

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

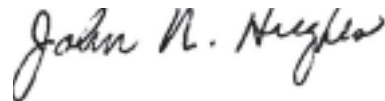
In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN)	
KENTUCKY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO. 2021-00095
AND NECESSITY TO REPLACE ITS EXISTING)	
AUTOMATED METER READING ("AMR"))	
METERS WITH ADVANCED METERING)	
INFRASTRUCTURE ("AMI") AND ISSUANCE)	
OF A BOND ANTICIPATION NOTE)	

RESPONSE TO ATTORNEY GENERAL’S SUPPLEMENTAL DATA REQUESTS

Comes now the Northern Kentucky Water District (“District”) and submits its responses to the Attorney General’s Supplemental Data Request dated May 20, 2021.

SUBMITTED BY:



John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
jnhughes@johnnhughespsc.com
502 227 7270 Ph.

AND



Tom Edge
General Counsel
Manager of Legal, Compliance, and
Regulatory Affairs
Northern Kentucky Water District
2835 Crescent Springs Rd.
Erlanger, KY 41018
Phone - 859-578-5457
Fax - 859-426-2770
Email: tedge@nkywater.org

Attorneys for Northern
Kentucky Water District

AFFIDAVIT OF LINDSEY RECHTIN

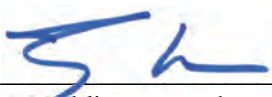
COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF KENTON)

Comes now affiant, Lindsey Rechlin, after being first sworn, deposes, and states that she is the Vice President of Finance and Support Services for the Northern Kentucky Water District, that she is authorized to submit this Response on behalf of Northern Kentucky Water District, and that the information contained in the Response is true and correct to the best of her knowledge and belief, except as to those matters that are based on information provided to her and, as to those, she believes that information to be true and correct.



Lindsey Rechlin

This instrument was acknowledged, signed and declared by Lindsey Rechlin to be her act and deed the 28 day of May 2021.



Notary Public, Kentucky at Large
Notary ID Number: KYNP17828
My Commission Expires: 12/21/2024

CASE NO. 2021-00095

WITNESS – Lindsey Rechtin

Q.1. Reference the response to AG 1-20. Explain how staff currently involved in meter reading would be redeployed. Include in your response the exact, existing positions to which such staff would be reassigned, including the title of such positions.

a. If no such positions are identifiable at this time, indicate such in your response.

b. If new positions will be created for these personnel, explain whether the new positions will be full-time equivalent, and the job responsibilities for each such position.

A.1. The District has not determined how such staff will be reassigned at this time. Although the quantity of AMR readings will diminish substantially with the proposed system, the duties of the “Meter Reader” position will remain in place. In addition to readings, the “Meter Reader” position already includes additional duties such as assisting with meter change outs, repair, meter testing, and other Customer Service Field Representative duties.

Lastly, the District would note that with the additional data reads from the proposed system, the District expects to take a more proactive approach to identifying, investigating, and informing customers of potential leaks and water loss. So while a transition to AMI is expected to significantly reduce operational costs associated with current meter reading activities for an AMR system, those resources will be reallocated to address these other aforementioned needs even though no such positions are specifically identifiable at this time.

CASE NO. 2021-00095

WITNESS – Lindsey Rechtin

Q.2. Reference the petition generally.

- a. Identify all costs associated with the current meter reading program, including but not limited to payroll, benefits, O&M and capital expenditures.**
- b. For each cost category identified in subpart a., above, and assuming the Commission approves the application, provide estimates for how much all such costs will be reduced once the project is fully completed and operational.**
- c. Regarding the anticipated \$177,975.91 savings in annual meter reading expense, provide a breakdown of the types of costs that will be reduced, and by how much.**

A.2.

- a.** All costs associated with the current meter reading program for calendar year 2020 is \$617,182.98 (\$497,724.98 of the total is the expense for system depreciation). This number does not include tangential costs associated with the program such as additional labor and expenditures in maintaining and replacing parts as needed for the obsolete system. It also does not include many replacement equipment costs that were expected to occur as the District refrained from those expenditures due to need and expectancy of a new system.
- b.** As you are aware, the current failing system will require replacement in one fashion or another due to the obsolete and discontinued transmitters and software. Accordingly, any comparison between present costs of the defunct system currently in place and the new system will not show a reduction in yearly costs due to the increased capital expenditure.

Based on the bid price, once the proposed project is fully completed and operational, the District expects to depreciate the costs over 15 years at \$873,333.33 annually. Even replacing the current AMR system with an equivalent AMR system, the annual depreciation amount would be \$734,232.82 (based on 15-year depreciation and bid price of \$11,013,492.40). As illustrated, in either instance the capital expenditure costs will exceed the current costs associated with the failing meter reading system currently in place.

- c.** As previously noted, based on the twenty-year present value difference of \$3,559,518.27 between proposed AMI system and the lowest priced AMR replacement system, the District expects to save \$177,975.91 annually in meter reading expense between these two alternatives.

In consultation with HDR, a third-party engineer for the District, the present value calculation considered capital and operating costs over the anticipated 20-year life of the meter reading system. Key parameters in the cost model were the following:

1. Capital cost elements:
 - a. Transmitters – Equipment cost and installation cost
 - b. Meter box modifications to accommodate new transmitters and/or antennas
 - c. Fixed network capital costs – Includes Collectors, Repeaters, Communications infrastructure, Field Programming/Testing Devices, Systems Integrations Development, Meter Data Management System, and NaaS (Network as a Service) cost
 - d. Project management and training

2. Operational cost elements:
 - a. Labor for meter reading
 - b. Labor for maintenance and other metering functions
 - c. Vehicle maintenance and fuel
 - d. Annual service and maintenance contracts with the system vendor
 - e. Collector maintenance costs
 - f. NaaS costs

The reduced Present Value cost from installing the proposed AMI system, in comparison with the lowest priced AMR replacement system, reflects the District’s projected lower operating costs over 20 years, which more than offset higher initial capital costs for installation. The types of operational cost savings from AMI, along with approximate percentages for each type of savings, are presented in the following table:

Operational Cost Element	Approximate % - age of Operational Savings
Labor for meter reading	15
Labor for maintenance and other metering functions	78
Vehicle maintenance and fuel	7
Total	100

Lastly, non-quantifiable considerations that were also taken into account, but are not reflected in the Present Value calculation, include meter reader safety, support for water conservation, and environmental impact (i.e., carbon footprint reduction).

CASE NO. 2021-00095

WITNESS – Lindsey Rechtin

Q.3. Reference the Meter Reading Study attached as Exhibit A-3 to the petition, page vi, “Recommended Next Steps,” the fourth bullet point recommending SD1 share in the program costs. Refer also to the response to AG DR 1-7, wherein NKWD acknowledges SD1 will benefit from the proposed AMI module deployment.

a. Confirm that SD1’s costs will be reduced once the project is fully completed and operational.

b. If so confirmed, provide an explanation of all measures NKWD has taken to secure a commitment from SD1 to share a portion of the project costs.

A.3. It is not expected that SD1’s costs will be reduced once the project is fully completed and operational. Although SD1 will see non-monetarily quantifiable benefits such as enhancements in customer service through improved availability in the data, the project will not create attributable costs savings for SD1 as SD1 will require the same manpower and incur the same costs to generate its billing based on the data. Should there be quantifiable savings to SD1 in the future, the District will expect SD1 to share in the associated costs.

CASE NO. 2021-00095

WITNESS – Lindsey Rechtin

Q.4. Reference NKWD’s response to AG DR 1-14. Explain whether NKWD and Florence have considered discussing potential synergies that might result from merging their water operations.

A.4. Based on cursory public knowledge of Florence water system including age and nature of infrastructure, rate amounts, service areas and services provided, the District has not engaged in such a dialogue as merger would not benefit the District and its customers.

CASE NO. 2021-00095

WITNESS – Lindsey Rechtin

Q.5. Reference the response to AG DR 1-16, in which the Company states that the estimated lifespan of the AMI meter reading system NKWD has selected is 20 years. Explain whether this lifespan includes: (i) the computer backhaul hardware, firmware and software for the system to operate; and (ii) the communications network hardware, firmware and software.

A.5. The 20-year lifespan includes each of these items listed.

CASE NO. 2021-00095

WITNESS – Lindsey Rechtin

Q.6. Reference the response to AG DR-1-21. Explain whether the Company intends to sell or otherwise disclose any of the customer data that the new AMI module system will generate. If so, explain whether the data will be de-identified and aggregated. If the Company has a policy on sharing / selling customer data, provide a copy of that policy.

A.6. The District does not intend to sell or otherwise disclose customer data (except to the customer regarding their specific account, SD1 and as otherwise required by law). The District only shares the data with SD1 (another government entity). The District does not have a policy of sharing/selling customer data but only makes disclosures in accordance with the Kentucky law.