on May 7, 2020. The Corps of Engineers completed its review of the final plans / specifications including the opinion of probable cost and certified the package.
10. Project was submitted to KYTC on April 6, 2020 for review. KYTC Encroachment Permit was issued on May 13, 2020.
11. Submitted to DOW for Permit to Construct Along or Across a Stream April 14, 2020. The permit was issued on June 17, 2020.
12. The AML Authorization to Proceed was granted on July 31, 2020.
13. The Corps of Engineers advertised the Draft Environmental Assessment (DEA) and Finding of No Significant Impact (FONSI) for the project on August 4, 2020 for the 30-day public comment period. KY SHPO requested further consultation. The FONSI was issued October 29, 2020.
14. Project was sent out for bidding on November 11, 2020.
15. A pre-bid meeting for interested contractors was held @ 11:00 a.m. on December 1, 2020.
16. Bids for the project were originally received on December 15, 2020 at 11:00 a.m. Five bids were received.
17. The project was rebid.
18. Bids for the project rebid were opened on March 30 2021 at 11:00 a.m. at the office of the Big Sandy Area Development District. There were six plan holders for the rebid. Three bids were received (BP Pipeline, Buchannan Contracting, and Conhurst, LLC).
19. The low bid was submitted by Conhurst with a base bid of \$910,810.00 and a total bid with alternate of \$1,744,066.00.
20. The combined base bid for the RWI/WTP Project and Water Line Replacement in the Beauty/Lovely Project exceeds the funds available for construction activities. Given the grave condition of the Raw Water Intake and Water Treatment Plant, the MCWD is deferring construction of the Water Line Replacement. The MCWD is seeking funding for this project by working with Congressman Rogers office on a potential federal earmark and by seeking a portion of the \$49.5 M from the state for underfunded projects.

D. WATER SYSTEM CAPITAL IMPROVEMENT PLAN / HYDRAULIC MODELING

1. Document is required by PSC
2. Bell has completed field review of RWI, WTP, Storage Tanks, Pumping Stations and PRV's.

3. Bell & UK met in Martin County on June 21, 2019 to coordinate collection of field data the week of July 8, 2019. This effort was for calibration of the Hydraulic Model.
4. UK professors and 3 students traveled to Martin County on July 8, 2019 to begin effort of collecting field data (pressures and flows) at key points throughout the water distribution system. Bell had a team of four individuals that were to join the UK team on July 10, 2019; however, MCWD had some major line breaks on July 9, 2019 and were unable to recover water supply during the week to allow flowing water from hydrants.
5. The effort to collect flow data was rescheduled for August 6 and 7, 2019, however, on August 5, 2019 MCWD has a failure of a PRV which would not allow the flowing of the hydrants.
6. The collection of the field data was rescheduled and occurred on August 14 and 15, 2019.
7. Field data has been reviewed. UK returned to the field in an effort to repeat two tests for the Hazen Williams coefficient that appeared suspect.
8. Money is in place to pay for the Hydraulic Model through AML 2017 Grant. OSM refused to allow for payment of the CIP through the 2018 Grant. The funds associated with that have been realigned toward additional waterline replacement.
9. UK delivered testing forms to Bell.
10. PRVs, tanks, lines, etc. have been input into the model.
11. Alliance Resources provided usage data and address information for each customer to effectively distribute demand throughout the system.
12. Model was calibrated using field collected data.
13. Bell has been working with UK to coordinate modeling efforts.
14. A Zoom meeting was held between the Kentucky Division of Water, University of Kentucky and Bell on July 1, 2020 to discuss the modeling. A second Zoom meeting was held on July 7, 2020 between UK and Bell to further discuss items that are needed.
15. Data has been shared between UK and Bell.
16. A trip to obtain additional field data was made in mid-July 2020.
17. The hydraulic model is operational and has been checked against previously recorded field observations. The results being output by the model are consistent with the observations obtained in the field.
18. Bell and UK are sharing model information.

**E. CONTRACT 113-19-04
ARC WATERLINE REPLACEMENT PROJECT**

1. Bell received the signed contract on August 2, 2019.

2. Bell and MCWD personnel have been in the field multiple times locating existing lines, surveying existing meters, valves and fire hydrants and determining routing of new water lines.
3. Location of all features affecting alignment of the waterline has been completed including gas lines.
4. Plans and specifications have been developed.
5. Project was submitted for DOW review on March 27, 2020. DOW Construction Permit issued April 27, 2020.
6. Project was submitted to KYTC on April 6, 2020 for review. KYTC Encroachment Permit was issued April 24, 2020.
7. Bids for the project were opened on May 29, 2020. Three bids were received for the project. The low bid in the amount of \$390,725.00 was submitted by Boca Enterprises, Inc.
8. A conversation was held with DLG representative on June 8, 2020 concerning using the remaining funds to continue laying additional mainline & service lines, along with, installing new meters in the Lovely area. ARC approved allowing the funds to be used to replace additional mainline, service line and water meters.
9. Issues were resolved with the Contractor concerning contract time associated with the additional construction activities.
10. The Contract has been executed and the Contractor has submitted the required performance and payment bonds.
11. A preconstruction meeting was held on September 9, 2020 at the offices of Alliance Water Resources.
12. Project construction was completed.
13. Record Drawings have been forwarded to the MCWD. Bell received the final signed Contractor pay request, the release of liens and claims and consent of surety. This information was forwarded on to the District and Big Sandy Area Development District for execution and processing.
14. The project is closed. We are maintaining it on the project list through the warranty period.

**F. CONTRACT 695-19-01
HIGH SCHOOL WATER STORAGE TANK & BOOSTER PUMP STATION
TELEMETRY**

1. Bell received the signed contract on August 14, 2019.
2. The project was advertised for bids on August 21, 2019 and was advertised a second time on September 11, 2019.
3. Bids for the project were opened September 26, 2019 @ 5:00 p.m. at the offices of the Martin County Fiscal Court.

4. The low (and only) bid was submitted by Micro-Comm. The base bid submitted was in the amount of \$48,921.00 and included the installation of an electrically powered telemetry unit at the pumping station and a solar powered unit at the tank site. A deductive alternate of \$5,400.00 was offered if the Fiscal Court ran electric to the tank site and Micro-Comm could also use an electrically powered unit at this location. Cost would then be \$43,521.00.
5. Bell provided a letter of recommendation to the Martin County Fiscal Court concerning the award of the project to Micro-Comm.
6. Martin County Fiscal Court has awarded the project to the low bidder.
7. Contract documents have been executed by both the Contractor and Fiscal Court. The executed documents were received from the Fiscal Court on Friday, February 28, 2020. They were forwarded to the contractor along with the Notice to Proceed with construction on March 3, 2020.
8. Information from the Contractor concerning the FCC licensing process was received.
9. The Contractor has submitted shop drawings of the equipment to be used as part of the project. Bell Engineering has reviewed the equipment for conformance with the contract requirements and returned to the Contractor.
10. The transducer tap at the tank site has been completed.
11. The telemetry has been programmed and is operating.

G. USP BIG SANDY, EASTERN KENTUCKY BUSINESS PARK & BIG SANDY AIRPORT WATER PROJECT

1. Project budget was revised and sent to AML on September 19, 2019.
2. The Memorandum of Agreement between AML and BSADD was signed by BSADD on September 25th. The MOA was signed by AML on October 1, 2019.
3. A contract for engineering services has been executed by the Big Sandy Area Development District.
4. Bell and MCWD personnel went to the field to review potential tank and pump station sites.
5. The Preliminary Engineering Report for the project is complete and has been distributed.
6. Plans have been prepared for the 250,000-gallon water storage tank.
7. Bell, Alliance and MCWD coordinated with the mineral lease holder and the surface owner concerning location of the proposed tank and pump station. BSADD, Bell and Alliance representatives met with the property owner on January 30, 2020.
8. On March 3rd, the property owner advised most of the property is permitted with only a phase one bond release.

9. Bell and Alliance met on-site with the property owner on May 5, 2020 and permission to move forward was granted.
10. The site was surveyed on May 27, 2020 and topographic mapping was developed.
11. Due to issues with utilizing AML Pilot funds on this tank site, a new site is being sought. Multiple sites continue to be reviewed.
12. At the request of the MCWD, work on this project has been paused.
13. Bell and representatives of Alliance/MCWD have met and are working on potential project modifications.

H. CONTRACT 113-20-02

WATER LINE RELOCATION HUNTER'S LANE

1. Met on-site with Bizzack Construction, Alliance Water Resources and representatives of other utilities on May 28, 2020.
2. A scope of work for the project is being developed.

I. CONTRACT 113-20-02 and 113-20-03

WATER LINE RELOCATION ROCKHOUSE CREEK

1. Met on-site with Bizzack Construction, Alliance Water Resources and representatives of other utilities on May 28, 2020.
2. Finalizing plans and specifications for the project.
3. Project will likely move forward in the spring of 2022.

J. KY 908 GUARDRAIL PROJECT

1. Met on-site with KYTC multiple times.
2. KYTC has advised additional funds have been requested to perform this work. They will release the project for design when those funds are approved.

K. HIGH SCHOOL PUMP STATION CHECK VALVE

1. Met With Alliance to discuss issues.
2. Preparing plans to add a valve vault and check value to give operations personnel more control over the direction of flow of water from the tank.



**PROGRESS MEETING NO. 4
MINUTES**

**CONTRACT 113-19-02
MARTIN COUNTY WATER DISTRICT
RAW WATER INTAKE AND WATER TREATMENT
PLANT REHABILITATION
BIG SANDY AREA DEVELOPMENT DISTRICT**

Owner: Big Sandy Area Development District for
Martin County Water District

Contractor: Pace Contracting, LLC
15415 Shelbyville Road
Louisville, KY 40245

Location: Meeting held at the Collier Community Center Conference Room,
387 Main Street, Inez, KY.

Date: February 16, 2022

Time: 10:00 a.m.

A: Introduction – Attendees Sign In.

See attached attendance sign-in sheet for persons in attendance.

B: Contract Amount:

Original Contract Amount:	\$3,473,426.00
Change Order No. 1	(\$14,969.65)
Change Order No. 2	4,194.47
Change Order No. 3 (pending)	<u>\$ 332,832.22</u>
Adjusted Contract Amount:	\$3,795,483.04

C: Project Schedule:

Original Contract Time:

Substantial Completion	270 Calendar Days
Final Completion	300 Calendar Days

Adjusted Contract Time:

Substantial Completion	270 Calendar Days
Change Order No.3 (pending)	185 calendar day extension
Final Completion	485 Calendar Days
Generator Work Only	485 Calendar Days

Notice To Proceed	October 4, 2021
Original Scheduled Completion Dates:	
Substantial Completion	July 1, 2022
Final Completion	July 31, 2022
Adjusted Completion Dates:	
Substantial Completion	July 1, 2022
Change Order No.3 (pending)	185 calendar day extension
Final Completion	February 1, 2023
Generator Work Only	February 1, 2023
Time Elapsed	135 Calendar Days
Time Remaining to Substantial Completion	135 Calendar Days
Percent of Contract Time Elapsed	50.0 %

D: Payments To Contractor:

Total Cost of Work Completed per Pay Request No. 4 Including Change Orders and Stored Materials	\$668,066.89
10% Retainage	\$66,806.69
Total Earned (Total Cost Less Retainage)	\$601,260.20
Amount Due Contractor per Pay Request No. 4	\$211,921.78
Percent of Contract Amount Completed thru Pay Request No. 4	17.6 %

E: Progress Since Last Meeting:

See attached progress schedule provided by Pace Contracting:

F: Anticipated Progress During Next 30 Days:

See attached progress schedule provided by Pace Contracting:

G: Shop Drawing Submittals:

All shop drawings are currently up to date.

Contractor stated that he will be submitting the roofing submittals within the next couple weeks and should have the generator submittals in approximately four weeks.

H: Change Order Items:

Bell Engineering has completed the design for the ramp extension at the Raw Water Intake. This will be sent to the Contractor as a request for change order proposal.

I: Project Concerns? Questions?

There was a discussion regarding the addition of an emergency generator receptacle at the Raw Water Intake. This is not part of the current project and will need to be added to the project by change order. The Engineer will follow-up.

J: Contractor Comments:

Contractor stated that currently they do not have any scheduled delivery dates that go past the project completion date. The electrician stated they just received a delivery date of May 13th for the electrical switchgear.

K: Owner Comments:

Jonathan Ridings with Alliance asked about the status of the temporary electric service at the Raw Water Intake. Contractor confirmed it is installed and ready.

Jonathan also stated that their distribution personnel have expressed concern about limited room getting in and out of the Water Treatment Plant. Contractor stated that once construction of the vault is complete, which they are pouring the top slab today, will provide more room for access.

L: Agency Comments:

None.

M: Other Comments:

None.

N. Progress Meeting #5 is scheduled for 10:00 a.m., Wednesday, March 16, 2022. Meeting held to be held at the Collier Community Center Conference Room, 387 Main Street, Inez, KY.



**PROGRESS MEETING NO.4
ATTENDANCE SIGN-IN SHEET**

**CONTRACT 113-19-02
MARTIN COUNTY WATER DISTRICT
RAW WATER INTAKE AND WATER
TREATMENT PLANT REHABILITATION
PRESTONSBURG, KENTUCKY**

February 16, 2022

Name	Organization	Phone	Email	Present
Stephen Caudill	Bell Engineering	859-278-5412	scaudill@hkbell.com	SHC
Lee Lowe	Bell Engineering	859-278-5412	llowe@hkbell.com	ELL
Jimmy Stacy	Bell Engineering	606-362-2540	jstacy@hkbell.com	PRESENT
Barry Butcher	AML	502-564-2141	barry.butcher@ky.gov	
Bill Overman	AML	502-782-6726	bill.overman@ky.gov	
James Cable	AML	606-594-4534	james.cable@ky.gov	
Jordan Montgomery	AML	502-564-2141	jordan.montgomery@ky.gov	Zoom
Samantha Johnson	AML	502-564-2141	samantham.johnson@ky.gov	Zoom
Ben Hale	BSADD	606-886-2374	ben.hale@bigsandy.org	Zoom
Joe Jacobs	BSADD	606-886-2374	joe.jacobs@bigsandy.org	
Lesli Stone-Smith	USACE	304-399-5964	lesli.f.stonesmith@usace.army.mil	
Jimmy Kerr	MCWD	606-534-1194	jkerr.myhometownmtg@polarishfc.com	
Craig Miller	Alliance Water	606-548-2250	cmiller@alliancewater.com	
Jonathan Ridings	Alliance Water	573-200-3342	jridings@alliancewater.com	JRS
Tom Alley	Alliance Water	606-548-2269	talley@alliancewater.com	
Tyler Hall	Alliance Water	606-225-5594	tahall2@outlook.com	
Ryan Smith	Alliance Water	606-548-4018	rlsmith@alliancewater.com	RS
Tom Wood	Pace Contracting	502-471-1122	tomwood@pacecontractingllc.com	TOW
Roy Lands	Pace Contracting	502-830-7196	rlands@pacecontractingllc.com	RL
Jerry Leger	Leger Electric	859-314-1502	legerelectric@aol.com	JL
Terry Hunt	Leger Electric	606-794-6959	tmhunt45@icloud.com	T.H

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MARTIN)	CASE NO.
COUNTY WATER DISTRICT FOR AN)	2021-00154
ALTERNATIVE RATE ADJUSTMENT)	

ORDER

On April 8, 2021, Martin County Water District (Martin District) filed an application with the Commission, pursuant to 807 KAR 5:076, requesting to adjust its rates for water service. In its application, Martin District requested rates that would increase annual water sales revenues by approximately \$272,920, or a 12.04 percent increase to pro forma present rate water sales revenues.¹

PROCEDURAL HISTORY

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated April 14, 2021, which, among other things, required the Commission Staff to file a report containing its findings regarding Martin District's application. The Commission granted Martin County Concerned Citizens, Inc.'s (MCCC) motion to intervene in an Order entered on April 19, 2021. No other parties moved to intervene. Martin District responded to five sets of data requests from Commission Staff and three sets from MCCC.

In its application, Martin District requested that emergency rates be permitted, pursuant to KRS 278.190(2), while the Commission completed its review. On May 27,

¹ Application, Attachment 5, Billing Analysis with Current Usage & Rates, and Application, Attachment 6, Billing Analysis with Usage & Proposed Rates.

2021, a public hearing was held at the Commission's offices in Frankfort, Kentucky, for the purpose of addressing Martin District's request for interim emergency rate relief. By Order dated July 9, 2021, the emergency rate increase was granted, subject to refund.

On June 14, 2021, Martin District filed a motion for an extension of time to respond to MCCC's second request for information until July 8, 2021. By Order dated July 16, 2021, the Commission granted Martin District's motion and further ordered the procedural schedule be amended to extend the issuance date of the Staff Report to August 5, 2021. Martin District filed additional information requested by Commission Staff on July 27, 2021. By Order dated August 5, 2021, the Commission ordered the procedural schedule be amended to extend the issuance date of the Staff Report to August 12, 2021.

Pursuant to the Procedural Order, on August 11, 2021, Commission Staff issued a report (Staff Report) summarizing its findings regarding Martin District's requested rate adjustment. In the Staff Report, Commission Staff found that Martin District's adjusted test-year operations supported an overall revenue requirement of \$3,031,705. An annual revenue increase of \$550,980, or 24.31 percent, was necessary to generate the overall revenue requirement.² In addition, Commission Staff found that Martin District's proposed method of increasing its service rates was not an appropriate method for ratemaking purposes and recommended increasing Martin District's water service rates evenly across the board.³

On August 25, 2021, Martin District filed, with the Commission, its comments to the Staff Report. Martin District agreed with the rate adjustment recommended by

² Staff Report (Ky. PSC Aug. 11, 2021) at 4.

³ *Id.* at 4–5.

Commission Staff and determined that it would be both detrimental and unsustainable to request less than the amount outlined in the Staff Report.⁴ MCCC filed its objection to the Staff Report on August 25, 2021.⁵ On September 24, 2021, a second public hearing was held at the Commission's offices in Frankfort, Kentucky, for the purpose of taking evidence on this matter. Martin District filed responses on October 14, 2021, to both post-hearing information requests from Commission Staff and MCCC, and amended certain filings on October 19, 2021.⁶ Martin District filed its brief on October 19, 2021,⁷ and MCCC filed its brief on October 21, 2021.⁸ Martin District filed its reply brief to the MCCC's brief on October 28, 2021.⁹ The case is now submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

The Commission's standard of reviewing a utility's request for a rate increase is well established. Pursuant to KRS 278.030, every utility may demand, collect, and receive fair, just and reasonable rates for the services it provides. The revenues generated from a utility's rates should be sufficient such that the utility may furnish adequate, efficient, and reasonable service. Martin District bears the burden of proof to

⁴ Martin District's Response to Staff Report (filed Aug. 25, 2021).

⁵ MCCC's Objection to Staff Report (filed Aug. 25, 2021).

⁶ Martin District's Response to Staff's Post-Hearing Request for Information (filed October 14, 2021); Martin District's Response to MCCC's Post-Hearing Request for Information (filed October 14, 2021); and Martin District's Amended Excel Spreadsheets (filed October 19, 2021).

⁷ Martin District's Brief (filed October 19, 2021).

⁸ MCCC's Brief (filed October 21, 2021).

⁹ Martin District's Reply Brief to MCCC's Brief (filed October 28, 2021).

show that its proposed rate increase is just and reasonable.¹⁰ Alternative rate adjustment proceedings are governed by 807 KAR 5:076. This administrative regulation establishes a simplified and less expensive procedure for small utilities to apply to the Commission for rate adjustments to benefit the utility and the utility ratepayers. The Commission must decide whether the rates proposed by Martin District are fair, just and reasonable, or alternatively, order different rates that are fair, just and reasonable.¹¹

DISCUSSION

Martin District is a water district organized pursuant to KRS Chapter 74. It owns and operates a water distribution and sanitation system through which it provides water service to approximately 3,400 customers in Martin County, Kentucky.¹² Martin District produces its water and purchases water from Prestonsburg City Utilities Commission. Martin District's last alternative rate adjustment occurred in Case No. 2018-00017.¹³ The Commission notes that Martin District has had financial and operational deficiencies for decades. As part of Case No. 2018-00017, the Commission ordered Martin District to hire a professional contract management service and put in place a structure of surcharges to address its debt to keep the utility open and able to assist.¹⁴

¹⁰ KRS 278.190(3).

¹¹ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Pub. Serv. Comm'n v. Com. of Kentucky v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹² Application, ARF Form 1 at 3.

¹³ Case No. 2018-00017, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC July 22, 2020).

¹⁴ *Id.*

The Commission's July 9, 2021 Order addressed the background and primary issue of matter, stating:

The record of this case shows that Martin District cannot continue to operate without an emergency rate increase. The evidence of record in this case and the several cases that Martin District has had before this Commission show that the utility's monthly expenses are more than the rates that the utility is charging to keep operating.¹⁵ The application submitted shows for 2020, the operating expenses were \$3,447,865, with depreciation and \$2,661,124 without depreciation. The total operating revenue is \$2,503,432.¹⁶ The utility is operating at a loss, using money from the debt service surcharge to pay operating expenses, and Alliance is fronting the money to keep the utility running. The baseline funds being requested do not include depreciation funds or anything more than the minimum required for the utility to continue operating. Absent additional monies, estimated to be \$55 million¹⁷ over and above the rate increase and the number of grants the utility is currently utilizing, the utility will not be able to repair its crumbling infrastructure created by years of mismanagement and incompetence.¹⁸

The Commission's July 9, 2021 Order also acknowledged the public comments that exhibit the frustration of ratepayers that the process to rehabilitate Martin District involves another rate increase, but that the Commission carefully considered the need and reasonableness of the rate increase.¹⁹ The Commission also acknowledged the fact that the ratepayers cannot possibly afford to sustain the high cost of repairing Martin District going forward. The Commission explained that (1) Martin District is operating at a loss and carries accounts payable balance of \$1,170,012; (2) the ratepayers continue

¹⁵ Hearing Video Transcript (HVT) of the May 27, 2021 Hearing, Sneed at 04:05:53–04:06:34.

¹⁶ Application, Attachment 4, Schedule of Adjusted Operations.

¹⁷ HVT of the May 27, 2021 Hearing, Miller at 01:41:52–01:43:16.

¹⁸ Order (Ky. PSC July 9, 2021) at 5.

¹⁹ *Id.* at 5–6.

to pay for the mismanagement of the past; and (3) the estimated cost of rehabilitating Martin District's System is \$55 million, which does not account for the proposed rate increase, the current grants and loans of the utility, or the cost of a new water treatment plant. The Commission's findings in the July 9, 2021 Order continue to be supported by the record.

The parties provided evidence at a second hearing on September 24, 2021, on the issues addressed by the Commission in its July 9, 2021 Order granting the emergency rate increase as follows:

1. Martin District continues to operate at a loss and carries accounts payable of \$1,170,012, as well as a current monthly deficit.

Martin District's testimony at the hearing on September 24, 2021, reiterated that the current rates for Martin District are insufficient to fulfill its financial obligations.²⁰ Martin District Board Chairman, Jimmy Don Kerr, testified that the utility's finances still require the rate increase requested in this application.²¹ Ann Perkins, with Alliance Water Resources, Inc. (Alliance), testified that the rate increase is needed and stated, "you cannot go month to month not having enough money to pay your bills."²²

Martin District's post-hearing brief affirms that Martin District is behind on its payments to Alliance in the approximate amount of \$354,000 and that the proposed rate increase is necessary for Martin District to become compliant with the legal requirement of a 1.2 debt coverage ratio for its outstanding indebtedness to Kentucky Rural Water

²⁰ HVT of the Sept. 24, 2021 Hearing, Sneed at 01:13:14.

²¹ HVT of the Sept. 24, 2021 Hearing, Kerr at 26:20–26:33.

²² HVT of the Sept. 24, 2021 Hearing, Perkins at 02:57:30–02:57:38.

Finance Corporation (KRWFC).²³ The conclusion of Martin District's brief requests the rate adjustment as proposed in the application, which would enable Martin District to meet its statutory funding requirements while also recognizing the impact of an additional increase.²⁴

2. Ratepayers continue to pay for the past mismanagement, and Martin County battles communication and perception issues.

Anthony Sneed of Alliance testified to the need for the rate increase and explained that hiring a management company was not the reason for the rate increase. Mr. Sneed explained that the management company saves Martin District money, and Ms. Perkins testified to the cost savings measures introduced to the utility.²⁵ Martin District based its request for a rate increase on an unqualified 2020 audit and improved the integrity of its financial and operational reporting.²⁶ Mr. Kerr testified that the utility has improved since contracting with Alliance and that, among the many improvements, the information the board uses to make its decisions now is reliable data.²⁷

The Commission addressed misperceptions regarding Martin District's rate case in its July 9, 2021, Order for the purpose of highlighting gaps in the understanding of the ratemaking process. For example, the July 9, 2021 Order referenced editorials from *The Mountain Citizen* that claimed Martin District submitted "sewer district expenses in the

²³ Martin District's Brief (filed Oct. 19, 2021) at 2.

²⁴ *Id.*

²⁵ HVT of the Sept. 24, 2021 Hearing, Sneed at 01:18:27; and Perkins at 02:55:19.

²⁶ *Id.*, Sneed at 1:32:00; Perkins at 02:55:00.

²⁷ HVT of the Sept. 24, 2021 Hearing, Kerr at 57:39–57:57.

report they presented to the Public Service Commission for use in setting the price of our water.”²⁸ The Commission appreciates the confusion and misunderstanding on this issue. The Commission asked Martin District to provide the Commission with a copy of a PowerPoint presentation that Martin District made to the Governor's Energy and Environment Cabinet Martin County Water District Workgroup (Martin District Workgroup) as a filing in this matter.²⁹ A single page of that presentation discussed a sewer system cost. Although that document in this matter did reference a sewer project, and thus cost, the Commission would like to make clear that Martin District did not submit the information about the sewer system in any way as a basis for its rates in this matter, nor was the information filed in such a way the Commission could consider it in supporting an increase here. Neither Martin District's application nor the Staff Report included costs associated with Martin District's sewer operations. Further, the Commission does not regulate the Martin County sewer system.

3. The estimated cost of rehabilitating Martin District's System is \$55 million. The estimate does not account for the proposed rate increase, the current grants, and loans of the utility, or the cost of a new water treatment plant. The process of rehabilitation is ongoing, and affordability and sustainability continue to be a concern.

²⁸ Order (Ky. PSC July 9, 2021) at 16; Editorial, *The Mountain Citizen*, Wednesday, June 2, 2021.

²⁹ Order (Ky. PSC July 9, 2021) at 2–3. Martin Work Group, formed February 2020 by Secretary of the Energy and Environment Cabinet (EEC). Martin Work Group participants include representatives from EEC, Martin District, Alliance, Kentucky Rural Water Association, Big Sandy Area Development District, University of Kentucky, MCCC, and Bell Engineering. In addition to the main working group, a Technical Subcommittee meets monthly to discuss any technical/operational issues faced by the system in order to identify trends, issues, resources, and any needed assistance. The Alliance Division Manager also meets with Department for Environment Protection Staff each month following Martin District's monthly board meeting to keep staff apprised of issues, concerns, and progress. <https://eec.ky.gov/Environmental-Protection/Water/Pages/Martin-County-Water-District-Workgroup.aspx>

MCCC filed its post-hearing brief on October 21, 2021, and requested the Commission consider four proposals. MCCC's post-hearing brief incorporated the August 25, 2021 MCCC filing, which included a report by Roger Colton entitled, "Drop-by-drop: Drowning in Water Unaffordability: Martin County Water District." Mr. Colton also filed direct testimony in the record and testified at the September 24, 2021 hearing. MCCC's four proposals, as supported by Mr. Colton's report, were as follows:

First, MCCC proposed that low-income customers be allowed to opt in to a low-use rate. MCCC provided data in its post-hearing brief to suggest that one-quarter to one-third of Martin District customers are charged the minimum bill for 2,000 gallons each month, but that the mean and median water use for customers billed the minimum charge since June of 2020 has been approximately 1,000 gallons per month. MCCC asserted that this data supports Mr. Colton's recommendation to cut off the minimum monthly charge for low-income customers to 1,000 gallons. The request for the low-income, low-use rate did not specify the criteria that Martin District would employ to determine whether a customer was eligible to receive the rate beyond determining whether a customer received third-party assistance from a state or federal assistance program that provides assistance based on income or economic need. Mr. Colton explained in his testimony at the September 24, 2021, hearing that his proposal was based on the idea that if a customer was having trouble paying, and the customer did not use the minimum amount of water, why make that customer pay for more water than was actually used?³⁰ Mr. Colton explained that he did not give a specific amount or percentage, and he could not

³⁰ HVT of the Sept. 24, 2021 Hearing, Colton at 6:55:59.

calculate the impact his suggestions would have on other ratepayers because he did not have the data to determine that without a collectability study.³¹

Second, MCCC requested the Commission waive Martin District's two debt-service surcharges totaling \$7.25 per month for low-income customers because it would improve bill affordability. Again, MCCC did not detail the criteria that Martin District would use to determine customer eligibility. Mr. Colton explained that his argument was based upon the debt-service surcharge not meeting a "matching" quality because the ratepayers burdened with the surcharge did not cause the debt. However, Mr. Colton agreed that the ratepayers are benefiting from the infrastructure paid for and being used by the system.³² MCCC's post-hearing brief did not explain how the revenue that would no longer be collected from these customers would be reallocated and collected from other customers, or the bill impact that reallocation would cause for remaining customers.

Third, MCCC requested that the Commission require Martin District to establish a customer assistance fund with noncost justified, nonrecurring charges. The Commission requested that MCCC address whether KRS Chapter 278 would explicitly or implicitly allow Martin District to administer a customer assistance fund paid in part through donations. MCCC argued that there is nothing that would explicitly prohibit Martin District from administering such a fund. MCCC cited *Kentucky Public Service Comm'n v. Com. Ex rel. Conway*³³ as the basis for its assertion that the Commission has the plenary authority to approve the establishment of a customer assistance fund. MCCC requested

³¹ *Id.* Colton at 6:13:19.

³² HVT of the Sept. 24, 2021 Hearing, Colton at 6:49:51.

³³ *Kentucky Public Service Comm'n v. Com. Ex rel. Conway*, 324 S.W.3d 373 (Ky. 2010).

the Commission order Martin District to submit a plan for a customer assistance program that would set forth how it would be administered. MCCC also requested that if the Commission finds that such a plan is not feasible, that the Commission order Martin District to engage in talks with Community Action of Kentucky or another organization that could administer a customer assistance fund and report back regarding any discussions.

Fourth and finally, MCCC requested the Commission require Martin District to establish better customer service protocols. In testimony, Martin District explained that it takes issue with customers contacting the Commission before contacting the utility to address service problems.³⁴ MCCC denied that customers contact the Commission before calling Martin District and cited 42 complaints filed with the Commission, and obtained through open records requests that all indicated the customers had previously contacted Martin District.³⁵ MCCC requested the Commission order Martin District to develop and implement a plan for tracking customer complaints and be required to report to the board each month the number of complaints received by type and location.³⁶

Martin District offered no reply to MCCC's first three requests. Still, Mr. Sneed testified on the September 24, 2021, that Martin District is concerned about affordability and not opposed to programs that may benefit its customers with the inability to pay.³⁷ Craig. Miller testified to the assistance the utility gives its customers in filling out

³⁴ HVT Sept. 24, 2021 Hearing, Kerr at 1:03:24.

³⁵ MCCC's Brief (filed October 21, 2021) at 12 and Exhibit 3; HVT Sept. 24, 2021 Hearing, Kerr at 01:03:24.

³⁶ *Id.*; HVT Sept. 24, 2021 Hearing, McCoy at 07:24:35, 07:26:19.

³⁷ HVT of the Sept. 24, 2021 Hearing, Sneed at 01:28:49.

applications to receive aid from state or federal programs like the Healthy at Home fund.³⁸ Martin District stated in response to MCCC's fourth request that it continues to utilize best practices both in the office and in the field to best serve the ratepayers.³⁹ The Commission acknowledges that Martin District's representatives have set customer service as a priority and that improvement in customer service is part of the plan to rehabilitate the system, including improving communication and public perception.⁴⁰ Commission Chairman, Kent Chandler, from the bench, encouraged Martin District to reach out to the Kentucky Rural Water Association (KRWA) for programs or assistance to help the utility improve its communication. Mr. Kerr and Mr. Miller testified that the utility has used KRWA as a resource for customer education, and the utility is improving its communication with customers with a website that is in development.⁴¹

The Commission notes that affordability and improved customer service continue to be issues that must be addressed as part of the rehabilitation of Martin District. This rate increase is part of a larger process to put Martin District in a position to provide better service at more affordable rates, and, as the utility has shown, Martin District's improved processes are producing verifiable data that will serve as a foundation for the longer vision. The Commission expects Martin District to use its data to reassess its approved rates using a full, reliable year of data to determine whether the rates need to be altered, up or down, prior to December 31, 2023.

³⁸ HVT of the Sept. 24, 2021 Hearing, Miller at 04:17:10–04:19:57, stating \$69,239.59 was paid in aid for 349 customers.

³⁹ Martin District's Reply to MCCC's Brief (filed October 28, 2021).

⁴⁰ HVT of the Sept. 24, 2021 Hearing, Sneed at 01:45:40, 01:47:48, 01:47:36; Kerr at 46:34.

⁴¹ *Id.*, Kerr at 59:27–01:08:40.; Miller at 04:19:57

While the Commission agrees that the issue of affordability should be considered as part of the larger process to rehabilitate Martin District, the Commission finds that there is insufficient evidence in the case record to support MCCC's proposals. For example, the evidence of record is insufficient to determine which customers qualify as "low-income,"⁴² or how the revenue otherwise recovered from those "low-income" customers in the absence of a reduced rate would be recovered from Martin District's remaining customers in order to permit the utility adequate rates to provide adequate, efficient and reasonable service.⁴³ Funding for the proposed discounted rate would come solely from other customers. Furthermore, no evidence was provided that remaining customers, with their rates increased as a result of the proposed reduced "low-income, low-use" rate, would be able to afford their monthly bills. Additionally, MCCC did not provide sufficient data indicating or proving that "low-income" and "low-use" are synonymous or correlated when it comes to Martin District's customers.

The Commission commends the parties for acknowledging that affordability and customer service are considerations for each party as the utility develops plans to rehabilitate and work its way out a situation caused by decades of abuse and mismanagement. The discussion and findings set forth above should not prevent MCCC or Martin District from continuing to seek programs to assist customers and continuing to improve customer service. Nor should the Commission's findings preclude either party (or both parties, in conjunction with each other or others) from working towards rate design and revenue requirements that improve bill affordability and service. The parties

⁴² As that term is used by MCCC.

⁴³ KRS 278.020(2).

should continue to make progress and continue to work together to seek solutions to any issue impacting the utility. While it is not clear that Martin District has the capacity at this time to develop a customer assistance program such as the one envisioned by MCCC, Alliance has signaled its capacity to assist customers.⁴⁴

Anthony Sneed of Alliance testified that fixing the system is his priority, and in response, MCCC's counsel stated that MCCC has repeatedly stated that customer service is the most important issue.⁴⁵ The Commission would note that these topics are not mutually exclusive. MCCC President Nina McCoy testified that Martin District and MCCC have more common ground than not.⁴⁶ The Commission agrees. As such, the Commission continues to make the entirety of its resources available to Martin District and MCCC to help further the goal of improving water service and bill affordability for Martin Countians. As the Commission previously recounted, following prolonged investigations, Martin District failed to follow through on its commitments in any meaningful way.⁴⁷ Now, the Commission will not shirk its responsibilities to Martin District's customer, nor will we abandon the goal of attaining affordable, adequate service. Regardless of the relatively new composition of this Commission, we maintain the resolve this body has exhibited over the past few years in order to effectuate a positive outcome for this utility and its customers.

⁴⁴ HVT of the Sept. 24, 2021 Hearing, Sneed at 01:47:48; Miller at 04:17:10.

⁴⁵ HVT of the Sept. 24, 2021 Hearing, Sneed at 01:47:48, 01:47:16–01:47:27.

⁴⁶ *Id.*, McCoy 07:49:04, 08:09:38.

⁴⁷ Case No. 2018-00017, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 15, 2019).

WATER LOSS

Pursuant to 807 KAR 5:066, Section 6(3), water loss is limited to 15 percent for ratemaking purposes. As noted in the Staff Report, Martin District's test-year water loss was 65.00 percent.⁴⁸ Accordingly, Staff reduced test-year purchased power expenses by \$160,485 and test-year chemical expenses by \$56,788 to account for the 65.00 percent excess water loss.⁴⁹ Martin District's sustained water loss exceeding the 15 percent water loss regulation was one of the original contributing factors that led to the Commission placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. There appears to be a correlation between other financial and managerial issues and water loss.⁵⁰ The total cost of Martin District's test-year water loss at 65.00 percent is at least \$282,454.⁵¹ A reduction of Martin District's unaccounted-for water loss to 15 percent would result in an approximate \$217,272 decrease to its cost of water.⁵²

The Commission acknowledges the ongoing efforts of Martin District and Alliance to address water loss and utilizing input from the many resources made available through the Martin District Workgroup. The testimony regarding the outages that Martin District repaired over the summer highlighted a gap in procedure that should be addressed as

⁴⁸ Staff Report at 11.

⁴⁹ Staff Report at 11–12.

⁵⁰ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

⁵¹ Martin District's test-year purchased power and chemical expense totaled \$434,544; multiply by test-year water loss of 65.00%: $\$434,544 \times 65.00\% = \$282,454$ (rounded).

⁵² Martin District's test-year purchased power and chemical expense totaled \$434,544; multiply by test-year water loss in excess of 15%: $\$434,544 \times (65.00\% - 15.00\%) = \$217,272$ (rounded).

the procedure for notification after an outage is revised.⁵³ Pursuant to 807 KAR 5:006 Section 27, Martin District should alert the Commission if 10 percent or 500 customers are out of service for four or more hours. The utility must report to the Commission within two hours of the incident occurring and follow up with a seven-day summary of the event that explains how the utility fixed the situation.

SURCHARGES

In Case No. 2018-00017, the Commission established a debt-service surcharge, so the utility would have the ability to pay its vendors and continue to operate.⁵⁴ While the amount of debt the utility carries still threatens impact its ability to provide service, the debt-service surcharge was intended to allow the utility to maintain services while it pays down its debt, all while management addresses water loss.⁵⁵ Martin District testified that it is currently operating at a deficit and has not been able to pay Alliance,⁵⁶ and as a result, the debt-service surcharge has not been able to function as it was intended.⁵⁷ Despite a management-infrastructure surcharge set-up to pay for Alliance to manage the utility, the debt-service surcharge was approved as a secondary resource to pay Alliance should the utility require those funds for that purpose.⁵⁸

⁵³ HVT of the Sept. 24, 2021 Hearing, Miller at 04:20:36–04:23:50.

⁵⁴ Case No. 2018-00017, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 15, 2019).

⁵⁵ HVT of the Sept. 24, 2021 Hearing, Kerr at 34:46.

⁵⁶ *Id.*, Kerr at 27:16.

⁵⁷ *Id.*, Kerr at 30:30:38–30:30:47.

⁵⁸ Case No. 2018-00017, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 15, 2019).

Anthony Sneed testified that the length of time required for the rate case coupled with the projected budget left Martin District in arrears to Alliance.⁵⁹ The Commission did not intend for Alliance to become another creditor of Martin District. Mr. Sneed explained that the Martin District's board wants to keep the rate increase to the bare minimum necessary for the utility to function. However, Mr. Sneed also explained that this rate increase is essentially the same increase as what was requested four years ago, and the Commission would not grant the full increase without the structure of the debt-service surcharge and reliability of audited data and verifiable reporting.⁶⁰ The Commission will continue to monitor Martin District through Case No. 2020-00154 to ensure transparency of Martin District's finances.⁶¹

The Commission emphasizes that Martin District should request approval *prior* to making any payment from the surcharge funds that have not been approved as part of a payment plan.⁶² Anthony Sneed testified that he thought the utility was approved to make a payment to Xylem, Inc. from the debt-service surcharge because a plan to pay creditors from that surcharge had been approved in Case No. 2018-00017.⁶³ For clarification,

⁵⁹ *Id.*, Sneed at 01:17:11; 01:19:10.

⁶⁰ *Id.*, Sneed at 01:16:12.

⁶¹ Case No. 2020-00154, *Electronic Martin County Water District Management and Operation Monitoring pursuant to KRS 278.250* (Ky. PSC Nov. 11, 2020).

⁶² Case No. 2020-00154, *Electronic Martin County Water District Management and Operation Monitoring pursuant to KRS 278.250* (Ky. PSC Nov. 11, 2020).

⁶³ HVT of the Sept. 24, Hearing, Sneed 01:23:10.

Xylem, Inc. was not on the list of creditors included with the payment plan that was approved.⁶⁴

TEST PERIOD

The calendar year ended December 31, 2020, was used as the test year to determine the reasonableness of Martin District's existing and proposed water rates, as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Staff Report summarizes Martin District's pro forma income statement as follows:

	2020 Test Year	Pro Forma Adjustments	Staff Report Pro Forma
Operating Revenues	\$ 2,517,743	\$ (37,404)	\$ 2,480,339
Operating Expenses	3,208,463	(423,808)	2,784,655
Net Operating Income	(690,720)	386,404	(304,316)
Interest Income	386		386
Income Available for Debt Service	\$ (690,334)	\$ 386,404	\$ (303,930)

MODIFICATIONS TO STAFF'S FINDINGS

Martin District proposed adjustments to revenues and expenses to reflect current and expected operating conditions. In the Staff Report, Commission Staff proposed additional adjustments. The Commission accepts the findings contained in the Staff Report as discussed below.

Billing Analysis Adjustment. In the Staff Report, Commission Staff recommended the Commission accept Martin District's proposal to use six months of billing data from

⁶⁴ Case No. 2018-00017, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 15, 2019).

their new Incode billing software program and then annualize the data to generate 12 months of customer usage. Commission Staff additionally recommended the Commission accept Martin District's proposal to increase its test-year revenues from metered water sales of \$2,146,384 by \$288,184 by applying the water service rates that were in effect during the test-year to the water sales shown in the billing analysis, as well as an adjustment of (\$168,105) due to billing adjustments that were made during the test-year. The Commission finds these adjustments are reasonable and should be accepted.

Debt Service Surcharge. In the Staff Report, Commission Staff recommended the Commission exclude amounts collected for the Debt Service Surcharge from the calculation of the revenue requirement from base rates of \$107,436.⁶⁵ The Commission finds that the proceeds of the surcharge are not intended to pay for current operating expenses and therefore should be excluded from the calculation.

Tap Fees. In the Staff Report, Commission Staff recommended the removal of \$22,872 from Other Water Revenues for amounts collected to install customer taps.⁶⁶ The Commission finds this adjustment is necessary, reasonable, and should be accepted, as customer taps should properly be included as contributed capital rather than revenues.

Vacation Payment Liability. In the Staff Report, Commission Staff recommended the removal of \$14,311 of Other Operating Revenue related to reimbursement from Alliance Water Resources for outstanding vacation balances held by Martin District.⁶⁷

⁶⁵ Staff Report at 8, Adjustment B.

⁶⁶ *Id.* at 8–9, Adjustment C.

⁶⁷ *Id.* at 9, Adjustment D.

The Commission finds this adjustment is known and measurable, is reasonable, and should be accepted.

Nonrecurring Charges. In the Staff Report, Commission Staff discussed Martin District's Nonrecurring Charges in which estimated labor costs, previously included in determining the number of nonrecurring charges, are removed. Commission Staff recommended a reduction to Martin District's test-year Other Operating Revenues of \$12,864 to reflect the change in the nonrecurring charges.⁶⁸ The Commission finds that this adjustment is a known and measurable change to Other Operating Revenues, is reasonable, and should be accepted.

Net Pension Liability. In the Staff Report, Commission Staff recommended an increase to pro forma operating expenses of \$119,701 to reverse a one-time audit adjustment to reduce Martin District's net pension liability to the County Employee Retirement System.⁶⁹ The Commission finds that because this is a nonrecurring item, the adjustment is a known and measurable change to Martin District's Employee Pensions and Benefits Expense, is reasonable, and should be accepted.

Water Loss (Purchased Power and Chemical Costs). In the Staff Report, Commission Staff recommended a reduction to Purchased Power and Contractual Services billed for chemical costs of \$160,485 and \$56,788, respectively, to comply with Commission regulation 807 KAR 5:066, Section 6(3), which limits water loss to 15 percent for ratemaking purposes unless the Commission finds an alternative level to be

⁶⁸ *Id.* at 9–10, Adjustment E.

⁶⁹ *Id.* at 10–11, Adjustment F.

reasonable.⁷⁰ The Commission finds that in the absence of an acceptable alternative level of water loss, the adjustments are known and measurable, are reasonable, and should be accepted.

Expenses to Perform Prior Year Audits. In the Staff Report, Commission Staff recommended a reduction of \$17,500 to remove costs expended in the test period to perform prior year audits.⁷¹ The Commission finds that this adjustment is known and measurable, is reasonable, and should be accepted.

Capitalization of Meter Installations. In the Staff Report, Commission Staff recommended a reduction in operating expenses of \$26,000 and a corresponding increase to Depreciation Expense of \$743 to capitalize meter installations performed during the test year.⁷² The Commission finds this adjustment is known and measurable, is reasonable, and should be accepted. The Commission notes, however, that the amounts recommended by Commission Staff were calculated using the tariffed rate that is billed to the customer in order to install a new tap. The Commission is concerned that Martin District is unable to separate the actual costs incurred to install customer taps and, therefore, finds that Martin District should be required to keep detailed records sufficient to calculate the actual cost to install customer taps going forward so that it may be used in a future rate proceeding.

Office Rent. In the Staff Report, Commission Staff recommended office rent be increased by \$260 to reflect an increase to Martin District's rental agreement for its billing

⁷⁰ *Id.* at 11–12, Adjustment G.

⁷¹ *Id.* at 12, Adjustment H.

⁷² *Id.* at 12–13, Adjustment I.

office.⁷³ The Commission finds this adjustment is known and measurable, is reasonable, and should be accepted.

Bad Debt Expense. In the Staff Report, Commission Staff recommended a reduction to Bad Debt Expense of \$55,749 to reflect the five-year historical average of bad debt expense recorded by Martin District.⁷⁴ The Commission finds this adjustment is known and measurable, is reasonable, and should be accepted.

Depreciation. In the Staff Report, Commission Staff recommended a reduction to Depreciation Expense of \$102,991 to reflect depreciation expense approved in Case No. 2018-00017, which were based on the ranges recommended by the National Association of Regulatory Utility Commissioners (NARUC) in its report published in 1979 titled *Depreciation Practices for Small Water Utilities* (NARUC Study).⁷⁵ The Commission finds that there is no evidence in the record to support specific lives outside the NARUC Study ranges that were approved in Case No. 2018-00017 and that the adjustment proposed by Commission Staff is, therefore, reasonable and should be accepted.

Alliance Contract Repair Limit. In the Staff Report, Commission Staff recommended a further reduction of Depreciation Expense of \$125,000 to reflect the contracted repair limit in the Alliance Contract.⁷⁶ The Commission finds this adjustment is known and measurable, is reasonable, and should be accepted.

⁷³ *Id.* at 13–14, Adjustment J.

⁷⁴ *Id.* at 14, Adjustment K.

⁷⁵ *Id.* at 15, Adjustment L.

⁷⁶ *Id.* at 15–16, Adjustment M.

Loss on Sale of Assets. In the Staff Report, Commission Staff recommended the removal of \$5,237, which was recorded as a loss on the sale of assets.⁷⁷ The recognition of the loss was a nonrecurring balancing entry to remove assets from Martin District's asset ledger and is not an actual expense to Martin District. The Commission finds this adjustment to be known and measurable, is reasonable, and should be accepted.

Based on the Commission's findings discussed above, the following table summarizes Martin District's adjusted Pro forma operations:⁷⁸

	<u>Staff Report Pro Forma</u>	<u>Commission Adjustments</u>	<u>Final Pro Forma</u>
Operating Revenues	\$ 2,480,339		\$ 2,480,339
Operating Expenses	<u>2,784,655</u>		<u>2,784,655</u>
Net Operating Income	(304,316)	-	(304,316)
Interest Income	<u>386</u>		<u>386</u>
Income Available for Debt Service	<u>\$ (303,930)</u>	<u>\$ -</u>	<u>\$ (303,930)</u>

REVENUE REQUIREMENTS

Neither party objected to the revenue requirement calculated in Staff's report, but Alliance, on behalf of Martin District, stated that it would be detrimental and unsustainable to request less than the amount outlined in Staff's report. However, Alliance staff members' agreement to the recommendations of Commission Staff were pending the approval of Martin District's board. At the September 24, 2021 hearing, Martin District's board chairman stated that the board did not vote to approve the Staff Report because it was not prepared to approve any higher rate than what was asked in the application.⁷⁹

⁷⁷ *Id.* at 16, Adjustment N.

⁷⁸ See Appendix A for a complete Pro Forma.

⁷⁹ HVT of the Sept. 24, 2021 Hearing, Kerr at 43:03-43:54.

Based upon the Commission's findings and determinations herein, Martin District requires an increase in revenues of \$550,980, or 24.31 percent above pro forma present rate revenues, as shown below:

Pro Forma Operating Expenses	\$ 2,784,655
Plus: Average Annual Principal and Interest Payments	205,875
Additional Working Capital	<u>41,175</u>
Overall Revenue Requirement	3,031,705
Less: Interest Income	(386)
Other Operating Revenue	(20,696)
Surcharge Income	<u>(193,180)</u>
Revenue Required from Rates	\$ 2,817,443
Less: Pro Forma Present Rate Service Revenues	<u>(2,266,463)</u>
Required Revenue Increase	<u>\$ 550,980</u>
Percentage Increase	<u>24.31%</u>

RATE DESIGN

In its application, after performing several “what-if” scenarios, Martin District proposed (1) an 11 percent across-the-board increase to usage-based rates and (2) a percentage increase to minimum bills proportionally increasing with meter size and the per-month gallon allotment. Commission Staff, as explained in the Staff Report, determined that a 24.31 percent increase was warranted and recommended an increase to Martin District’s water service rates evenly across the board by allocating the \$550,980 revenue increase to Martin District's monthly base and per-gallon usage rates. The 24.31 percent increase will produce additional revenues sufficient for Martin District to meet the Debt Service Coverage (DSC) ratio requirement of KRWFC and Kentucky Infrastructure Authority (KIA), Martin District’s lenders.

The Commission finds that in the absence of a cost of service study (COSS), the proposed across-the-board method is an appropriate and equitable method to allocate

the increased cost to Martin District's customers. The monthly bill of a typical residential customer using 4,000 gallons of water will increase from \$57.53 to \$69.73, an increase of \$12.20, or 21.21 percent.

To correctly calculate a customer charge and volumetric rate, a detailed breakdown of all of Martin District's expenses, including a breakdown of the contracted services performed by Alliance, is required. If that information were available in sufficient detail to perform a COSS, at this time, the study would not be accurate because the test year only includes six months of actual customer usage. The last COSS was completed in 2017 and was reviewed by the Commission as part of Case No. 2018-00017. Given material changes to the utility, including the arrival of Alliance, the change in metering and meter reading, the increases in rates over the past two cases, and the expected leveling (and hopefully decreasing) of overall costs, a new COSS based upon 12 months of actual customer usage and a detailed breakdown of the expenses from Alliance should be used to calculate a more accurate and reasonable rate for each class. This COSS would also permit the Commission to seriously consider the removal of minimum bills for Martin District's customers, and transition to a different rate design, such as the customer charge and volumetric charge customers are familiar with in their electric bills. Additionally, a COSS may also provide the opportunity for particular surcharges to be included in ordinary rates, as long as they are allocated in a reasonable manner. Between the rates of Martin District and Kentucky Power Company, the Commission can appreciate Martin Countians' disdain for surcharges. Therefore, based upon the earlier Commission finding that Martin District shall apply for an examination of rates no later than December 31, 2023, the examination of rates shall be based upon a test year using

the 2022 calendar year (and annual report) and include a full COSS so that the Commission will have a basis upon which to analyze rate design. Martin District should seek recovery of the costs associated with filing its next rate case as rate case expenses by submitting a detailed accounting of those expenses with its application.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The findings contained in the Staff Report are supported by the evidence of record and are reasonable.

2. The Commission has historically used a DSC method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Application of the Commission's DSC method to Martin District's pro forma operations results in an Overall Revenue Requirement of \$3,031,705. A revenue increase of \$550,980 from water service rates is necessary to generate the overall revenue requirement.

3. The water service rates proposed by Martin District should be denied.

4. The water service rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The water service rates proposed by Martin District are denied.

3. The rates outlined in Appendix B to this Order are approved for services rendered by Martin District on and after the date of this Order.

4. Within 20 days of the date of entry of this Order, Martin District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

5. Martin District shall use the midpoint of the depreciable lives of the NARUC ranges, as proposed in the application and agreed upon by Staff, to depreciate water plant assets for accounting purposes in all future reporting periods. No adjustment to accumulated depreciation or retained earnings should be made to account for this change in the accounting estimate.

6. Martin District shall keep detailed records sufficient to calculate the actual cost to install customer taps going forward so that it may be used in a future rate proceeding.

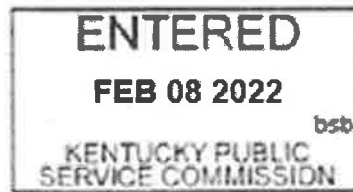
7. Martin District shall prioritize, by whatever means practical and reasonable, replacing its meters with compliant and accurate meters.

8. Martin District shall, by December 31, 2023, perform and file with the Commission a full cost of service rate study based upon the data collected in 2022.

9. Martin District shall, by December 31, 2023, file with the Commission an examination of its rates based upon 2022 as a test year.

10. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:

A handwritten signature in cursive script, appearing to read "Linda C. Bridwell". The signature is written in dark ink and is positioned above a horizontal line.

Executive Director

Case No. 2021-00154

Concurring Opinion of Vice Chairman Amy D. Cabbage in Case No. 2021-00154
ELECTRONIC APPLICATION OF MARTIN COUNTY WATER DISTRICT FOR AN
ALTERNATIVE RATE ADJUSTMENT

I write separately to further address a proposal by Martin County Concerned Citizens, Inc. (MCCC) to create a “low-income low use” rate and to further the discussion regarding regionalization started by former Chairman Michael J. Schmitt in his concurring opinion to the July 9, 2021 Order granting an interim rate increase.

I share MCCC’s concerns about the ability of many Martin Countians to pay their ever-increasing water bills. I feel confident in stating that members of this Commission past and present share that concern. Unfortunately, as noted in this Order, we are constrained by KRS 278.170(1) to deny any rate structure which is differentiated based on ability to pay as opposed to the type of service rendered based on this evidence. That is not to say that an income-based rate structure could not be viable given the right evidence.

Further, given additional evidence, the Commission could approve a rate structure which more accurately reflects the true usage of customers in the lower use range, which could benefit lower income customers. As MCCC’s expert Roger Colton testified, there appears to be some evidence that some lower income customers may use quantities of water far lower than accounted for in the minimum charge of 2,000 gallons.¹ In the last year on average approximately 25 percent of Martin District’s customers paid the minimum charge, and of those, the mean and median usage of customers paying the minimum charge of 2,000 gallons were both approximately 1,000 gallons.² Unfortunately,

¹ See Order at 10.

² Martin District’s Response to Post-Hearing Data Requests (amended) (filed Oct. 19, 2021) at Spreadsheets 1 and 3.

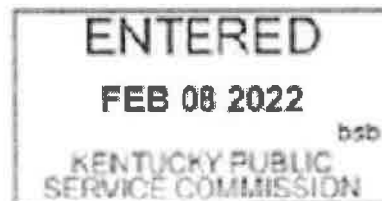
while this information is important and tells us a significant percentage of customers are paying for gallons of water they never use, without a proper cost of service study (COSS) it is impossible to fully assess the viability of reducing the minimum charge to 1,000 gallons. Thus, it is imperative that Martin District timely file the full COSS by December 31, 2023, as ordered here so that the Commission will have the evidentiary support to consider whether a lower minimum charge is viable. If it is, then that rate structure change could provide substantial relief to some low-income Martin Countians.

Finally, I wish to reiterate what Chairman Schmitt stated in his concurrence at 7-9 regarding regionalization. Martin District – like many other small districts – is not viable long term in its present configuration. Many similar districts appear to be viewing the once-in-a-lifetime grant opportunities presented by the currently available federal infrastructure funds as a way to avoid the hard conversations about viability in the face of dwindling rate bases, with ratepayers who are disproportionately low income, and subject to the same political pressure that led to more than 20 years of rates insufficient to keep Martin District operational. These grants, however, come at a cost – all infrastructure improvements constructed via grant money will need to be maintained, and the cost of maintenance is borne by the ratepayers. Grants will not cover the ongoing operations and maintenance of these systems. With the influx of these dollars, Martin District and others need to take a hard look at whether the best use of this historic investment in our water infrastructure is to continue the status quo, with even higher future rates required to support ongoing operations for the new capital improvements, or to use this as an opportunity to invest in regional facilities that could serve a larger population more efficiently. I cannot sum up any more succinctly than Chairman Schmitt in his concurrence at 9:

The General Assembly should consider legislation that would at least make such regionalization of water utility resources possible. Absent consolidation into larger more efficient utility outside the scope of purely local political influence, the act of simply pouring vast sums of money into small non-viable waters systems will likely prove in the end to be a costly failure.

I join Chairman Schmitt's call for the General Assembly to consider regionalization legislation so that these resources are not wasted. Such legislation is long overdue, but it is not too late.

Vice Chairman Amy D. Cabbage
Concurring



ATTEST:


Executive Director

Case No. 2021-00154

10A-32

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00154 DATED FEB 08 2022

	Test Year	Adjustment	Commission Adjustments	Pro Forma
Operating Revenues				
Sales of Water	\$ 2,146,384	\$ 288,184		
		(168,105)		\$ 2,266,463
Surcharge Revenue	300,616			
		(107,436)		193,180
Other Operating Revenue	70,743	(22,872)		
		(14,311)		
		(12,864)		20,696
Total Operating Revenues	2,517,743	(37,404)		2,480,339
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	-			-
Salaries and Wages - Commissioners	-			-
Employee Pensions and Benefits	(119,701)	119,701		-
Purchased Water	-			-
Purchased Power for Pumping	320,969	(160,485)		160,485
Chemicals	-			-
Materials and Supplies	6,511			6,511
Contractual Services	2,017,014	(17,500)		
		(56,788)		
		(26,000)		1,916,727
Water Testing	6,831			6,831
Rent	9,053	260		9,313
Insurance	48,400			48,400
Regulatory Commission Expense	5,983			5,983
Bad Debt Expense	118,530	(55,749)		62,781
Miscellaneous Expense	8,132			8,132
Total Operation and Maintenance Expenses	2,421,722	(196,560)		2,225,162
Taxes Other Than Income	-			-
	786,741	743		
		(102,991)		
Depreciation		(125,000)		559,493
Total Operating Expenses	3,208,463	(423,808)		2,784,655
Net Operating Income	(690,720)	386,404		(304,316)
Interest Income	386			386
Loss on Sale of Assets	(5,237)	5,237		-
Income Available to Service Debt	\$ (695,571)	\$ 391,641		\$ (303,930)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00154 DATED FEB 08 2022

The following rates and charges are prescribed for the customers in the area served by Martin County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$41.42	Minimum Bill
Over	2,000 Gallons	0.01049	per Gallon

1-Inch Meter

First	5,000 Gallons	\$72.83	Minimum Bill
Over	5,000 Gallons	0.01049	per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$125.18	Minimum Bill
Over	10,000 Gallons	0.01049	per Gallon

2-Inch Meter

First	20,000 Gallons	\$229.89	Minimum Bill
Over	20,000 Gallons	0.01049	per Gallon

3-Inch Meter

First	30,000 Gallons	\$334.61	Minimum Bill
Over	30,000 Gallons	0.01049	per Gallon

4-Inch Meter

First	50,000 Gallons	\$544.02	Minimum Bill
Over	50,000 Gallons	0.01049	per Gallon

Nonrecurring Charges

Meter Disconnection Charge	\$20.00
Meter Re-read Charge	\$20.00
Meter Test Charge	\$53.00
Meter Turn-On Charge	\$20.00
Meter Turn-On Charge (After Hours)	\$55.00
Meter Reconnection Charge	\$20.00
Meter Reconnection Charge (After Hours)	\$55.00
Returned Check Charge	\$25.00
Service Call/Investigation	\$20.00
Service Call/Investigation (After Hours)	\$55.00

*Martin County Water District
387 East Main Street, Suite 140
Inez, KY 41224

*Craig Miller
Martin County Water District
c/o Alliance Water Resources, Inc.
1402 East Main Street
Inez, KY 41224

*Cassandra Moore
Martin County Water District
c/o Alliance Water Resources, Inc.
1402 East Main Street
Inez, KY 41224

*Brian Cumbo
Attorney at Law
P.O. Box 1844
Inez, KENTUCKY 41224

*Mary V. Cromer
Appalachian Citizens' Law Center, Inc.
317 Main Street
Whitesburg, KENTUCKY 41858

February 22nd, 2022

TO: Martin County Water District
Board of Directors

INFORMATION & DECISION

FROM: Staff

RE: Engineering Firms

The previous staff recommendation and board decision to use a different Fishbeck for water projects has stalled due to the firm's understandable requests for payment of services upfront. The experience of Bell Engineering and Prime in the Commonwealth of Kentucky has given them the insight of knowing that utilities that rely on grants, will require services in advance of monies being made available.

With consideration of the current state of the District's financial situation, staff recommends continuing to use Bell Engineering and potentially Prime or a collaboration of the two on all current and potential water project engineering and planning.