



BRIAN CUMBO

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ADMITTED IN KY AND WV

August 25, 2021

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

RE: Martin County Water District
PSC Case No. 2021-00154

To Whom It May Concern:

Enclosed please find Notice of Filing Responses to Public Service Commission's Staff Report Dated August 11, 2021 regarding the above matter.

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

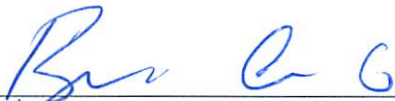
In the Matter of:

ELECTRONIC APPLICATION OF)
MARTIN COUNTY WATER DISTRICT)
FOR ALTERNATIVE RATE ADJUSTMENT)

CASE NO. 2021-00154

NOTICE OF FILING

Comes the Martin County Water District, by counsel, and hereby gives Notice of Filing of the attached response to the Public Service Commission's Staff Report dated August 11, 2021.



BRIAN CUMBO
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WATER DISTRICT
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CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served via electronic filing on this the 25 day of August, 2021, to the following:

Public Service Commission
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 UTILITY BOARD

387 East Main Street Suite 140
INEZ, KY 41224

606-298-3885 OFFICE

606-298-4913 Fax

August 25, 2021

Linda C. Bridwell, PE
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfurt, KY 40602-0615

Re: Response to Commission Staff Report; Case No. 2021-00154

Dear Ms. Bridwell:

Attached is Martin County Water District staff's response to the Commission Staff's Report dated August 11, 2021.

We look forward to discussing the information with you.

Sincerely,

Craig Miller
Alliance Water Resources, Inc.
Division Manager

cc: Jimmy Don Kerr, Martin County Water District
James A. Sneed, AWR
Ann Perkins, AWR
Brian Cumbo

Martin County Water District Staff Response to PSC Staff Report of August 11, 2021

Overview

The Martin County Water District (“District”) staff has reviewed the PSC Staff Report in Case No. 2021-00154 and have found no material points of disagreement. There are a few items that the District staff would like to comment on for clarity, and they are addressed below in the District Staff Comments section.

Requested Increase

The District initially requested a minimal increase, weighing affordability against its financial needs. Since the time of the initial request, the District has continued to incur additional debt and struggle financially.

- Based on the procedural limitations for adjustment implementation, several months of the revenue increase budgeted has been unfulfilled (approximately \$20,800 per month).
- One creditor has filed suit.
- Other creditors may follow.
- Alliance Water Resources continues to cover the revenue shortfall (unsustainable); as of August 18, the past due amount is \$337,013.00.
- The District remains unable to fund necessary capital improvements and purchase much needed emergency / redundant equipment.
- The current year-over-year increase in the Consumer Price Index (CPI-U) is 5.4%.

In light of the bulleted items above and no material issue with the PSC Staff Report, it would appear to be both detrimental and unsustainable to request less than the amount outlined in the PSC Staff Report Appendix.

Therefore, pending District Board approval and PSC approval, the District staff concurs with the permanent rate adjustment recommended by the PSC staff.

District Staff Comments

- Pro Forma Operating Expenses, Section G – While Alliance is bearing the burden of employee benefits, chemical costs and repair costs, Alliance is not paying audit expenses. Additionally, Alliance has paid for only limited (not all) capital expenditures. As an example, capital expenditures paid by Alliance include costs related to the INCODE billing software conversion and implementation.
- Pro Forma Operating Expenses, Section L – The District will implement a depreciation schedule in line with the NARUC Study ranges beginning with its 2021 audit.
- Pro Forma Operating Expenses, Section M – Related to our comments on Section G above, the Alliance repair limit includes both repairs and limited capital expenses. The majority of costs charged to the repair limit are for maintenance and repairs, and those cost should not be included in depreciation.