Drop-by-Drop:

Drowning in Water Unaffordability: Martin County Water District

Prepared for:

Martin County Concerned Citizens
Inez, Kentucky

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Introduction

The Kentucky Public Service Commission (PSC or Commission) recently extensively discussed the importance of ensuring the affordability of water service in Kentucky. According to the Commission, data that it received from utilities (both energy and water) during the summer of 2020 document that "the need for utility assistance frequently outpaces supply." (Case No. 2020-00085, September 21, 2020 Order, at 5). The Commission noted that "although the availability of payment assistance has consistently been a problem, including the lack of funding or programs to assist customers with water or sewer bills, the pandemic merely exacerbated the issue." (Id.) The Commission then stated:

> It is undisputed that water and sewer service, even above electric and gas service, is necessary for customers to maintain the sanitary and health conditions required to combat a viral pandemic. Because of the economic climate in Kentucky, which only recently recovered from historic levels of unemployment and still maintains an unemployment rate higher than before the pandemic, many customers will struggle to pay their current bills as well as their past due accounts. In an attempt to avoid the mass disconnection of water and sanitary sewer service, thus exacerbating the current state of emergency and public health crisis, we plead for organized, robust utility financial assistance.

(September Order, at 13). The Commission stated that "what is clear is that the demand exists for significant funding to assist with water and sewer bills across the Commonwealth." The

Commission concluded, by stating: "Given the levels of arrearages, late payments, and struggling communities, the Commission urges stakeholders to endeavor to find creative solutions to ensure the continuity of water and sewer services." (Id., at 14).

"It is undisputed that water and sewer service, even above electric and gas service, is necessary for customers to maintain the sanitary and health conditions required to combat a viral pandemic."

The purpose of this report is to review the water bills charged to residential customers of the Martin County Water District (MCWD), in Martin County (KY) from a low-income perspective. The discussion below, after providing an overview of the income demographics of Martin County, will consider the affordability of MCWD bills to low-income customers.

"Given the levels of arrearages, late payments, and struggling communities, the Commission urges stakeholders to endeavor to find creative solutions to ensure the continuity of water and sewer services."

After reviewing the affordability of MCWD residential bills to low-income customers, this report will turn to an examination of the types of "creative solutions" that the PSC urged stakeholders to consider. These solutions are presented in two parts. First, the discussion considers factors within the rate structure that can be modified to help address affordability. Second, the discussion will end by considering customer service steps that can and should be taken responsive to the prevalent inability-to-pay within the County, with the objective being to minimize the disconnection of service for nonpayment.

The discussion below concludes that the Martin County Water District has numerous action steps that it can and should take to respond to the inability-to-pay of its lowest income customers. Indeed, some of these steps are not merely good policy, but are also required to bring the Water District into compliance with state-mandated practices and procedures.

Part 1. Low-Incomes within Martin County Water District

The Martin County Water District (MCWD) serves a rural county sitting on the eastern edge of Kentucky, bordering West Virginia. A small water district, MCWD serves 3,120 residential customers.[1] (MCCC-1-15).[2] Martin County is the home to an extraordinarily poor population. In the discussion below, poverty is viewed from two perspectives. The first section examines the ***depth*** of poverty in the County. The second section examines the ***breadth*** of poverty in the County.

[1] MCWD provides different residential customer counts in different documents. For example, in its application for rate relief in this document (Attachment 4(b), Martin County Water District, Impact of Proposed Increase), Alliance provides a count of 3,177 residential customers. The Water District's disconnection data for the past three years documents that MCWD has disconnected 1,059 residential customers while reconnecting only 711 (67%). This high rate of disconnections, along with the mismatch between the rate of disconnections and rate of reconnections, appears to have yielded a loss of 348 customers to nonpayment disconnections not followed by reconnections from July 2018 through June 2020. In addition to the adverse social and public health consequences of having nearly 350 homes without water service, MCWD should be asked to explain to the Commission how the loss of 10% of its customer base to nonpayment disconnections is healthy from the perspective of the business of the Water District.

[2] Data that was obtained directly from MCWD through discovery in Kentucky PSC Case No. 2021-00154, In the Matter of the Electronic Application of Martin County Water District for an Alternative Rate Adjustment, is denoted by Set Number and Discovery Request Number. For example, a citation to MCCC-1-15 refers to MCWD's response to discovery propounded by Martin County Concerned Citizens, Set #1, Request #15.

A. Overview of the <u>Depth</u> of Martin County Poverty.

Martin County has a substantial poverty population. The discussion below focuses on how poor Martin County residents are, commonly referred to as the "depth" of poverty. A household living with an annual income of 50% of Poverty Level, for example, is deeper in Poverty than a household living with an annual income of 150% of Poverty. In assessing the depth of Poverty in Martin County, data is presented for the County as a whole. In addition, that Martin County data is compared to the corresponding data for Kentucky as a whole and for the United States.

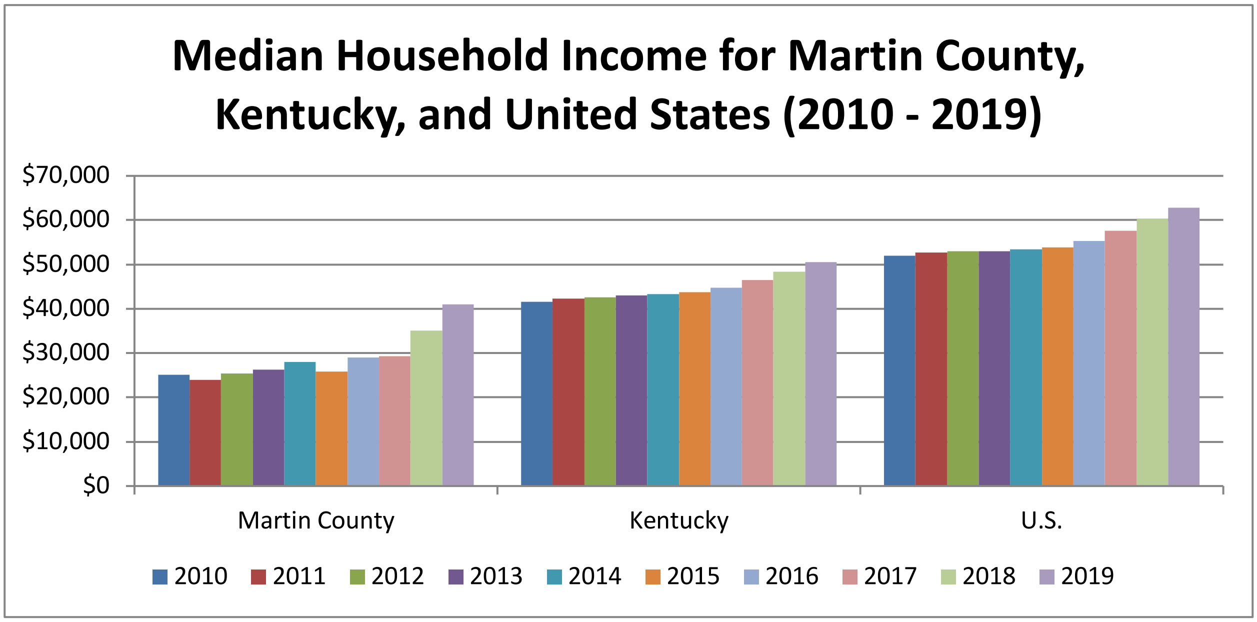
The low-income status of Martin County discussed below is assessed from the perspective of the following metrics:

- Median household income (in dollars);[3]
- Mean (average) "First Quintile" income (in dollars);
- The percentage of population below the Federal Poverty Level;
- The percentage of households with annual income less than $10,000;
- The percentage of households with annual income less than $20,000.

Each element of data tells the same story about Martin County. Not only is the County populated by very low-income households, but the depth of the County's low-income status is dramatically greater than for either the State of Kentucky as a whole, or for the nation as a whole.

The median household income within a geographic area identifies the "middle" of the area's population when ranked by income from highest to lowest. The median household income is that point at which half of all households have lower incomes, while the other half of all households have higher incomes. While median income in Martin County experienced an uptick in 2019 (as did the median income in Kentucky and the United States as a whole), over the past ten years, the typical median income for the County has varied in a narrow range of between $20,000 and $30,000. Martin County stands in sharp contrast to the State of Kentucky as a whole. From 2010 through 2017, Martin County's median income ranged from roughly 60% to 70% of the State median income. During that same time period, Martin County's median income was roughly 50% of the median income of the nation as a whole.

[3] Throughout this report, dollar figures reported for incomes are presented in current year terms. So, for example, 2010 income is presented in 2010 dollars, not dollars adjusted for inflation to 2019 (the most recent year for which Census data is publicly available.



In contrast to median income, the "First Quintile" is the 20% of Martin County's population with the lowest incomes. The mean (average) income of the First Quintile income in Martin County[4] shows the dramatic depth of low-income status in the County. From 2014 through 2018, the First Quintile income in the County was at $6,000 or below. Even with the uptick in income in 2019, the average (mean) First Quintile income in Martin County barely exceeded $8,000 per year. The extent to which the Martin County First Quintile Income is lower than that income in Kentucky or the nation as a whole can be seen in the Chart below. While the Martin County First Quintile income varied narrowly around $6,000, the Kentucky state First Quintile income varied narrowly between $9,500 and $10,000. The discrepancy is considerable.

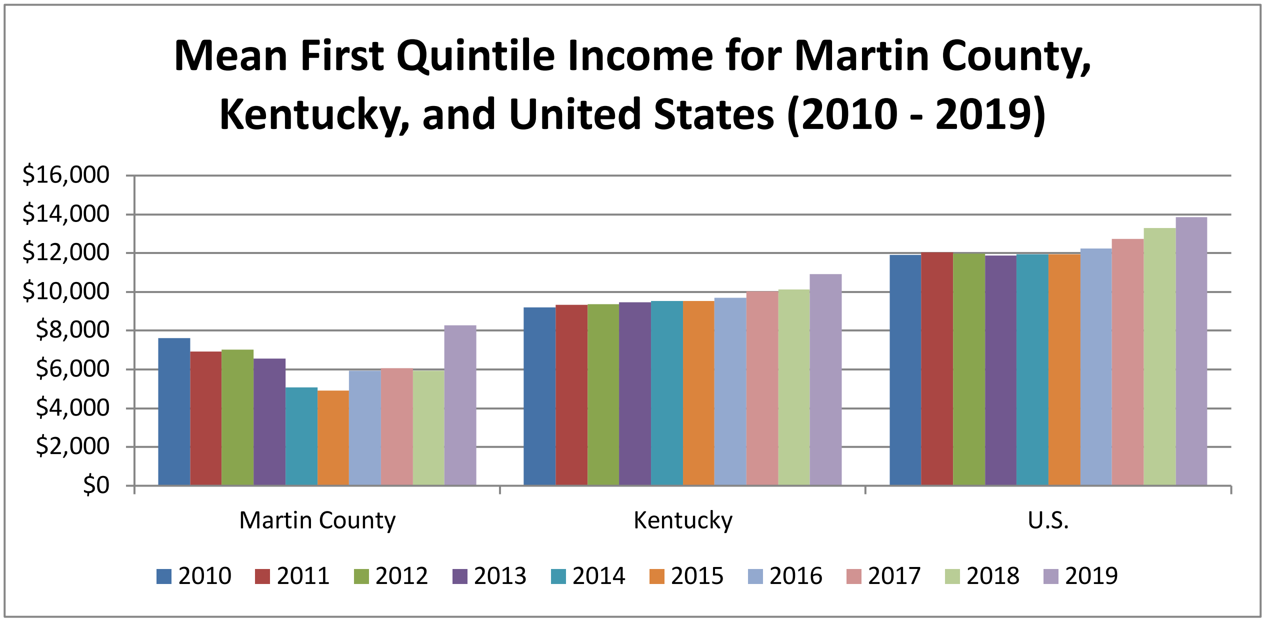
- While in 2014 and 2015, the mean state First Quintile income was almost exactly $9,500 ($9,541 and $9,523 respectively), the Martin County First Quintile income was from $4,500 to $4,600 lower ($5,075 and $4,924 respectively).

- While from 2016 to 2018, the mean state First Quintile income ranged from $9,710 to $10,122, the Martin County income was $3,800 to $4,200 lower (ranging from $5,936 to $5,940).

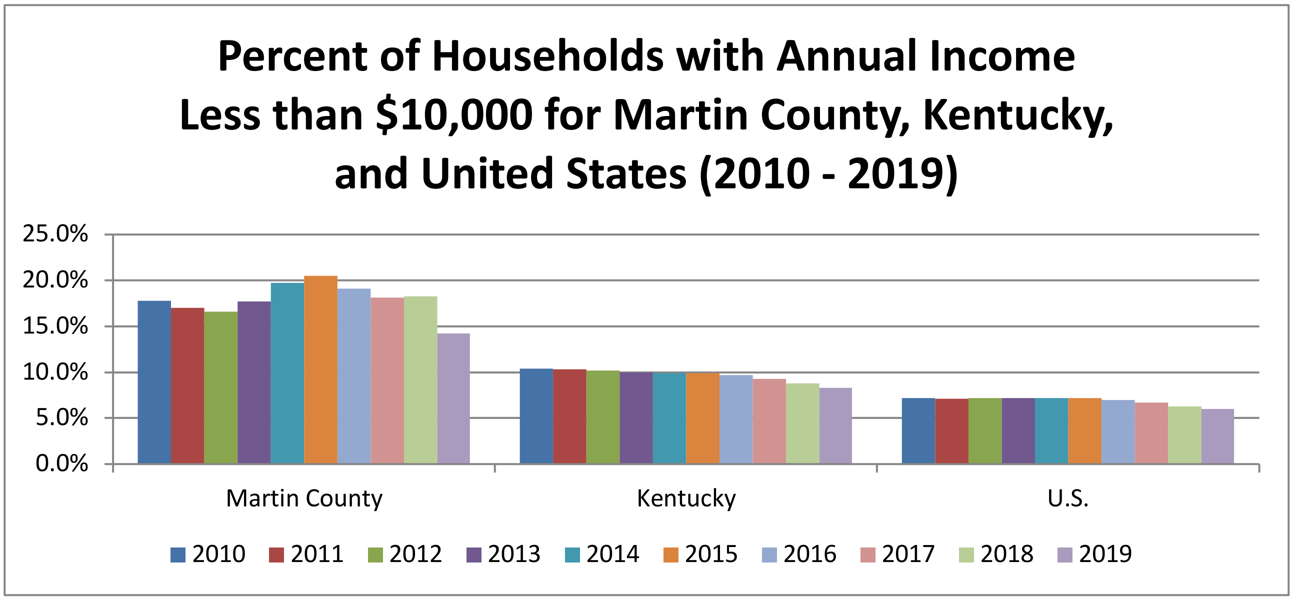
[4] The Census Bureau rank orders households by income from highest to lowest. That list is then divided into five equal parts, each part of which is called a "quintile." The one-fifth of households with the lowest income (i.e., the "First Quintile") is frequently called the "bottom quintile."

- Moreover, as can be seen in the Chart below, the average First Quintile income in Martin County was noticeably lower in 2014 through 2018 than it was prior to 2014.

It is important to remember that the First Quintile income presents annual *household* income. When the mean First Quintile income for Martin County is $7,000 or below, that means that Martin County households were existing on a *monthly* income for housing, food, transportation, utilities (energy and water) and all other household expenses of less than $600. Indeed, in Martin County, households in the First Quintile of income existed on a monthly income of $500 or less in five of the ten years for which data is available (2010 – 2019).

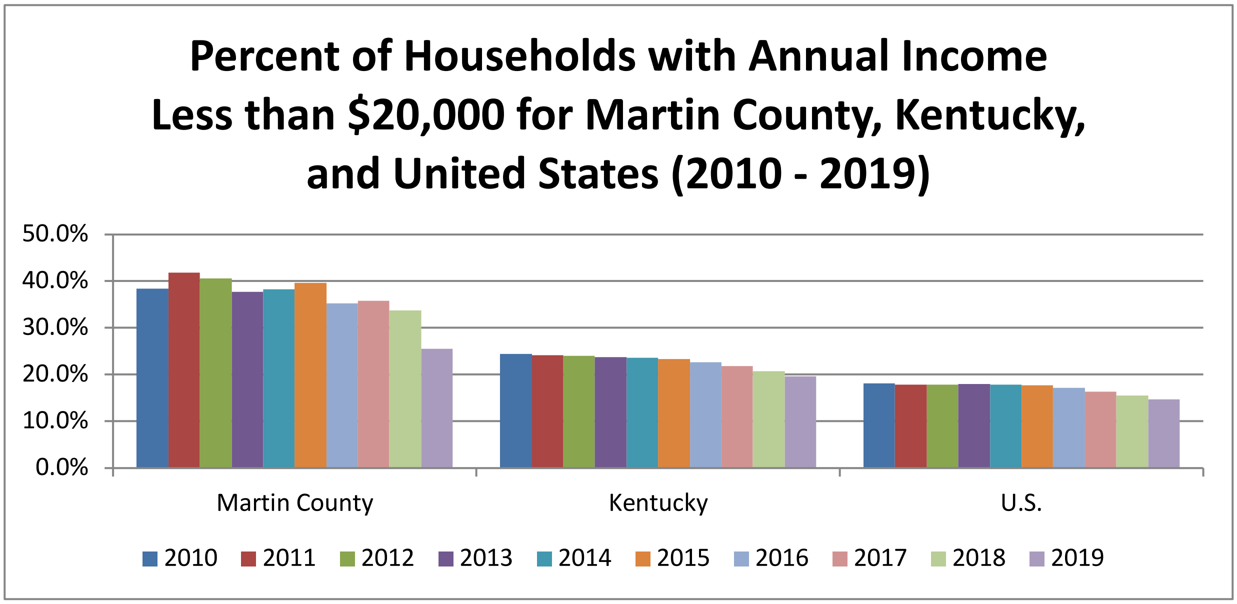


While considering the average (mean) income of the First Quintile (the lowest one-fifth) of the population provides important insights into the income status of the very poorest of the poor, data on the larger Martin County population also documents the extreme low-income status of the County as a whole. The two Charts immediately below consider the percentage of households with annual income at two different dollar levels: (1) below $10,000 of annual income; and (2) below $20,000 of annual income. Again, comparisons are made between the percentages in Martin County and the percentages in the State of Kentucky as well as in the United States as a whole.



In Martin County, consistently between 15% and 20% of the total population has an annual income of less than $10,000. The deep prevalence of that low-income status runs consistently higher than for both the State of Kentucky as a whole and for the nation as a whole. From 2010 through 2019, the percentage of households with income less than $10,000 was generally roughly 60% to more than 100% higher than the percentage of households with income that low in Kentucky overall. The percentage of households with income lower than $10,000 was from 2.5 to nearly three times higher than the percentage for the nation as a whole.

The situation does not improve if one considers a somewhat higher annual income (less than $20,000 rather than less than $10,000). During the early- to mid-years of the 10-year period considered, nearly 40% of Martin County's households lived with income less than $20,000 a year. Even with the recent increase in income, from 25% to 35% of Martin County's households lived with income that low. As the Chart immediately below shows, the percentage of households with income at this low level was from 60% to 75% higher in Martin County than it was for the State of Kentucky as a whole. The difference between Martin County households and U.S. households overall was even greater than the difference between Martin County and Kentucky households.



Finally, in contrast to the discussion of household incomes above, which considers dollars of income irrespective of the number of members in a household, the Federal Poverty Level examines income levels taking into account household size. The "Federal Poverty Level" is a metric published each year by the U.S. Department of Health and Human Services. Each year's American Community Survey (ACS) performed by the U.S. Census Bureau tracks how many persons live with annual income at or below the Poverty Level.[5]

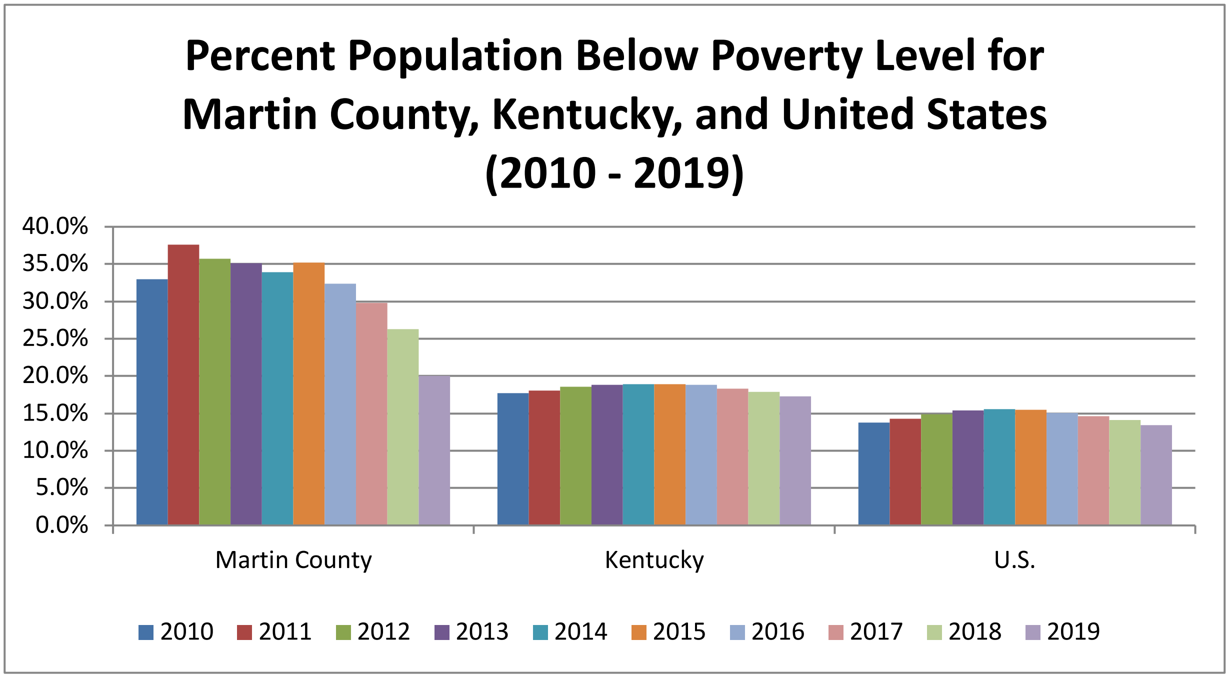
The Table below shows the dollar income at 100% of Poverty for households of from one (1) to three (3) persons for 2016 through 2019. In recent years, the Federal Poverty Levels have consistently, even if slightly, increased from year-to-year.

Table 1. Federal Poverty Level (household size: 1 – 3 persons) (2019)

Household Size	2016	2017	2018	2019
1	$11,880	$12,060	$12,140	$12,490
2	$16,020	$16,240	$16,460	$16,910
3	$20,160	$20,420	$20,780	$21,330

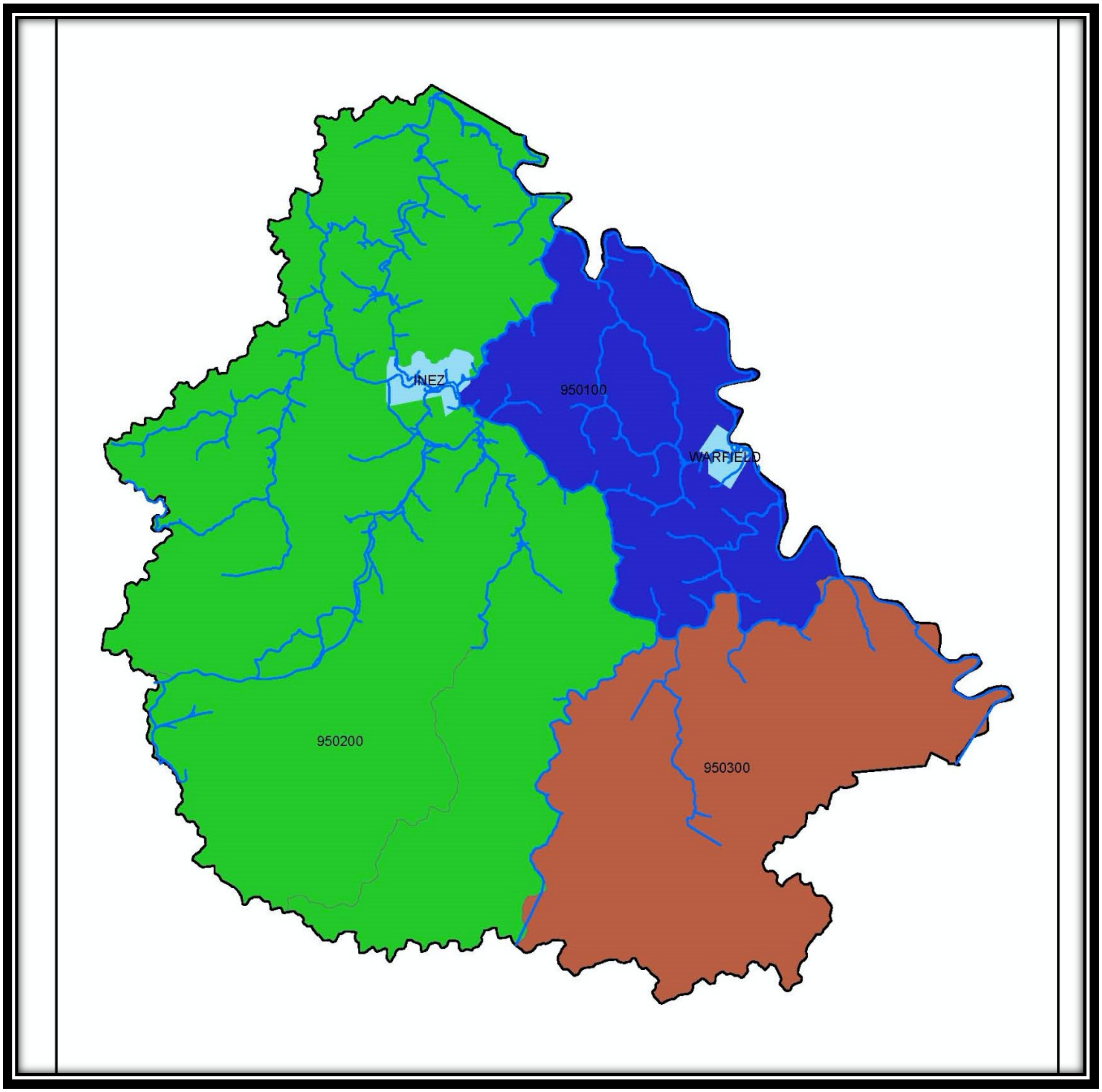
[5] Note the change in reporting by the Census Bureau between dollars of income and Federal Poverty Level. The Census reports on the number of *households* by dollars of income. The Census data, however, reports the number of *persons* by Poverty Level. In this report, this change in metric is addressed by converting numbers to percentages (e.g., percentage of households by income level; percentage of population by range of FPL) to make the discussions comparable.

For 2010 through 2017, the percentage of Martin County's population living below the Poverty Level was from 60% to more than 100% higher than the percentage of persons living below Poverty in Kentucky as a whole. Indeed, in six of those years, Martin County's Poverty percentage was from 80% to more than 100% higher than the percentage for the State of Kentucky. As with other measures of low-income status, the difference between Martin County and the United States as a whole was even greater than the difference between Martin County and the State of Kentucky. Martin County is consistently at or above 35%, while the State of Kentucky is between 15% and 20%. In contrast, the percent of population below Poverty for the United States as a whole is consistently at 15%.



B. Overview of the <u>Breadth</u> of Martin County Poverty.

In contrast to the examination of the depth of Martin County low-income status above, the discussion below will focus more closely on the *<u>breadth</u>* of low-income status. Looking at the breadth of low-income status considers how prevalent low-incomes are throughout the County. To review the breadth of Poverty in Martin County, rather than examining data for the County as a whole, the County will be divided into smaller sub-areas known as Census Tracts. Martin County has three different Census Tracts: #9501, #9502, and #9503. Looking at the average County-wide data does not present a complete picture of poverty in Martin County. Incomes in Martin County do not provide sufficient dollars for households to sustainably pay their MCWD water bills. While that is true throughout the County, the problems are exacerbated in particular areas of the County. A map of Martin County's Census Tracts is set forth below.


INEZ
950100
WARFIELD
950200
950300

In general, it is quickly possible to conclude that the breadth of Poverty in Martin County varies somewhat depending what part of the County one is examining. The county-wide average data presented above, in other words, masks the depth of poverty in specific parts of the County. For example, in Census Tract 9501, nearly four-of-ten (38%) of all persons live with annual income at or below 150% of Poverty. The other two Census Tracts have between 20% and 30% of their population at that income level (9502: 29%; 9503: 21%).

The breadth of Poverty in Martin County can also be seen by looking at the average income in the bottom *two* income quintiles for each Census Tract.[6] In Census Tract 9501, the bottom 20% of households (i.e., the First Quintile) has an average annual income of only $6,109, while in Census Tract 9502, the average First Quintile income was only $10,593. In Census Tract 9501, the average Second Quintile income (between 20% and 40% of households) had an average income of less than $17,000, compared to a Second Quintile income nearly $11,000 higher in Census Tract 9502.

Table 2. Average Income for Martin County Census Tracts (1st Quintile and 2nd Quintile) (2019)

	Lowest Quintile	Second Quintile
Census Tract 9501	$6,109	$16,783
Census Tract 9502	$10,593	$27,592
Census Tract 9503[7]	N/A	N/A

The data by Income Quintiles is confirmed when Martin County incomes are examined in simple dollar terms. In Census Tract 9501, more than 20% of all households live with annual income below $10,000, while in Census Tracts 9502 and 9503, more than 10% do. In Census Tract 9501, more than half of all households live with annual income below $30,000, while in Census Tracts 9502 and 9503, more than one-in-three households do.

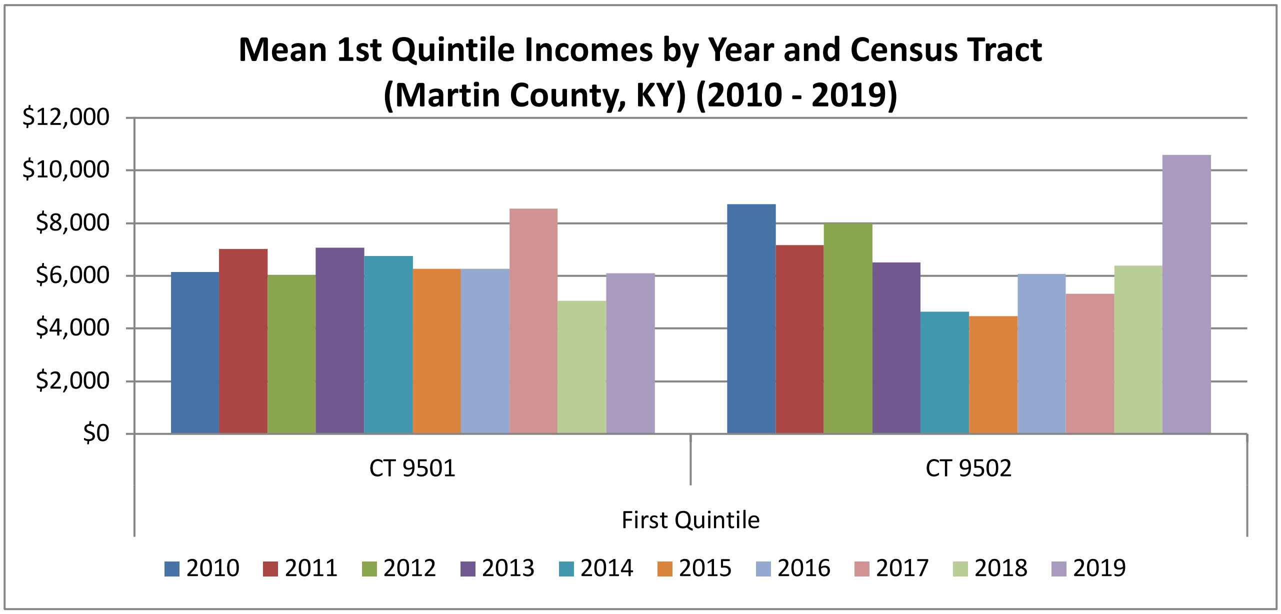
[6] This stands in contrast to the discussion above, which considered only the *bottom* quintile (i.e., the First Quintile).
[7] The Census Bureau withholds data for some geographic areas when the size of the population responding is sufficiently small to implicate privacy concerns. For example, this withholding (i.e., nonpublication) of data often occurs with quintile incomes. The population is small with which to begin, and dividing that population into one-fifths results in insufficient sample sizes to permit Census publication.

Table 3. Percent of Households by Selected Annual Income by Census Tract (Martin County, KY) (2019)				
		Households by Annual Income (dollars)		
	Total:	<$10,000	<$20,000	<$30,000
Census Tract 9501	1,395	21%	32%	52%
Census Tract 9502	2,365	10%	22%	34%
Census Tract 9503	393	11%	22%	37%

From these two metrics, while the entirety of Martin County faces significant problems associated with low-income status, it is clear that Census Tract 9501 is more low-income than the other two parts of the County. Using these Census Tracts, the Figure below then presents the mean income data for the First Quintile of income within the county over a ten-year period. First Quintile mean (i.e., average) income by year is examined for the years 2010 through 2019.[8] Mean First Quintile incomes generally remained below $10,000 in Martin County from 2010 through 2019. Indeed, in both Martin County Census Tracts for which there is data, the mean First Quintile income ranged closely around $6,000 each year.

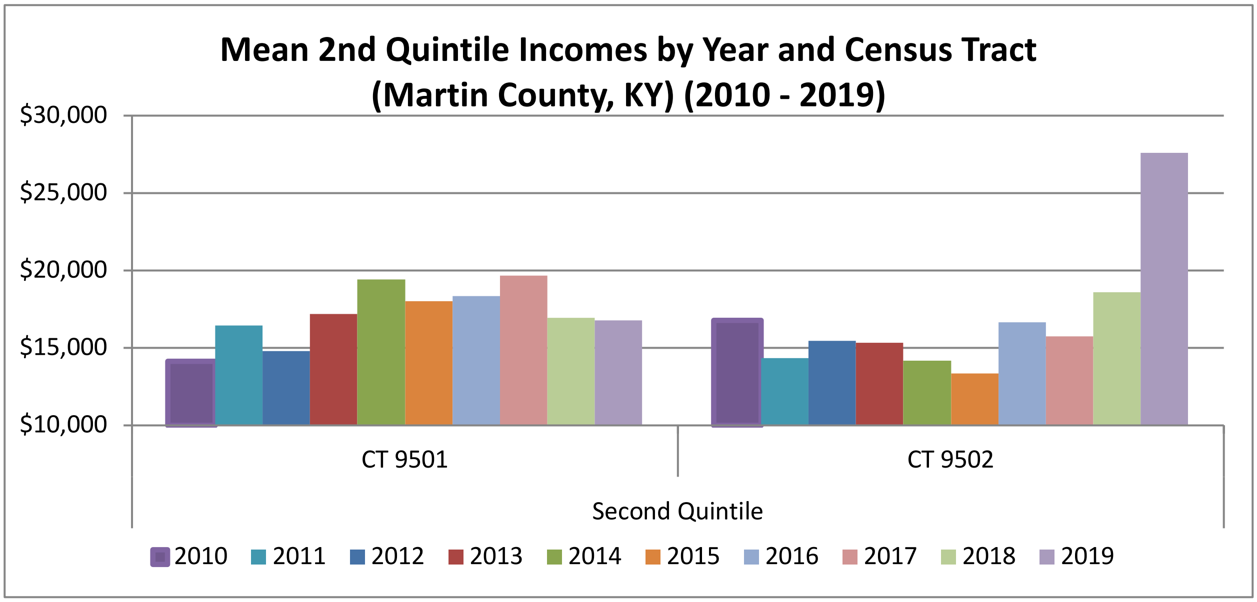
Beginning at an annual income of $8,731 in 2010, by 2014, the mean First Quintile income had dropped to $4,631 for Census Tract 9502. For three additional years (2015, 2016, 2017), the mean First Quintile income for this part of Martin County remained relatively constant at a level between $4,500 and $5,300. In contrast, Census Tract 9501 had a ten-year high average income of $8,556 (roughly $700 a month). More typically, however, the First Quintile incomes ranged between $6,000 and $7,000.

[8] 2019 is the most recent year for which detailed Census data is currently publicly available. While Census data to be used in redrawing legislative districts was released in the middle of August, 2020, detailed tables (e.g., for counties) are not expected to be released until 2022).



To place the incomes underlying the Figure above into some context, in 2019, the median monthly housing cost in Martin County (KY) was $453. After paying for housing in Martin County, in other words, the 20% of Martin County households living with the lowest incomes in Census Tract 9501 had less than $250 to pay all other household necessities. In Census Tract 9502, the First Quintile population had less than $450 a month to pay for all household necessities other than housing.

The Figure below presents a similar story for the Second Quintile of income. In Census Tract 9502, there was a sharp uptick in income in 2019. While the mean Second Quintile income was $16,782 in 2010 in this Census Tract, it declined to a low of $13,340 in 2015. The income in Tract 9502 climbed back to its 2010 level by 2017 ($16,668), briefly declined back to $15,753 in2017, before the aberrational income spike in 2019.



The purpose of looking at the Census Tracts within Martin County is not necessarily to establish any particular pattern in the average incomes for these low- income households in Martin County. Rather, several important observations flow from the data presented above.

First, it is important to note that County-wide trends in incomes do not necessarily reflect income trends for all parts of the County. From 2010 through 2017, for example, while First Quintile incomes in Census Tract 9501 remained virtually constant, First Quintile incomes in Census Tract 9502 noticeable decreased. In contrast, from 2019 through 2017, while Second Quintile incomes in Census Tract 9501 noticeably increased, the direction in Second Quintile income changes in Census Tract 9502 was the opposite.

Second, in considering the affordability of water service in Martin County, it cannot be assumed that incomes will consistently increase from year-to-year. Both for the County as a whole (e.g., from 2011 through 2019) and for Census Tracts 9501 and 9502, First Quintile incomes increased from one year to the next at times, but actually *decreased* from one year to the next in other instances. Indeed, for the County as a whole, as well as for individual Census Tracts, the number of years in which average First Quintile incomes declined outnumbered the number of years in which average First Quintile incomes increased.

Finally, the breadth of the low-income status of MCWD's customer base can be seen in the extent to which household incomes throughout the County fall into the differing ranges of the Federal Poverty level. In Martin County, as the Figure below documents, the penetration of low-income status varies between Census Tracts:

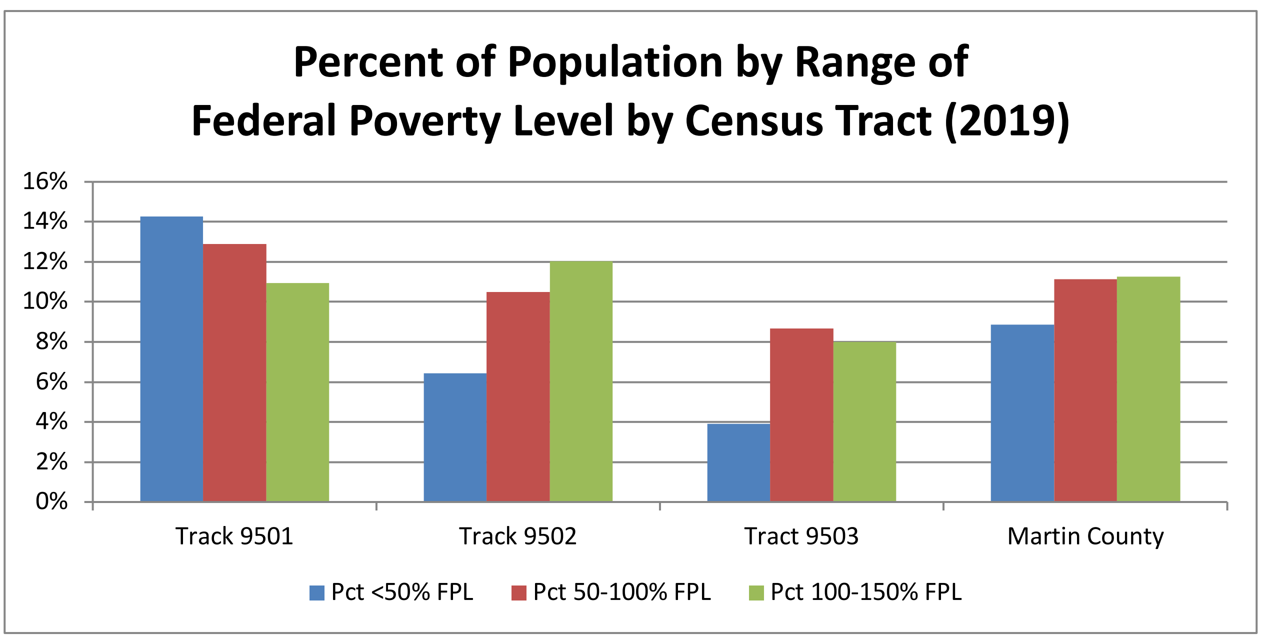
➢ In Census Tract 9501, the percentage of persons with income below 50% of Poverty Level exceeds the percentage of persons in either of the other two ranges of Poverty. In fact, in Census Tract 9501, the range of 100% to 150% of Poverty has the fewest percentage of persons in it.

➢ In Census Tract 9502, the opposite is the case. The highest percentage of population is seen in the range of 100% to 150% of Poverty, while the smallest percentage is seen in the lowest income range. Census Tract 9503 similarly has its smallest percentage in the lowest income range, with the percentages in the two higher ranges of Poverty (50% to 100%; 100% to 150%) being roughly equal.

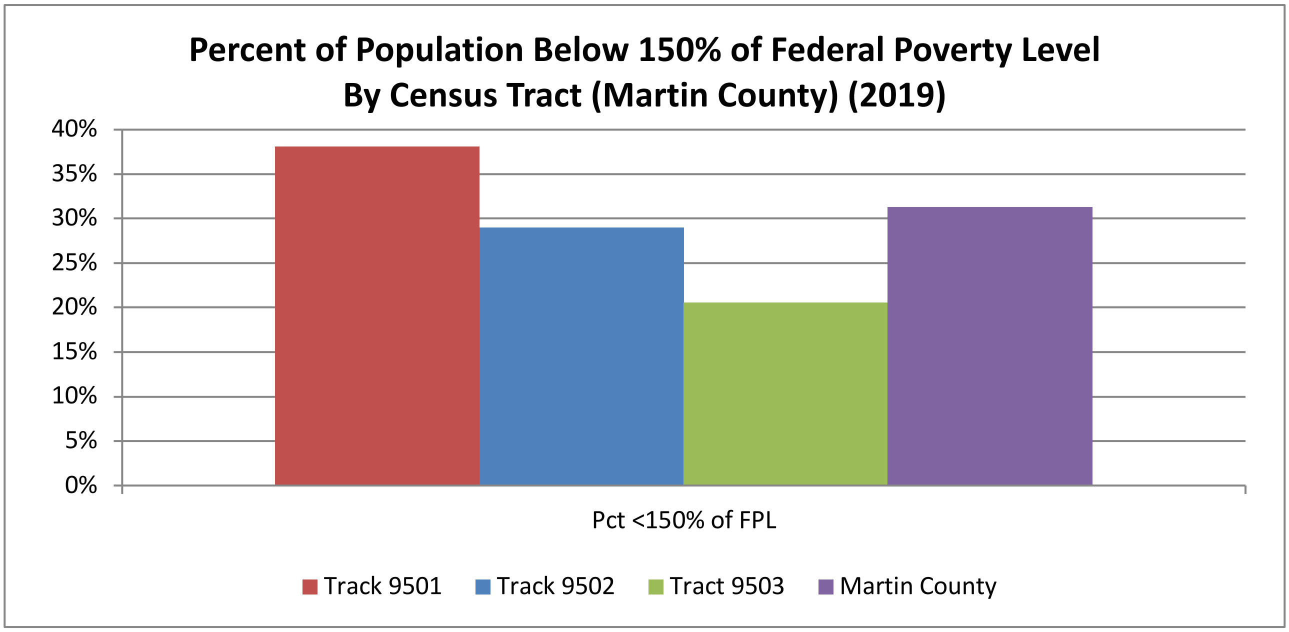
➢ Overall, the penetration of Poverty in Census Tract 9501 is higher than in either of the other two Census Tracts.

Because of the difference in population between the three Census Tracts, however, as can be seen in the Figure below, for the County as a whole, the penetration of population for both ranges exceeding 100% of Poverty are nearly identical, with the penetration of the lowest Poverty Level range being somewhat lower.

It is important to remember that all three Poverty ranges included in this Figure are considered to be "low-income." Nonetheless, the data from the individual Census Tracts shows that different parts of the County have different profiles for the varying parts of Martin County. In particular, Census Tract 9501 is substantively more low-income than are either of the other two Census Tracts, and more low-income than Martin County as a whole.



The same result appertains when one considers the total population with annual income below 150% of Federal Poverty Level. Census Tract 9501 has a substantively higher percentage of population with income below that Poverty Level than does Martin County as a whole. Census Tract 9502 is the Tract which is the most reflective of the County as a whole, while Census Tract 9503, the smallest Census Tract by population, is somewhat better off.



In summary, it comes as no surprise that Martin County has both a substantial depth and breadth of poverty within its boundaries. The depth of Poverty indicates that those households who are poor are *very* poor. Extreme Poverty, a term-of-art in demographic analysis indicating an income of at or below 50% of the Federal Poverty Level, is not only prevalent, but is sometimes the largest group of low-income persons in Martin County. Moreover, in addition to the County as a whole experiencing a substantial proportion of its total population being low-income, the various individual Census Tracts reveal that low-income status is common throughout the County. It is *not* merely one area with intense Poverty status that affects the overall numbers for the County. Poverty status, including Extreme Poverty, is common throughout the county.

Part 2. Martin County Water Burdens

MCWD bills imposes unaffordable water burdens (i.e., bills as a percentage of income) on low-income county residents.[9] Martin County burdens now reach levels that are four to five times higher than affordable burdens. As a result, access to water as a basic human need is threatened for the County's most vulnerable populations.

The discussion below will consider MCWD burdens from four different perspectives. After an overview of why it should be important for the Martin County Water District to consider the affordability (and unaffordability) of its rates to low-income customers, the discussion below is presented as follows:

- In the first section, water burdens (2019 First Quintile incomes) for bills at an average consumption (4,000 gpm), at the "2019 rates"[10] and at the "Interim Rates,"[11] are considered for the County as a whole.

[9] Water burdens are a simple ratio. The water bill is placed in the numerator. Household income is placed in the denominator. The result is water bills as a percentage of income, the "water burden."

[10] For purposes of this discussion, the term "2019 rates" refers to the rates in effect prior to MCWD filing the instant request for an increase in rates.

[11] By Order of the Kentucky PSC dated July 9, 2021, these proposed rates were placed into effect on an interim basis. Because they have not gained final approval by the PSC, the discussion herein will continue to refer to them as the "interim" rates.

- In the second section, those same bills (bills at average usage at selected rates) are considered by Census Tract and Poverty Level.

- In the third section, the review is limited to minimum bills, which include the surcharges allowed by the Kentucky Public Service Commission.

- Finally, in the fourth and fifth sections, the review considers the impact on affordability from an elimination of the surcharges from low-income bills, first for the County as a whole and next by Census Tract.

A. WHY UNAFFORDABILITY SHOULD BE IMPORTANT TO MCWD.

Addressing the unaffordability of low-income water bills should be of particular concern to the Martin County Water District. When customers cannot afford their water bills, they face a greater risk of nonpayment and, accordingly, of nonpayment disconnection of service. In turn, the nonpayment disconnection not only threatens the social and physical well-being of the low-income customers, it has significant financial costs to MCWD as well. It not only reduces future revenues from the disconnected customers, it places the unpaid balances at risk as well. Indeed, in Martin County, inability-to-pay often throws customers into a spiral of <u>*increasing*</u> costs, none of which make it more likely that MCWD will generate the revenue it needs to operate as an effective and efficient water utility.

It is clear that nonpayment disconnections are likely to jeopardize future revenue to the Martin County Water District. MCWD recently filed its Water Utility Non-Payment Disconnection/Reconnection Report with the Kentucky PSC. Not only does the MCWD data show that it has reconnected few of the accounts which it has disconnected for nonpayment, but the data also show the dollars of revenue which are placed in jeopardy.[12]

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[12] Given that there were no disconnections during the COVID-19 moratorium, this data reflects only post-moratorium months.

Table 4. Martin County Water District Water Utility Non-Payment Disconnection/Reconnection Report (January 2021 through June 2021) (July 19, 2021)						
	January	February	March	April	May	June
Number Terminated	81	0	54	36	40	19
Highest $ Amt Terminated	$2,702.24	---	$840.38	$1,865.13	$643.02	$867.58
Median $ Amt Terminated	$398.26	---	$371.35	$501.53	$138.48	$393.32
Average $ Amt Terminated	$543.05	---	$201.84	$183.31	$169.44	$237.87
Number Reinstated	27	0	14	20	22	5

In the six months from January through June 2021, MCWD disconnected a total of 230 customers. Those customers represented nearly $73,000 in unpaid balances ($72,782.70).[13] If there is a disconnection without a subsequent reconnection, however, MCWD is not recovering those unpaid balances at the time of reconnection. Fewer than 40% (88 of 230) of the account that MCWD disconnected were reconnected.

It is not merely the disconnection of service which harms MCWD, however. An inability-to-pay from the perspective of the customer is an inability-to-collect from the perspective of MCWD. While MCWD does not track customers by income, its own internal data reveals the collections problem that it currently faces given its unaffordable bills. As shown in the Table on the next page, data on the number of residential bills issued compared to the number of payments received was provided by MCWD. For the period July 2020 through April 2021, MCWD received only 85 payments for each 100 residential bills it issued. There were two months (November/December 2020) in which the number of payments received was less than 80% of the number of bills issued. In only one month (January 2021) did the percentage exceed 90%.

[13] Average arrears at termination times the number of terminations.

Table 5. Residential Bills Issued vs. Residential Payments Received (MCWD) (MCCC-1-20)			
	Residential Bills Issued	Residential Payments Received	Percent Pyts of Bills
Jan-20	3,423	Not Available	---
Feb-20	3,413		---
Mar-20	3,191		---
Apr-20	3,456		---
May-20	3,446		---
Jun-20	3,370		---
Jul-20	3,178	2,839	89.3%
Aug-20	3,189	2,634	82.6%
Sep-20	3,182	2,590	81.4%
Oct-20	3,187	2,766	86.8%
Nov-20	3,182	2,527	79.4%
Dec-20	3,172	2,522	79.5%
Jan-21	3,170	3,121	98.5%
Feb-21	3,164	2,541	80.3%
Mar-21	3,120	2,744	87.9%
Apr-21	3,139	2,768	88.2%
Sum (07/20 – 04/21	31,683	27,052	85.4%

The performance does not dramatically improve if when considers dollars of payments rather than numbers of payments. In the period July 2020 through April 2021 (the same period for which MCWD it reports having data on the number of payments), MCWD received even a lower percentage of dollars than it received in number of payments. For the period July 2020 through April 2021, MCWD reports that it collected dollars equal to 80% of the revenue it billed for current service. Indeed, in five months, MCWD collected less than 80% of its billed revenue. In February 2021, it collected only 50% of its billed revenue.

Table 6. MCWD Dollars of Residential Bills Issued for Current Service Compared to Dollars of Residential Payments Received (MCCC-1-20(c), 20(d)).			
	Residential Bills Issued (Current Service)	Residential Payments Received	Percent Pyts of Bills
Jul-20	$223,654.88	$162,887.42	72.8%
Aug-20	$162,300.78	$163,511.70	100.7%
Sep-20	$180,331.33	$131,616.74	73.0%
Oct-20	$175,849.43	$150,465.47	85.6%
Nov-20	$180,652.08	$127,388.08	70.5%
Dec-20	$178,952.89	$128,945.97	72.1%
Jan-21	$180,468.03	$193,369.69	107.1%
Feb-21	$254,210.80	$127,230.17	50.0%
Mar-21	$98,404.64	$142,006.68	144.3%
Apr-21	$184,849.61	$132,596.02	71.7%
Sum (Jul-20-Apr-21)	$1,819,674.47	$1,460,017..94	80.2%

MCWD does not do itself any favors by imposing the non-cost-based non-recurring fees that it does. The Table below compares the residential payments received against the *total* bill (i.e., including all fees, such as late fees, and the like but excluding the school tax and sales tax that is billed). When a utility is collecting only 80% of what it is billing with which to begin, it makes little sense to respond to that non-collection by *increasing* through the imposition of added fees. As the Table below shows, when MCWD includes the fees which it imposes on residential customers, its collection rate declines even further, to only 78%.

Table 7. MCWD Residential Payments vs. Residential Bills (including fees) (MCCC-1-20(d), 20(e))			
	Residential Payments	Residential Bills (including fees)	Pct Bill Paid
Jul-20	$162,887.42	$229,801.05	70.9%
Aug-20	$163,511.70	$166,923.49	98.0%
Sep-20	$131,616.74	$185,264.26	71.0%
Oct-20	$150,465.47	$180,600.66	83.3%
Nov-20	$127,388.08	$185,477.29	68.7%
Dec-20	$128,945.97	$183,740.92	70.2%
Jan-21	$193,369.69	$185,326.94	104.3%
Feb-21	$127,230.17	$261,156.29	48.7%
Mar-21	$142,006.68	$101,356.78	140.1%
Apr-21	$132,596.02	$189,546.20	70.0%
Sum	$1,460,017.94	$1,869,193.88	78.1%

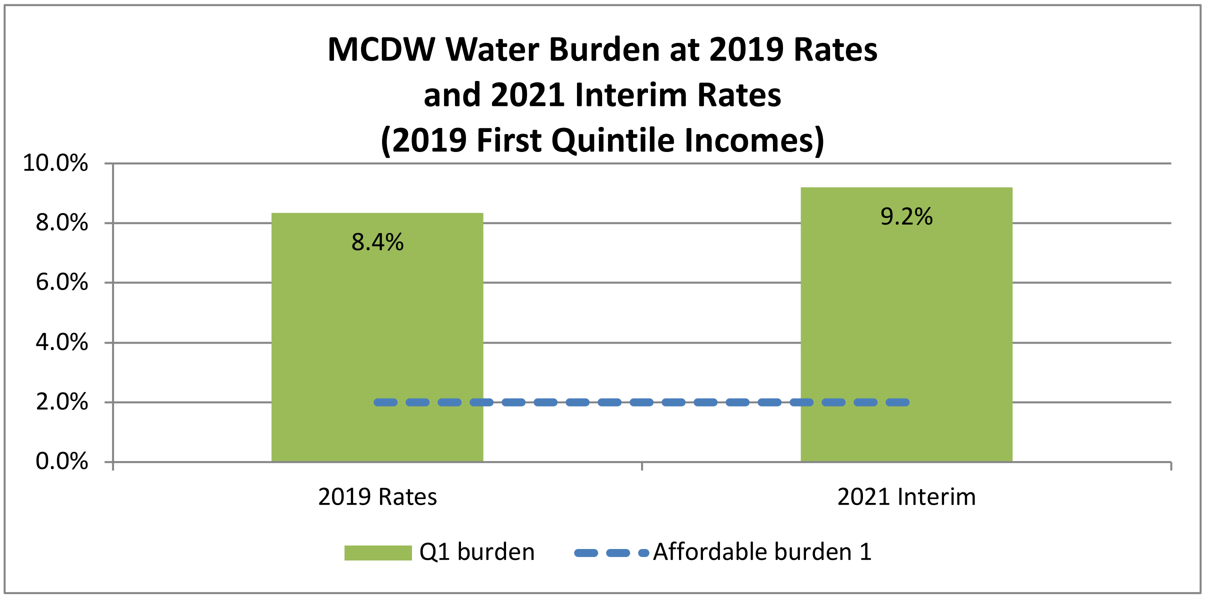
Overall, when a utility such as MCWD ignores the inability-to-pay of its customers, it tends to fall further and further behind in translating revenues into receipts. When MCWD was asked to provide the total dollars of residential arrears, MCWD provided the data set forth in the Table below. The Table shows the dollars that are not overdue (i.e., "current") versus the dollars that are one month past-due (+1), two months past due (+2), and so on. It also provides the total balance outstanding (i.e., the sum of bills currently due but not yet paid plus the dollars past due). As can be seen in this Table, MCWD's unpaid balances are not just one month past due, but they are frequently much longer past-due.

Table 8. "Current" Dollars vs. Dollars in Arrears (MCWD) (December 2020) (MCCC-1-22(b))						
Revenue Code	Current	+1 Month	+2 Months	+3 Months	+4 Months	Total Balance
100-Water	$141,713,03	$47,093.17	$27,470.28	$19,588.92	$77,622.12	$313,487.52

In sum, when the widespread inability-to-pay for MCWD low-income customers as is presented above is documented, that inability-to-pay does not represent simply a "social" problem with the failure to provide a basic human necessity at affordable rates. The inability-to-pay is also an inability-to-collect. Responding to this inability-to-collect simply by continuing to increase the underlying bills will not only be ineffective as a means to raise revenue, it will be counter-productive. With this in mind, the next section of this Report considers precisely the types of "creative solutions" that the PSC urged stakeholders to develop.

B. WATER BURDENS FOR MARTIN COUNTY AS A WHOLE (Q1 INCOME): SELECTED RATES.

MCWD bills at *2019* rates exceed an affordable water burden by more than 400% for Martin County households with First Quintile incomes While an affordable burden for water bills standing alone (no wastewater or stormwater) is defined to be two percent of income,[14] MCWD imposes burdens of 8.4% of income at 2019 First Quintile income levels.[15] In contrast, at the Interim Rates approved for MCWD in July 2021, those burdens increase to 9.2% of income.



The Figure above, however, is somewhat misleading in what it reveals about MCWD bill affordability. As explained in more detail in Part 1 of this report, 2019 First Quintile incomes were unusually high. While the 2019 First Quintile income was $8,264 for Martin County as a whole, the First Quintile incomes for Martin County in the previous five years ranged from a low of $4,924 in 2015 to a high of $6,059 in 2017. First Quintile incomes for all five years are set forth in the Table below. To the extent that 2019 incomes are not representative of a typical year's First Quintile income in Martin County, MCWD water burdens will be much higher.

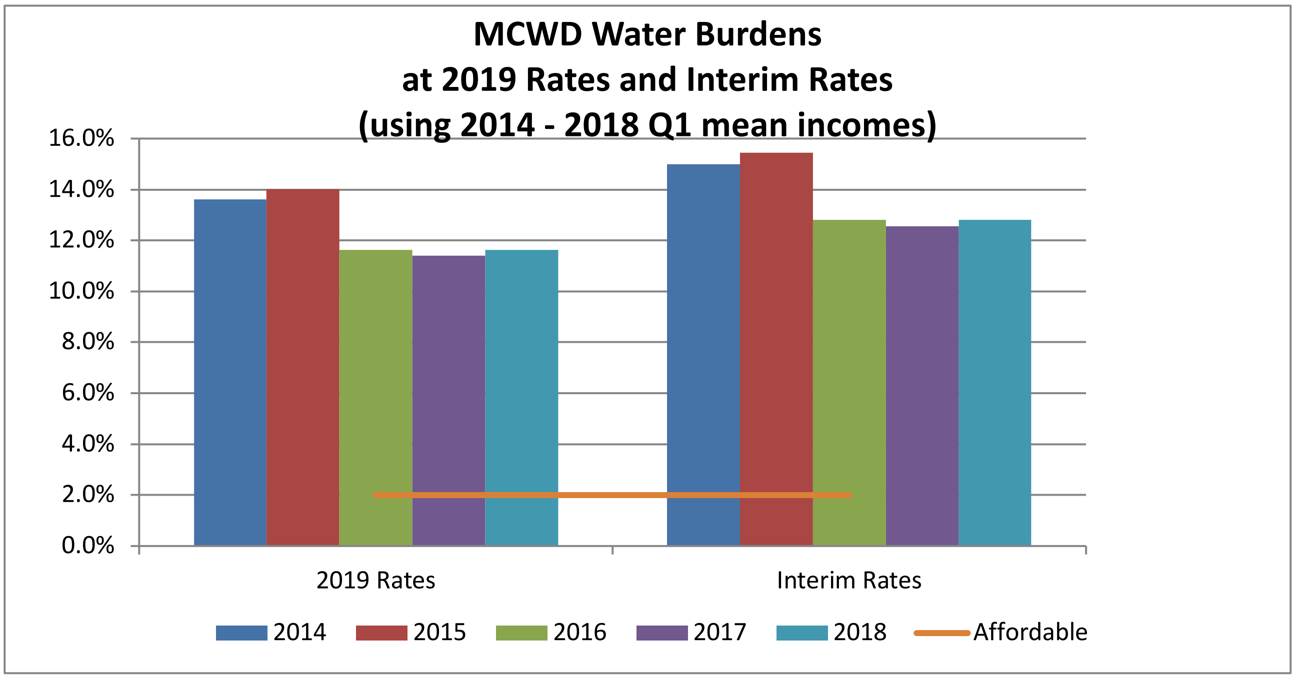
[14] An affordable burden for combined water and wastewater service is, as discussed in more detail elsewhere, set at four percent. When the two services are considered on a stand-alone basis, the burden is divided in half (2%).For a discussion of the basis for setting the demarcation of affordability at 2% of income, see, note

[15] At the time this report was written, 2020 Census data has not yet been released. 2019 income data is the most recent data available.

Table 9. First Quintile Incomes, Martin County (KY) (2014 – 2019)

2014	2015	2016	2017	2018	2019
$5,075	$4,924	$5,936	$6,059	$5,940	$8,264

Since 2019 incomes appear to be an aberration, I have examined the impacts that would have occurred had MCWD rates been in effect with the incomes that existed for each of the years 2014 through 2018. MCWD burdens given bills at the 2019 Rates and the 2021 Interim Rates approved in July 2021 (usage of 4,000 gpm) are presented in the Figure below. At these First Quintile incomes in Martin County, MCWD water burdens at 2019 Rates would have consistently been at nearly 12% of income (or more). MCWD water burdens at the 2021 Interim Rates consistently would also have consistently exceeded 12% of income.



It is possible to place these MCWD water burdens into context. In the United States, It is universally accepted that total shelter costs are "unaffordable" if they exceed 30% of income. Total shelter costs include not only rent/mortgage, but all utilities (except telephone).[16] Schwartz and Wilson state in relevant part:

> The conventional public policy indicator of housing affordability in the United States is the percent of income spent on housing. Housing expenditures that exceed 30 percent of household income have historically been viewed as an

[16] Schwartz and Wilson (2008). "Who Can Afford to Live in a Home: A Look at Data from the 2006 American Community Survey," U.S. Census Bureau: Washington D.C.

indicator of a housing affordability problem. The conventional 30 percent of household income that a household can devote to housing costs before the household is said to be "burdened" evolved from the United States National Housing Act of 1937.

* * *

Because the 30 percent rule was deemed a rule of thumb for the amount of income that a family could spend and still have enough left over for other nondiscretionary spending, it made its way to owner-occupied housing too. Prior to the mid-1990s the federal housing enterprises (Fannie Mae and Freddie Mac) would not purchase mortgages unless the principal, interest, tax, and insurance payment (PITI) did not exceed 28 percent of the borrower's income for a conventional loan and 29 percent for an FHA insured loan.

* * *

[F]or those households at the bottom rungs of the income ladder, the use of housing costs in excess of 30 percent of their limited incomes as an indicator of a housing affordability problem is as relevant today as it was four decades ago.[17]

Clearly, if Martin County households are being charged 10% to 12% for their water costs alone, not only is their ability to gain access not merely to essential water service placed in serious jeopardy, but their ability to retain access to affordable housing is as well.

Moreover, an affordable burden of 6% is generally recommended for total home energy. The 6% burden has been frequently adopted, including in the states of New Hampshire,[18] New York,[19] New Jersey[20] and Illinois.[21] In addition, the Pennsylvania PUC has capped home energy

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[17] Id.

[18] New Hampshire Public Utilities Commission, Docket No. DE 06-079 (2006). ("The current tiered Low Income Electric Assistance Program (EAP) was designed with the goal of making electricity "affordable" at 4 % of household gross income for power and light usage and 6% of household gross income for electric heat.")

[19] The New York Public Service Commission favored a 6% energy burden level because it appears to be a widely accepted limit for utility payments, including in New Jersey and Ohio; and also reflected by EIA data. New York Public Service Commission's *Order Adopting Low Income Program Modifications and Directing Utility Filings* at 7-48, Case 14-M-0565 (effective May 20, 2016).

[20] New Jersey requires USF customers who use natural gas for heating and electricity will pay 3% for their natural gas service and 3% for their electricity service. If, however, the customer uses electricity for heating, the entire 6% is devoted to the electricity service. The discount provided to customers is based on the difference between their annual utility bill (after LIHEAP is applied) and the required percentage of household income. https://www.state.nj.us/dca/divisions/dhcr/faq/usf.html#q1

[21] Illinois administers a percentage of income plan (PIP) that charges customers a maximum of 6% of their income for gas and electric service. The maximum PIP credit, however, is $150 per month or $1,800 annually. Illinois Senate Bill 1918 at 108-109. http://www.ilga.gov/legislation/96/SB/PDF/09600SB1918lv.pdf

burdens for households with annual income at or below 50% of Poverty Level at 6% of income.[22] In Martin County, however, water bills, standing alone, are two times the level of home energy bills that are deemed to be affordable.

Which burden represents the upper limit of affordability for water has not achieved the same level of agreement that the definition of home energy affordability has achieved. The burden used to define water affordability in this report is 2% of income.[23] This definition of affordability, takes into account both the 30% limitation on housing burdens as affordable and the 6% limitation on energy burdens that are defined to be affordable. A combination of water burdens and energy burdens should not represent an excessive proportion of total shelter costs. It is important to remember that the 30% definition of an affordable shelter burden is intended to include all utilities except telephone service.

An empirical basis exists for defining combined water/sewer affordability to be 4% of household income.[24] The Table below provides this support by benchmarking water expenditures (in dollars) against energy expenditures (in dollars). Given that affordable energy is defined to be 6% of income, it would be inappropriate to define affordable water to be 6% of income, as well, if energy expenditures average $1,200 and water expenditures average $800. Some proportionality is required. If water expenditures are lower than energy expenditures (in dollars), an affordable water burden should be lower than an affordable energy burden (as a percentage of income).

The Table immediately below compares typical consumer expenditures on water bills compared to typical consumer expenditures on home energy using differing measures of income. As can be seen, at each level of "household income," while it is not unusual for water expenditures to

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[22] Pennsylvania PUC (September 19, 2019). Home Energy Affordability for Low-Income Customers in Pennsylvania, Final Policy Statement and Order, Docket M—2019-3012599.

[23] This implies an affordable burden of 4% for combined water and sewer (wastewater) service. Since sewer (wastewater) rates are not at issue in this proceeding, the 2% figure is used to define affordability. The 2% figure is derived from the 4% figure for combined services, simply by dividing the combined burden in half.

[24] Remember, the 2% affordability threshold used for water on a stand-alone basis is determined by dividing this 4% affordability threshold for combined services in half. These burdens are also consistent with international standards applicable to a combined water and wastewater burdens. See, United Nations Development Program, Beyond Scarcity: Power, Poverty and the Global Water Crisis, at 97 (3% affordable standard appropriate).

A burden of 2.5% is often also used to define affordability based on EPA standards. However, in response to frequent criticisms of its 2.5% figure, the EPA has made clear said that its 2.5% burden is to be used for assessing community wide impacts, and is *__not__* to be used to determine affordability for individual households. While the Residential Indicator (RI) detailed in the [EPA] Guidance is sometimes incorrectly interpreted as a metric that applies at the household level, it was in fact designed as one component input into a broader utility or service area level financial capability assessment. Accordingly, I do not use the EPA standard.

somewhat exceed natural gas expenditures (for those having natural gas expenditures), water bills are *always* less than household expenditures on electricity.

What the Table below shows is that it would thus be reasonable for an affordable water burden to be roughly equal to a natural gas burden, but somewhat less than an affordable total energy burden. Similarly, a combined water/sewer burden (4%) that somewhat exceeds natural gas burdens deemed to be affordable, but that is less than total home energy bills would appear to be reasonable. Defining an affordable burden for water on a stand-alone basis to be 2% of income (implying a 4% burden for combined water/sewer) meets these tests.

Table 10. Comparative Expenditures on Home Energy and Water (2019) by Income (United States) (U.S. Consumer Expenditures Survey)

	All Consumer Units	Less than $15,000	$15,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 to $69,999
Natural gas	$416	$225	$325	$365	$363	$359
Electricity	$1,472	$977	$1,228	$1,367	$1,398	$1,466
Water/Sewer	$645	$366	$472	$531	$558	$605

Any determination of what percentage of income burden is "affordable" to a low-income burden for a particular service is inherently imprecise, whether the service being examined involves home energy, water service, health care, or housing. Despite the imprecision, so long as one recognizes that affordability is a range and not a point, defining an affordable water bill (on a stand-alone basis) as one that does not exceed 2% of income is reasonable.

C. WATER BURDENS AT AVERAGE BILLS AT SELECTED RATES: BY CENSUS TRACT & POVERTY LEVEL.

As discussed in more detail above, considerable diversity in low-income status exists throughout the MWCD service territory. The Figure below considers that diversity of income as measured by differing ranges of the Federal Poverty Level. Using average bills (4,000 gpm) at 2019 Rates and Interim Rates, MCWD burdens at four different ranges of Poverty are examined. To assess water burdens at current income levels, the Figure uses 2021 Federal Poverty Level income ranges. Federal Poverty Levels for households with from one to four persons are set forth in the Table below.

Table 11. 2021 Federal Poverty Guidelines	
Household Size	Income (100% of Poverty Level)
1 person	$12,880
2 persons	$17,420
3 persons	$21,960
4 persons	$26,500

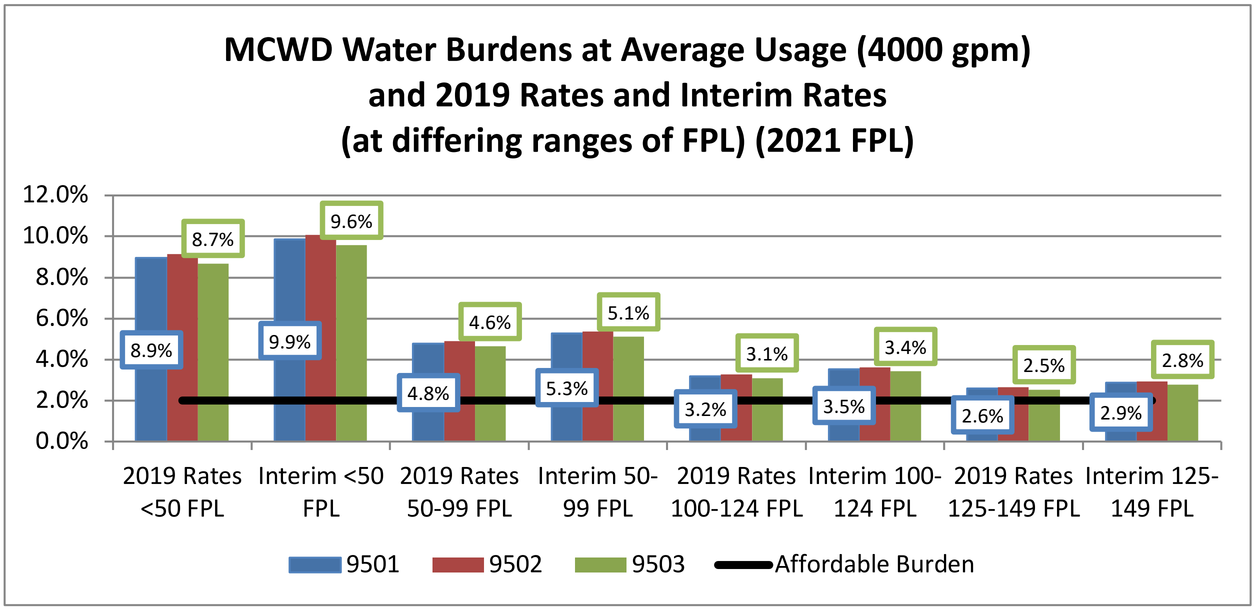
The Figure below demonstrates the obvious. As incomes increase, MCWD water burdens decrease. Water burdens (i.e., bills as a percentage of income) are calculated as a ratio. The MCWD water bill is placed in the numerator; income is placed in the denominator. An MCWD bill at interim rates ($63.39 per month; $760.68 per year) is a larger percentage of an annual income of $12,880 than it is of an annual income of $21,960.[25]

At 50% of Poverty Level (given 2021 Poverty Level dollar figures), MCWD water burdens would approach or exceed 10% of income, more than five times higher than the water burden generally deemed to be affordable. While MCWD burdens decrease as Federal Poverty Level ranges increase, even with incomes at between 125% and 150% of Poverty, MCWD bills exceed an affordable level in each Census Tract studied.

At each level of Poverty, water bills are more unaffordable in Census Tract 9503 than they are in either Census Tract 9501 or Census Tract 9502.[26] Remember, however, that Census Tract 9503 is the least populated of the three geographic areas.

[25] In this discussion, 100% of Federal Poverty for each Census Tract is based on the average household size in the Census Tract.

[26] While overall, Census Tract 9501 appears to be the lowest income Census Tract in Martin County, that observation does not apply to this discussion. In this discussion, the incomes are held constant at each Poverty Level in each Census Tract. So, while there may be more poor people in Census Tract 9501, when incomes are examined on Poverty Level range at a time that observation does not affect the analysis.



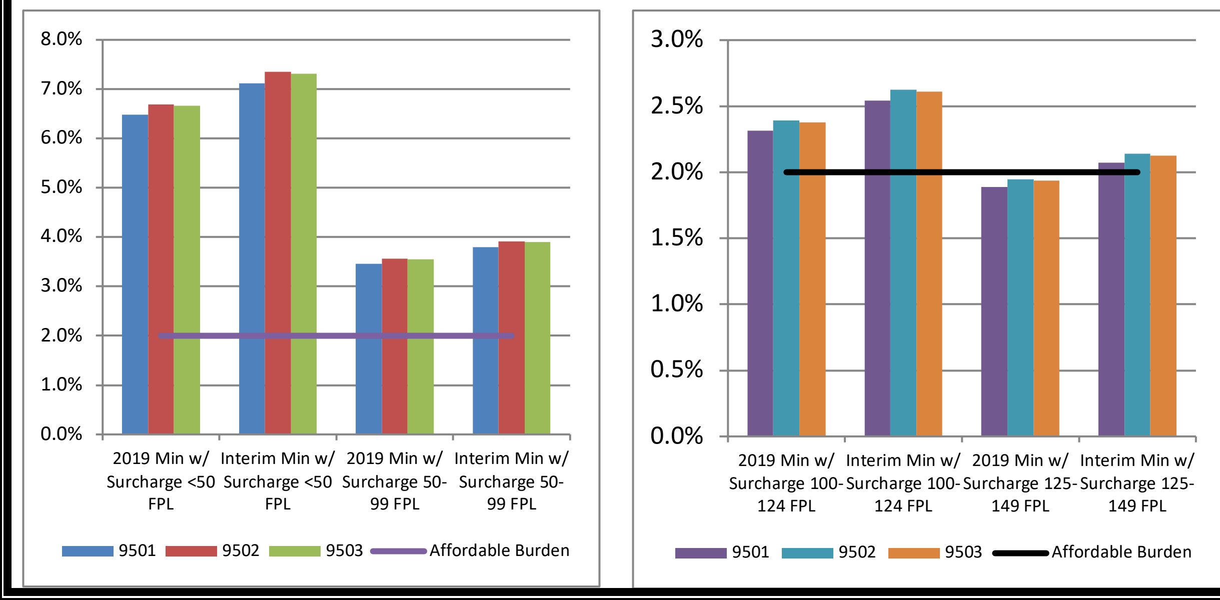
As the Figure above shows, in *every* Census Tract, both at 2019 Rates and at the Interim Rates, however, MCWD water burdens are unaffordable at every range of the 2021 Federal Poverty Level. While MCWD burdens at the lowest levels of income (e.g., below 50% of Poverty) are dramatically unaffordable, unaffordability exists throughout all regions of the County, and throughout the entire spectrum of low-income status.

D. WATER BURDENS AT MINIMUM BILLS (AT SELECTED RATES WITH SURCHARGES) BY CENSUS TRACT.

If one limits MCWD bills to minimum bills (including the surcharges as part of those minimum bills), affordability improves particularly for the higher ranges of low-income status. The Figure below demonstrates that minimum bills are generally affordable throughout the service territory, even at the Interim Rates, for households with income between 125% and 150% of Poverty Level. Even at between 100% and 125%, while MCWD burdens are above the affordable 2% level, the excess over affordability is relatively minor. Burdens at incomes between 100% and 125% of Poverty Level, while exceeding 2%, do not reach or exceed 3% of income.

The picture changes, however, for households with income less than 100% of Poverty Level. At 50% to 100% of Poverty, MCWD burdens approach two times the affordable burden at Interim Rates for MCWD minimum bills. At incomes less than 50% of Poverty, MCWD burdens are seriously unaffordable, with burdens at the Interim Rates for minimum bills generally exceeding 7% of income.

MCWD Water Burdens at Minimum Bills
(with surcharges) at 2019 Rates and Interim Rates
(differing ranges of Federal Poverty Level) (2021 FPL Levels



At the lowest income ranges (i.e., below 100% of Poverty), MCWD minimum bills provide no protection against unaffordable water burdens. Throughout all regions of the County, MCWD minimum bills (including surcharges) push burdens to between two and three times higher than that level of water bill deemed to be affordable.

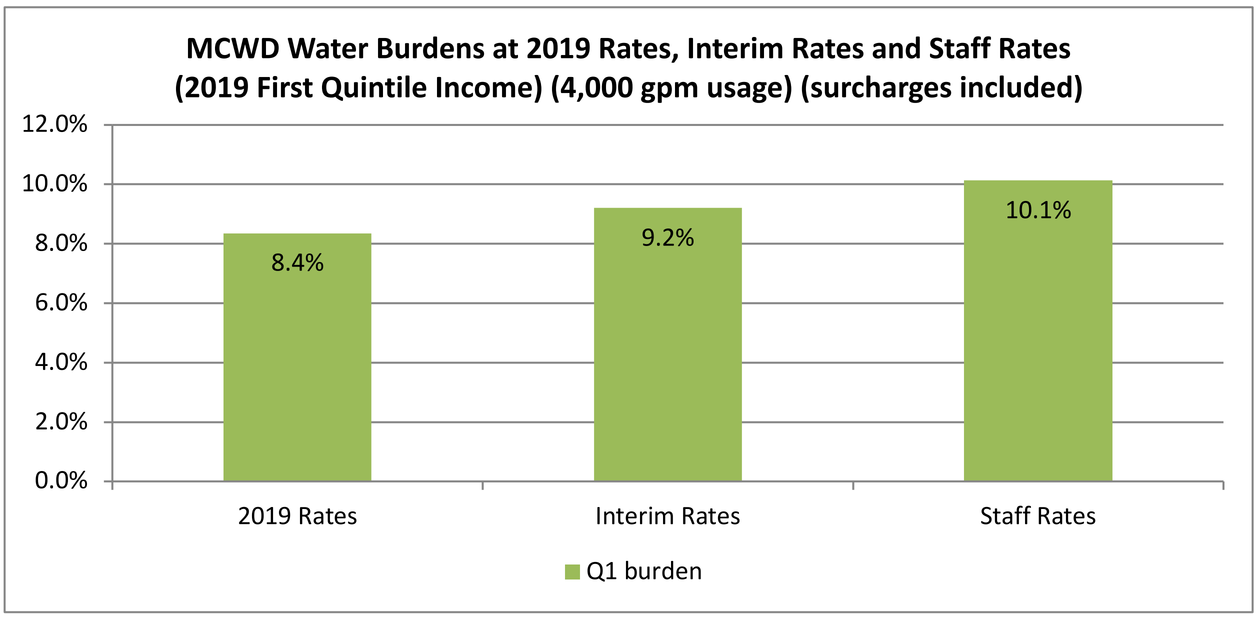
E. Affordability Impacts of Rates Recommended by Staff Report.

The Staff of the PSC released its recommendations regarding MCWD rates on August 11, 2021 (hereafter Staff report). In its assessment of MCWD rates, Staff concluded that rates should be even *higher* than those which were requested by MCWD and approved by the PSC on an interim basis in July 2021. For a 5/8" to 3/4" inch meter, Staff recommended that a minimum bill be set at $41.42 for the first 2,000 gallons, with a volumetric charge of $0.01048 per gallon for every gallon over 2,000 gallons of use. To assess the impacts of this Staff recommendation, this discussion relies on the same 4,000 gallon average consumption that has been used in the assessment of other rates (and includes the surcharges as part of the bills). The Staff recommendation will be referred to as the Staff Rates.

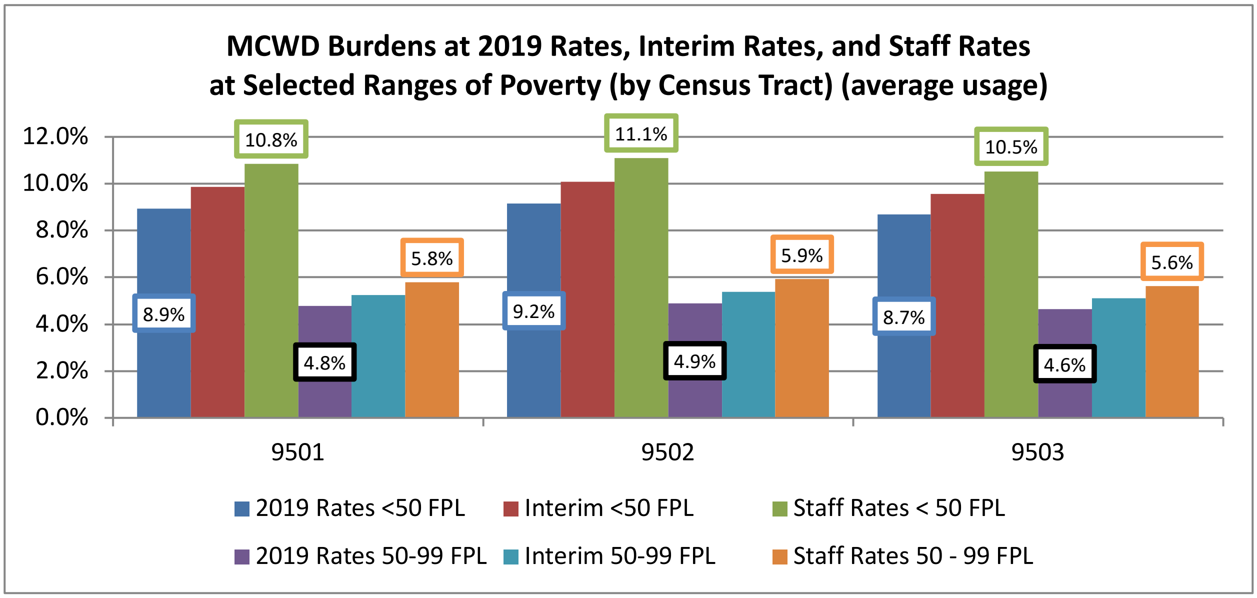
The Figure below shows the impact on water affordability to the lowest fifth of households in Martin County. As described above, the lowest fifth is called the First Quintile. The Census Bureau reports the average income for each quintile of income for each geographic area. For the First Quintile income in Martin County, if the rates proposed by Staff are approved, the water burden will increase from 8.4% of income (at the rates which were applicable before the instant rate case was filed) to 10.1% of income under the Staff proposal.

Under the Staff's proposed rates, in other words, average water bills, standing alone, will comprise more than one-third of total affordable shelter costs (affordable shelter costs defined to be shelter burdens at no more than 30% of income). Not only will water service be placed in jeopardy, but Martin County's low-income population will be less likely to be able to obtain safe, quality housing.

Water burdens, which were more than four times higher than the level deemed to be affordable (2%) at the rates in existence before this case was filed, would be increased by more than 20%, from 8.4% to 10.1%.



The impact of the Staff's proposed rates falls harder on some parts of Martin County than on other parts. The Figure below considers, by Census Tract, the impacts of Staff's proposed rates on the average bill at the two lowest ranges of Federal Poverty Level (less than 50%; from 50% to 100%). Water burdens for the population less than 50% of Poverty under the Staff's proposal would top 11% of income in Census Tract 9502, followed closely by Census Tract 9501 at 10.8%. As the Figure below shows, even with income between 50% and 100% of Poverty Level, water burdens under the Staff proposal would be three times higher than the burden defined to be affordable.



Approval of Staff rates, at least without relief such as that recommended in the Section below, would further jeopardize Martin County Water District's ability to collect the revenue it bills. Staff's proposal is a continuing step into the spiral where, while MCWD revenues continue to deteriorate, the Water District claims the need for ever-increasing rates, which rate increases continue to put pressure on the downward spiral through Martin County customers' inability-to-pay, manifested, as discussed elsewhere, through MCWD's inability-to-collect.

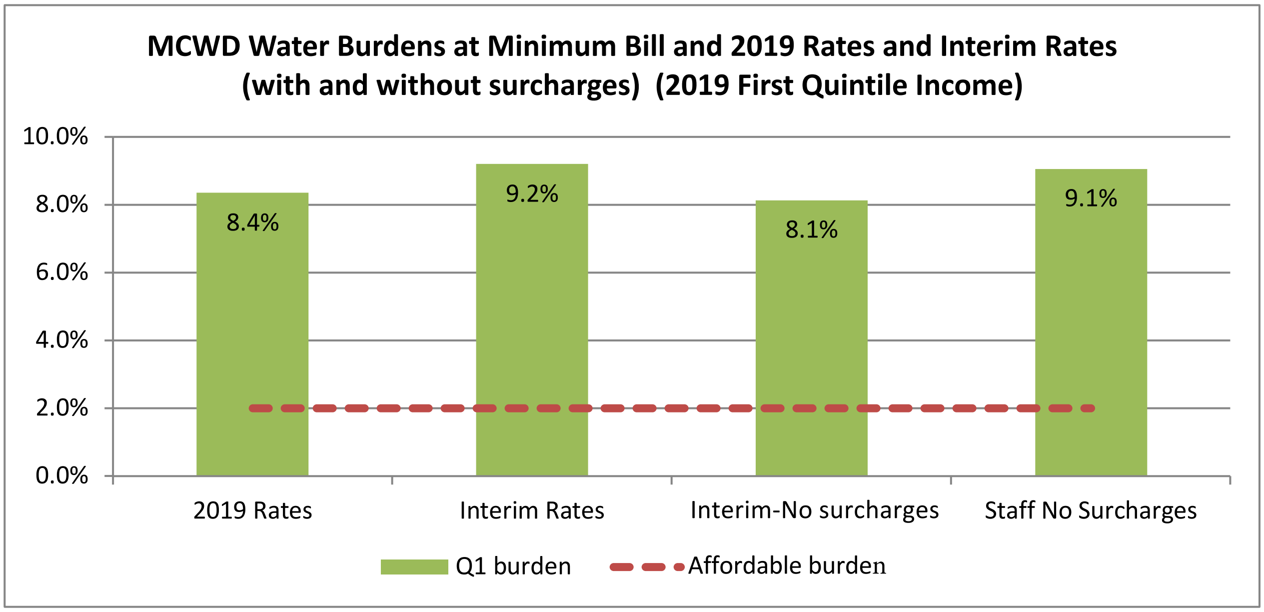
Continuing down the road of continuing unaffordable rate increases, as mapped by the Staff proposal, is not an effective way to help MCWD address, let alone ultimately resolve, its continuing financial crises. At some point, the Staff, the Water District, and the Commission will need to address the data presented above that Martin County simply cannot afford the rates which MCWD is billing.

F. IMPACT ON MCWD BURDENS OF ELIMINATING SURCHARGES.

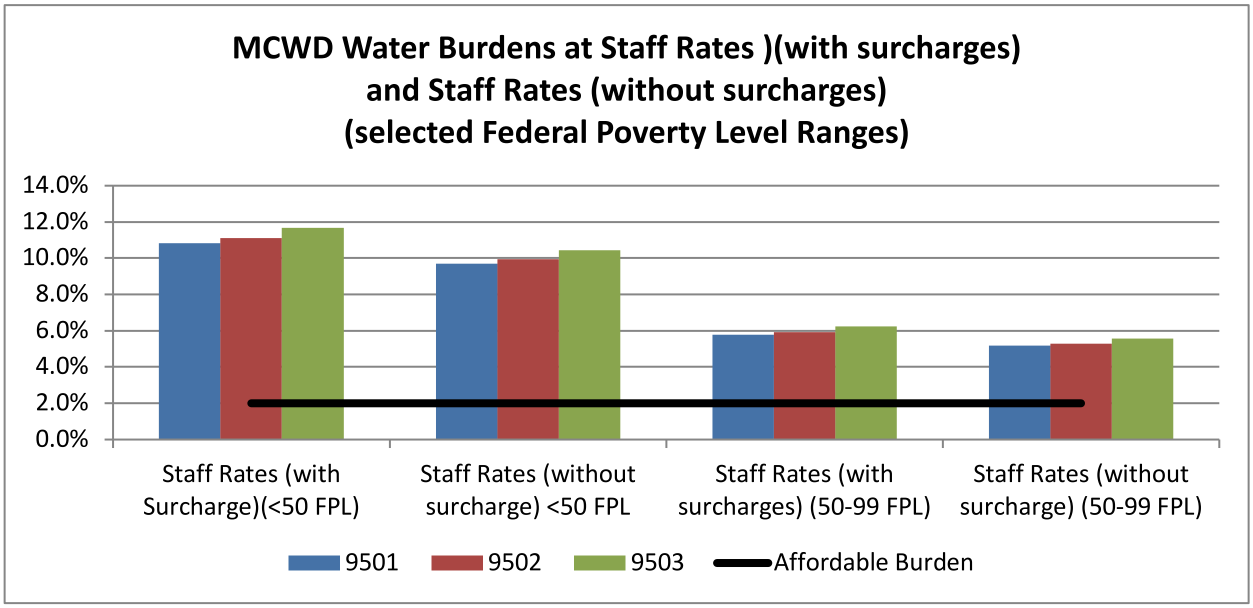
For that population with the lowest 20% of income levels in Martin County, MCWD burdens are seriously unaffordable. The Interim Rates approved for MCWD in 2021 will escalate burdens from being four times the affordable burden to being more than 4½ times the affordable burden. As described in the section above, approval of the Staff's recommended rates would escalate burdens to more than five times the affordable level.

If, however, these lowest income customers (First Quintile of income) were exempted from paying the MCWD surcharges, bills at the 2021 Interim Rates, while not reaching an affordable level, would slightly decline rather than substantially increasing. On a county-wide basis, rather than burdens increasing from 8.4% of income to 9.2% of income, bill burdens at the Interim

Rates would decline from 8.4% of income to 8.1% of income. Similarly, if the Staff rates were approved while exempting low-income customers from the surcharges, at the least, burdens would be somewhat lower than those associated with the Interim Rates as opposed to being yet even higher (10.1%). While MCWD would not experience a substantial improvement in bill burdens for its low-income customers, the Water District, at a minimum, would not seriously exacerbate bill burdens through the 2021 rate increases beyond those increases already approved on an interim basis.



The same results appertain when one considers low-income status from the perspective of differing ranges of the Federal Poverty Level. While exempting low-income customers from the surcharges does not achieve affordable burdens, particularly for households with incomes less than 100% of Poverty, doing so somewhat protects low-income customers from a serious decline in affordability given the bills that would result from the rates (including surcharges) recommended in the Staff Report.



A comparison of water burdens given bills at the Staff Rates (with surcharges) compared to burdens given bills at Staff Rates (excluding surcharges) for two selected Poverty ranges (below 50% FPL; 50-100% FPL), shows the effect of improving water burdens, even if slightly. While exempting low-income customers from the MCWD surcharges would not reduce bills to achieve an affordable percentage of income, such an exemption would *improve* the affordability. A rationale for exempting low-income customers from payment of the MCWD surcharges under prescribed circumstances is presented in the discussion of recommendations below.

PART 3. "CREATIVE SOLUTIONS"

> **"Given the levels of arrearages, late payments, and struggling communities, the Commission urges stakeholders to endeavor to find creative solutions to ensure the continuity of water and sewer services."**
>
> ***Kentucky PSC, September 2021***

Martin County Water District should implement various policies and practices to improve the affordability of water service to its low-income customers while remaining in the mainstream of regulatory principles articulated by the Kentucky Public Service Commission. In its September 2020 Order in Case No. 2020-00085, the Commission said that "it is undisputed that water and sewer service, even above electric and gas service, is necessary for customers to maintain the sanitary and health conditions required to combat a viral pandemic. . .In an attempt to avoid the mass disconnection of water and sanitary sewer service, thus exacerbating the current state of emergency and public health crisis, we plead for organized, robust utility financial assistance." (September Order, at 13).

A. PROMOTING AFFORDABLE MCWD SERVICE TO LOW-INCOME CUSTOMERS.

In its September 2020 Order, the Kentucky PSC stated that "what is clear is that the demand exists for significant funding to assist with water and sewer bills across the Commonwealth." In its September 20201 Order, the PSC stated that "given the levels of arrearages, late payments, and struggling communities, the Commission urges stakeholders to endeavor to find creative solutions to ensure the continuity of water and sewer services." In response to that Commission "urging," the following recommendations are advanced.

1. Offer a Low Use Rate to Low-Income Customers.

MCWD imposes a minimum charge for usage at or below 2,000 gallons per month. MCWD argues that the average water usage in Martin County is 4,000 gallons per month (48,000 gallons per year). Given an average consumption of 55 gallons per person per day, that implies an average household size of 2.39 persons. That is roughly equal to the average household size (2.50 persons) which the Census Bureau reports for Martin County (ACS Table B25010, 5YR).

The 2,000 minimum usage, however, harms households that use less than 2,000 gallons per month. Through the minimum usage, MCWD charges these low use customers for water they do *not* use. For customers who struggle to pay their bills, imposing charges for water above and beyond the amounts they actually consume makes little sense. In Martin County, smaller households tend to be low-income and aging households.

Low use customers are frequently also low-income households. Consider the median incomes in Martin County in 2019 by household size. Those incomes are set forth in the Table immediately below. The drop in income for 1-persons households in Martin County is dramatic. While the total median income is $41,013, the median income for a two person household is $44,653. For a 1-person household, however, the median income drops by nearly $30,000 (60%), to only $16,879.

Table 12.Median Income by Household Size
(Martin County, KY) (2019) (ACS Table B19019 FYR)

1-person	$16,879
2-persons	$44,653
3-persons	$44,917
4-persons	$49,315
5-person	$64,494
6-persons	$63,953
7-persons	N/A
Total	$41,013

One reason for the dramatic income drop is the prevalence of an aging population in Martin County's 1-person households. Of Martin County's 4,153 total households, 1,090 are comprised of only 1-person. Of that 1,090, almost exactly half (49%) are 1-person households comprised of a person age 65 or older. Indeed, of the total 1,480 households in Martin County with at least one person age 65 or older, nearly two-fifths (36%) of those households have *only* one person in them.

Table 13. Household Size by Presence of at Least One Person Age 65 and Over (Martin County, KY) (2019) (ACS Table B19019 FYR)	
Total	4,153
Households with one or more people 65 years and over	1,480
1-person household	534
2-or-more person household	946
Households with no people 65 years and over	2,673
1-person household	556
2-or-more person households	2,117

Smaller households also tend to be low-income households in Martin County. Looking at families (not households), of the 695 families receiving cash public assistance or Food Stamps in Martin County in 2019, 236 (34%) had only two family members.[27] In fact, as the Table below shows, families receiving cash public assistance or Food Stamps in the past twelve months (2019) were more frequently two-person families than any other family size. Very few recipients of cash public assistance or Food Stamps are represented by large families.

[27] By definition, a "family" must have at least two persons. In contrast, a "household" can be comprised of only one-person.

Table 14.Median Income by Household Size (Martin County, KY) (2019) (ACS Table B19019 FYR)		
	Families Receiving Cash Assistance/Food Stamps	
Family Size	Number	Percent
2-persons	236	34%
3-persons	181	26%
4-persons	181	26%
5-person	77	11%
6-persons	20	3%
7-persons	0	0%
Total	695	100%

At the same time that the Kentucky PSC is finding that "the demand exists for significant funding to assist with water and sewer bills across the Commonwealth," it makes little sense to charge customers who have low consumption, particularly low-income customers with lower consumption, for water that the customer is not using.

The last time Martin County prepared a "cost of service study" (COSS) was in 2017, using 2016 data. (Response to KY PSC 3rd RFI, #1). That COSS, however, did not attempt to examine, let alone to justify, setting a minimum charge to cover usage of 2,000 gallons per month. Rather than recommending that the Commission disapprove MCWD's proposed rate structure, MCCC recommends that customers confirmed to be "low-income" for other purposes in this report (e.g., waiver of late fees) should be provided the opportunity to enroll in a low-use rate with a use of 1,000 gpm. The low-use rate would result in a reduced charge (one-half the minimum charge approved for MCWD by the PSC in July 2021) so long as the low-income customer maintains monthly consumption of no more than 2,000 gallons.[28] If monthly consumption exceeds that level, the low-income customer would default back to the standard residential rate.[29] Even if a low-income customer has consumption of exactly 2,000 gallons per month, the low use rate option would provide a bill reduction of roughly $112 per year (as compared to the MCWD rates approved in July 2021). If consumption is lower than 2,000 gallons per month, the annual bill reduction could be substantially more.

[28] The proposal would be adjusted should rates approved by the Commission differ from those recommended by the Staff. The recommendation here is for the low-use rate to be set at one-half of what the Commission otherwise establishes.

[29] The low-income customer would default back to standard residential rates at a usage of 2,000 gallons plus 1.

The savings generated by the low use rate is reflective of the dollar amount by which MCWD is currently charging Martin County's aging and financially vulnerable low use customers for water which those low use customer are *not* consuming through the minimum charge now set at 2,000 gallons per month.

Providing a low-income, low-use rate would allow the Commission to pursue several of its primary objectives for MCWD. First, it would provide the affordability assistance for "struggling communities" which the Commission found was so desperately needed in Kentucky. Second, it would provide an incentive for customers, who find it difficult to pay their bills with which to begin, to reduce their water consumption and thus take some responsibility on their own to maintain more affordable bills. Third, by encouraging water conservation, the Commission would encourage lower total system water usage and, by extension, help control the lost water which MCWD has such continuing difficulties to control.

MWCD should offer a low use rate for confirmed low-income customers.

2. Exempt Low-Income Customers from Surcharges.

MCWD imposes certain charges on residential customer bills to account for the impacts of years of poor management. In its November 5, 2018 rate decision for MCWD, the Commission imposed a Management Infrastructure Surcharge of $4.72 per month, along with an additional Debt Service Surcharge of $2.63 per month.

In its July 2021 Order in Case No. 2021-00085, the Commission praised the management effectiveness of Alliance. According to the Commission, "The evidence shows that Alliance addressed the fundamental failings of the utility and has made tremendous progress in just less than an 18-month period. . ." (July Order, at 19). The Commission continued to say that "Alliance has proven its commitment to customers and respect for the needs of the community. Its commitment to the ratepayers of Martin District is clear. . ." (Id.)

Without disputing either of those conclusions, it would be incomplete to offer the praise without also noting the shortcomings. For example, MCWD's Tariff *requires* that "interest will accrue on all deposits at the rate prescribed by law beginning on the date of the deposit. Interest accrued will be refunded to the customer or credited to the customer's bill on an annual basis. . ." (MCWD Tariff, Original Sheet 15). Such crediting of interest is also required by statute. (807 KAR 5:0006, sec. 8(6)). However, when asked for how MCWD refunds or credits interest on deposits, MCWD responded that "The District is *not currently crediting interest* but will develop a policy to do so." (MCCC-2-19).

MCWD's Tariff provides further that "Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill with any remainder refunded to the customer." However, when asked for the number of deposits that had been refunded, MCWD conceded that "Data is available starting 7/1/2020 *because customer deposit information was not kept* in the previous billing software." (MCCC-2-6(b)) (emphasis added). One impact of this failing is that when customers requested refunds of their deposit from MCWD, the Water District required those customers to produce the original receipt for the deposit to prove the deposit was held, because the Water District lacked the internal records to make that determination on its own.

In assessing whether it is reasonable to exempt low-income customers from paying the surcharges, particularly in light of the discussion immediately above, it is important to consider the rationale for at least the Debt Service Surcharge in the first instance. As Staff notes in its August 2021 report on MCWD rates, "when the surcharge was established by the Commission's March 16, 2018 Order, the intent was for Martin District to use the proceeds from the surcharge collections to pay its accounts payable or secure a loan to pay existing past-due accounts. The amounts collected from the Debt Service Surcharge are not intended to pay for current operating expenses. . ." (Staff Report, at 8).

As will be documented in the next section of this Report, low-income customers are among the most mobile of MCWD's customers. While 76% of those who lived in the same home as they lived in one-year previously were homeowners, only 24% were tenants. Conversely, the flipside was accurate for renters. While 76% of those who moved from Martin County, either to a different county or to a different state were renters, only 24% were homeowners. Given the connection between lower incomes and renter status established elsewhere in this report, it is necessary to conclude that the current renters who are being charged the Debt Service Surcharge are *not* the same customers who were taking service when the expenses being paid by those surcharges were incurred. To impose the surcharges on low-income customers, when there is a mismatch between the customer and the expenses being paid by the surcharge, when Martin County is failing to comply with other fundamental obligations to deliver service to these current customers, and when these customers cannot afford to pay the surcharges in any event, is the height of unfairness.

Particularly in light of the continuing payment difficulties low-income customers are having in this period of economic crisis attributable to the COVID-19 health pandemic, increasing low-income bills by imposing surcharges above and beyond the standard rate not only threatens continuing service to the low-income customer, it also threatens the very revenue to that the surcharges are intended to provide MCWD. MCWD provides data indicating that many customers who have had service disconnected have not had their service *re*connected. As documented above, MCWD reconnected service to only 62% of the residential accounts that were disconnected from July 2018 to June 2020. Those MCWD reports to the PSC are attached to this Report as an Appendix. In recent months, the reconnection rate has been even lower, with 94 accounts being disconnected in February and March 2021, while only 30 were reconnected. (MCCC-1-23).

When accounts are disconnected, with no subsequent reconnection, the customer loses their service even though the PSC has said it is "undisputed that water and sewer service, even above electric and gas service, is necessary for customers to maintain the sanitary and health conditions required to combat a viral pandemic." In addition, MCWD loses the revenue it would have billed in the absence of the disconnection.

Given that the surcharges cited above can reasonably be expected to contribute to the ongoing payment difficulties of low-income MCWD customers, and increase the risk of nonpayment disconnection, the surcharges not only fail to achieve the purpose for which they were designed, they are counter-productive to achieving the purpose for which they were designed.

In the same fashion as offering a low use minimum charge, customer qualifying for that low-use minimum charge should be exempted from the MCWD surcharges.

3. Exempt Low-Income Customers from MCWD Non-Recurring Charges.

MCWD customers identified as being "low-income" should be exempted from the imposition of MCWD's non-recurring charges. Non-recurring charges impose yet further burdens on low-income customers, particularly those who change addresses even if within the MCWD service territory. MCWD's Tariff provides for a "meter turn-on" charge, as well as both a meter disconnection and a meter reconnection charge. It has been reported that that MCWD charges the same fee for both water and sewer service, even though there are not separate "meters" for sewer service. Given the frequent mobility of low-income customers, combined with their low incomes, these nonrecurring fees present a particular hardship to low-income customers.

MCWD concedes that its non-recurring charges are not based on a cost-analysis. When asked by PSC staff to "provide the cost justification for all nonrecurring charges listed in the Martin District's tariff," MCWD said that "the nonrecurring charges. . .were not evaluated at this time." (Response to KY PSC 3rd RFI, #10).

The lack of a cost-basis for these burdensome nonrecurring charges is significant,. The PSC has recently disallowed all but marginal costs for meter connect/disconnect. Specifically, the PSC found that staff time is already paid for with rates and should not be used to justify costs here. Accordingly, the meter connect/disconnect fees and others were reduced by the estimated labor costs. The 2018 tariff filing on meter disconnects had $20 for labor and $20 for transportation costs as justification for the $40 fee. While transportation costs do not seem to have been addressed in previous PSC orders, it would seem that they too are already paid for (accounted for) in the MCWD's regular O&M expenses.

MWCD should not be permitted to impose these non-cost-based nonrecurring charges on its low-income customers. Indeed, to allow these non-cost-based nonrecurring charges allows MCWD to impose additional charges most frequently on the lowest income customers.

The income difference between those who move and those who do not can be seen in the comparison of median incomes in the Table immediately below. As can be seen, the median income of those Martin County residents who move (but stay within the County) is substantially lower than the median income for the Martin County population generally. While the median income of Martin County residents generally is $22,992, the median income of those who move (and stay within the county) (i.e., those on whom MCWD would impose additional non-cost-based charges) is nearly 30% lower ($16,389). The lower incomes of those Martin County residents who move demonstrates how and why MCWD's non-cost-based nonrecurring fees impose such a greater burden on the Water District's low-income customers.

Table 15. Median Income for Total Population (Martin County) vs. Population Who Moved within Past Twelve Months but Remained in Martin County

	Total Population	Moved from their Home within Past Twelve Months but Remained in Martin County
Median income	$22,992	$16,389

One reason lower income households are more frequently mobile is that they less frequently own their own homes. Renters in Martin County are not only more mobile, but they are, by far, disproportionately represented in the population that changes homes but stays within the county. The Table below shows, for example, that 10,453 persons lived in Martin County in 2019. Of those, 9,313 lived in the same "one year ago" at the time of the ACS (2019). While renters represented 29.5% of the total population, they represent only 23.8% of the population who remained in the same house. In contrast, the Census reports that 527 persons moved in the past year, but stayed within Martin County. Of those 527 movers who stayed in Martin County, 75% were renters, while only 25% were homeowners.

Table 16. Geographic Mobility in the Past Year by Tenure for Residence One-Year Ago (Martin County, KY) (2019) (ACS Table B07413 5YR)		
	Population	Percentage
Total living in area 1 year ago:	10,453	
Householder lived in owner-occupied housing units	7,371	70.5%
Householder lived in renter-occupied housing units	3,082	29.5%
Same house:	9,313	
Householder lived in owner-occupied housing units	7,092	76.2%
Householder lived in renter-occupied housing units	2,221	23.8%
Moved within same county:	527	
Householder lived in owner-occupied housing units	131	24.9%
Householder lived in renter-occupied housing units	396	75.1%

In Martin County, the median income of renters is substantially less than the median income of homeowners. While tenants had a median income of $21,976 in 2019, Martin County homeowners had a median income of $45,308 (ACS Table B25119, 2019 5YR).

It is clear that MCWD is imposing its non-cost-based nonrecurring charges most frequently on precisely the population the Commission has previously expressed the most concern about. It would seem to be inconsistent, at best, for the Commission to find that “the demand exists for significant funding to assist with water and sewer bills across the Commonwealth,” and yet continue to allow non-cost-based charges that fall hardest on the population in need of this assistance. It would seem inconsistent, at best, for the Commission to state that “given the levels of arrearages, late payments, and struggling communities, the Commission urges stakeholders to endeavor to find creative solutions to ensure the continuity of water and sewer services,” and yet approve non-cost-based charges that fall hardest on these “struggling communities.”

It would be appropriate for the Commission in this proceeding to exempt low-income households from the imposition of MCWD nonrecurring charges.

4. Use Late Payment Charge Revenue as Low-Income Assistance.

While MCWD is allowed to impose Late Payment Charges by statute, no restriction is placed on what use the revenues generated by the District's Late Payment Charge should be put. MCWD should devote its Late Payment Charge Revenue to helping low-income customers.

Two broad justifications are generally offered for the imposition of utility Late Payment Charges. First, utilities frequently urge that Late Payment Charges incentivize customers to pay their bills on time in order to avoid the charge. As noted above, however, the Kentucky PSC has explicitly found that Late Payment Charges do *not* serve this function. In its September Order, the Kentucky PSC specifically found that "Simply put, the Commission finds that the evidence indicates that late fees have little discernible effect on the timeliness of residential customer payments for utility service." (September Order, at 3).

When asked, MCWD could not provide data to the contrary. More specifically, when MCWD was asked for all written information within its custody or control that assesses the extent to which Late Payment Charges reduce residential bad debt, it replied that had performed no such analysis. (MCCC-1-26).[30] Moreover, when MCWD was asked for all written information within its custody or control that assesses the extent to which Late Payment Charges "accelerate residential payments and/or reduce residential arrears," MCWD again replied that it had performed no such analysis. (MCCC-1-27).[31]

Second, utilities sometimes urge that Late Payment Charges are needed to reimburse the costs that late payment imposes on the utility. MCWD, however, has performed no analysis of the costs it incurs attributable to late payment and has no cost-basis to offer for its residential Late Payment Charge.

In fact, substantial Late Payment Charges, such as those imposed by MCWD (10% on the first month of an outstanding bill), often have the effect of encouraging utilities *not* to aggressively collect on their outstanding balances. The Late Payment Charge becomes a source of revenue.[32] MCWD, for example, under typical circumstances, would collect substantial funds from its Late Payment Charge. The monthly Late Payment Charges that, but for the PSC-imposed moratorium on Late Payment charges, would have been charged in July 2020 through December 2020 are set forth in the Table below. In just five months in 2020, in other words, MCWD would have

[30] While MCWD made a generic reference to having "access to publicly available information regarding the requested information," it did not identify, let alone provide, such "publicly available information." (MCCC-1-26).
[31] Again, while MCWD made a generic reference to having "access to publicly available information regarding the requested information," it did not identify, let alone provide, such "publicly available information." (MCCC-1-27).
[32] Colton (June 2019). Responding to water unaffordability in Detroit: Lessons from the mortgage foreclosure crisis, at 24 – 25.

imposed nearly $25,000 in residential Late Payment Charges, and nearly $13,000 in total Sewer Late Payment Charges, despite having no cost basis for the charge and despite the Commission having found that that "late fees have little discernible effect on the timeliness of residential customer payments for utility service." The total Late Payment Charges imposed on residential customers in these five months (recognizing that sewer charges are not disaggregated by class) in these five months was $36,604.96. Annualized to a full year, it might be expected that Residential Late Payment Charges for water, combined with total Sewer Late Payment Charges, would reach nearly $88,000 ($36,604.96 x 12 / 5 = $87,851.90).

Table 17. Penalty Distribution (July – December 2020)[33]
(MCCC-1-4)

Penalty Posting Date	Residential Water	Commercial Water	Government Water	Sewer[34]	Total
July 21, 2020	$6,603.10	$977.62	$70.53	$2,776.44	$10,427.69
August 2020	N/A	N/A	N/A	N/A	N/A
September 21,2020	$6,083.18	$1,390.17	$709.45	$3,322.74	$10,866.54
October 21, 2020	$5,761.85	$857.34	$167.21	$2,817.36	$9,603.76
November 21, 2020	$5,564.78	$1,306.55	$49.50	$3,299.68	$10,220.51
December 21, 2020	$6,567.81	$1,153.95	$77.98	$3,187.56	$10,987.30
Sum	$23,977.62	$4,708.01	$1,004.14	$12,627.34	$41,678.11

Rather than simply using this Late Payment Charge revenue to supplement total MCWD revenues, this revenue should be put to a use that furthers the purpose for which they were purportedly levied in the first instance. Devoting Late Payment Charges (excluding those collected from commercial and government water accounts) to fund low-income payment assistance would: (1) accelerate payment on current bills; (2) control collection costs; (3) reduce bad debt; and (4) reduce working capital.

There is a concept in the law known as the *cy pres* doctrine. Applicable primarily in situations involving charitable trusts, the doctrine permits the terms of a charitable trust to be modified to achieve a purpose close to the donor's original intent where the original purpose cannot be legally or practically achieved. *Cy pres* is also frequently used in settlements of class action law suits. When the corpus of a settlement cannot practicably be distributed to each class member, those dollars are devoted to a purpose that would further the underlying objective of the law suit. Perhaps most directly analogous, however, the *cy pres* doctrine is often used in regulatory law. In both clean air and clean water enforcement actions, for example, violators who face

[33] The tem "penalty" and the term "Late Payment Charge" are synonymous. (MCCC-2-1(a)).
[34] Sewer penalties are not disaggregated by customer class.

substantial fines can gain approval to devote those dollars to expenditures on clean-up activities that would serve the same purpose of the environmental enforcement action.

Use of Late Payment Charge revenues to fund low-income water (and sewer) assistance would be a similar decision by the PSC. Devoting Late Payment Charge revenue to low-income assistance would put those revenues to work in a fashion that would further the purpose for which they were collected in the first instance.

MCWD should create a low-income assistance fund at the rate to be funded through late payment charges and charitable contributions collected from Water District customers. The Fund should be administered by Community Action of Kentucky (CAK) and distributed as water and sewer assistance to low-income customers of the Water District. The CAK administration can be undertaken pursuant to procedures subject to the review of the Commission and MCWD if desired.

5. Waive Low-Income Late Payment Charges.

The Kentucky legislature recently enacted legislation providing for a waiver of Late Payment Charges for low-income customers. According to the legislation,

> Any late payment charge imposed by a water district or water association shall be waived for any bill or portion of a bill for which a customer has received third-party billing assistance through the Low-Income Household Drinking Water and Wastewater Emergency Assistance Program or from another public or charitable source.

(HB272/VO, Section 1(6), adding a new section to Chapter 278). It is assumed that this legislative reference is to the federal new federal Low-Income Household Water Assistance Program (LIHWAP) established under the Consolidated Appropriations Act of 2021. LIHWAP is a temporary emergency program that will help low-income households and families afford water and wastewater services during the Coronavirus pandemic. In implementing this legislation, several observations are important:

- The legislation is *<u>not</u>* limited to customers who have received assistance through the federal LIHWAP program. The legislation is quite explicit that it exempts customers who have received assistance "*<u>from another public or charitable source</u>*." (emphasis added).

- The legislation is not limited to assistance that is provided as a direct vendor payment to the water district. Instead, the *<u>only</u>* question is whether "a *<u>customer</u>* has received" third-party billing assistance. (emphasis added). it is accurate that a customer may receive assistance in the form of a direct vendor payment (e.g., LIHEAP, LIHWAP). However, the legislation is *__not__* limited to direct vendor payments.

- The legislation does *__not__* provide a means test for the late payment charge waiver. In lieu of a means-test, whereby a customer must demonstrate that they fulfill some income-eligibility guidelines, the *__only__* prerequisite for a Late Payment Charge waiver pursuant to the new legislation is whether a customer has received "third-party billing assistance" through either the federal LIHWAP program, or "from another public or charitable source." No income-eligibility requirement is established or allowed.

The process MCWD has established purportedly in compliance with the new legislation is insufficient. MCWD states that it intends to comply with the new legislation as follows:

> Any customer that received assistance on their water utility bill was excluded from late penalties. Martin County Water District's customer service clerks were in constant contact with Big Sandy Area Community Action Program and updates were provided daily. Additionally, when any customer receives payment assistance from a third party, that information is stored in Incode on the customer's account and a record of all payments issued from the third party is kept on file.

(MCCC-1-9). As can be seen, MCWD has limited its inquiry into third party assistance paid to the customer exclusively through the Sandy Area Community Action Program. However, as noted below, third party assistance may come through agencies other than the local CAP. In fact, the Healthy at Home Eviction Relief fund that is currently available for utility assistance is administered through the Kentucky Housing Corporation, not through Big Sandy CAP.

Moreover, MCWD has limited it exemption to customers for whom a vendor payment has been issued on the customer's behalf. The legislation, however, is not so narrow. As noted above, the legislation exempts any customer who "receives" payment assistance. There is no legislative requirement that such assistance must be issued as a payment to MCWD although the legislation certainly allows for that. To impose a mandate that imposes a vendor payment as an additional requirement would create limits that do not exist in the legislation.

Third-party billing assistance for water bills (with the term "water" incorporating "wastewater" as well) comes not simply through LIHWAP but through a variety of public sources. Consider the following:

- The U.S. Department of Housing and Urban Development (HUD) reports that Martin County has 42 public housing units as of June 30, 2021. Residents of those public housing units in Martin County have an average income of $8,952. Of those units, 24 (56%) are occupied by households with income below 30% of the Area Median Income. Nearly half of the residents of these units receive their primary income either through SSI, Social Security (SS), or pensions. To the extent these households are direct billed by MCWD, they would receive a benefit called a "utility allowance." The allowance, provided as a credit on their rent, is designed to assist public housing tenants pay their home utility bills, including water. The utility allowance is clearly third-party assistance "a customer has received" to help pay a water bill.

- The U.S. Department of Agriculture administers the federal Supplemental Nutrition Assistance Program (SNAP) (formerly known as "Food Stamps"). Pursuant to the Food Stamp program, the household's gross monthly income is adjusted by certain allowable "deductions." One such deduction allowed in Kentucky is the "excess shelter deduction." According to the State of Kentucky, Food Stamp recipients are to be provided an "excess shelter deduction" as follows: "allow shelter expenses as billed or otherwise become due. Shelter expenses include rent or mortgage, electricity, fuel oil, coal, telephone, sewer, gas (natural gas or propane), wood, ***water*** and garbage." (emphasis added). Clearly, one element of Food Stamp benefits (SNAP) is based on providing third-party assistance "a customer has received" to reflect water costs. According to the most recent (2019, 5YR) American Community Survey (ACS) (Table B22003), of Martin County's 4,153 households, 895 (22%) receive Food Stamps. Food Stamp recipients in Martin County (2019, 5YR) had a median income of $13,856, compared to the median income of non-Food Stamp recipients of $45,958. (ACS, 2019 5YR, Table B22008).

Insisting that MCWD abide by the language appearing within the four corners of the statute is consistent with the findings not only of this report, but of the Commission. The discussion above demonstrates the unaffordability of MCWD's bills to low-income customers. Late Payment Charges contribute further to that result. Indeed, Late Payment Charges have the oxymoronic effect of responding to low-income inability-to-pay by *increasing* bills further.

Those bill increases arise with little or no impact in incentivizing bill payment. In its September Order, the Commission reported:

> [L]ate fees may have little impact on the timeliness of at least residential utility payments. Generally, the same percentage of customers who have always paid on time continued to do so during the first half of 2020. Simply put, the Commission finds that the evidence indicates that late fees have little discernible effect on the timeliness of residential customer payments for utility service.

(September Order, at 3). Imposing additional fees in the form of Late Payment Charges, which increase unaffordability, after the Commission explicitly found that "late fees have little discernible effect on the timeliness of residential customer payments for utility service," cannot be supported.

The legislation recently adopted in Kentucky is clear in the language existing within the four corners of the statute. Local Water Districts, which would include MCWD, are to exempt customers from paying the residential Late Payment Charge if the customer has received Federal LIHWAP assistance, or if the customer has received assistance for all or any portion of a water bill from "another public or charitable source." MCWD should adopt practices and procedures properly implementing this state legislation.

B. TAKE STEPS TO MINIMIZE NONPAYMENT DISCONNECTIONS.

The primary mechanism for MCWD to use to minimize nonpayment disconnections for low-income customers is to take the action steps identified above to make water service more affordable to MCWD's low-income customers. In addition to these steps to improve affordability, however, MCWD should undertake adopt the policies and practices outlined below to minimize unnecessary nonpayment disconnections.

1. Avoid Terminations Where Customer Claims Inability-to-Pay.

Many of the low-income protections offered not only in this report, but also in the Kentucky PSC's Regulations and Orders, operate efficiently and effectively only if sufficient time is permitted for the process to work. The current time-frames set forth in the Commission regulations, and MCWD Tariffs, do not allow sufficient time for the process to play out. Consider, for example, just the ability of low-income MCWD customers to access federal LIHWAP dollars. MCWD's Tariff provides for a 5-day notice of the disconnection of service. The Tariff states that "The utility may terminate service for nonpayment of charges incurred for utility services. The utility may terminate service only after five (5) days' written notice of termination is provided. . ." (MCWD Tariff, Original Sheet 24).

If a low-income customer is facing payment difficulties due to an inability-to-pay, as is likely given the data and discussion presented throughout this report, providing five day notice hardly gives that customer an opportunity to seek bill payment assistance, let alone give the application process for such assistance to reach its conclusion.

MCWD was asked to provide a copy of:

> all written policies or procedures adopted by or used by the Martin County Water District related to termination / disconnection of service for nonpayment. In addition, please specifically explain the following: a. The time after nonpayment when the disconnect process begins? b. How and when the water district contacts the customer regarding potential disconnection? c. How and when the water district follows up with the customer to assure that they received proper notice? d. How and when the district discusses payment options with the customer? e. How does the district assure that customers are given sufficient notice of potential disconnection and are given information such that they understand their payment options? f. How, when, and where the district documents all communications with the customer related to the potential disconnection, including oral communications?

(MCCC-1-8). The Water District's reply, in its entirety, stated as follows:

> a. Refer to Tariff section on delinquent bills; b. Refer to Tariff section on delinquent bills; also, billing office calls each customer as a courtesy; c. The Customer receives a notice of disconnection letter, and a phone call from the office. d. Customer Service offers payment plans to customers who either have a larger than normal bill or is due to be disconnected for non-payment, once the customer has responded to communication attempts. e. Please refer to question 8a, b, and d. f. Incode creates a memo on each customer's account for every cut off notice that is mailed. The memo provides the date, reference, and balance of the cut off. In addition, notes are made on each account to record the date and time that a customer was given a courtesy call to inform them of the cut off.

(MCCC-1-8). As can be seen from that response, even if a customer reveals an inability-to-pay, MCWD provides for no particular process to respond to that inability-to-pay, even though water assistance may be available through eviction relief funds or the new federal LIHWAP program.

In other instances where the Commission has recognized the need for particular shutoff protections to be implemented, sufficient time is provided for customers to access those protections. With "medical certificates," for example, Commission regulations state that shutoffs are not allowed if:

> A medical certificate is presented. Service shall not be terminated for thirty (30) days beyond the termination date if a physician, registered nurse, or public health officer certifies in writing that termination of service will aggravate a debilitating illness or infirmity currently suffered by a resident living at the affected premises.

With the medical certificate process, time is needed to allow the customer to utilize the process provided. MCWD should follow the same principle with low-income inability-to-pay water bills.

When, in response to a disconnect notice, a customer notifies MCWD that the customer is facing an inability-to-pay, MCWD should place a 60-day hold on that disconnection pending application of the customer for financial assistance to help pay the outstanding water bill. MCWD should be prepared to provide the payment-troubled customer with information about available sources of public assistance. Allowing time for the customer to access public assistance in the event the customer reports an inability-to-pay an outstanding balance will benefit both the customer in improving his/her ability to retire an unpaid balance and the Water District in improving its ability to collect money that would otherwise remain unpaid.

Finally, in those instances where no assistance funding is available, MCWD should use this time to negotiate a reasonably structured deferred payment plan as is discussed in the section below.

2. Structure Reasonable Deferred Payment Plans.

Partial payment plans are a critical tool available to help limited income households, or any customer in arrears, address unpaid balances on their accounts. Commission regulations, Section 14(2), provide that "each utility shall negotiate and accept reasonable partial payment plans at the request of residential customers who have received a termination notice for failure to pay. . ." The regulation provides further that "partial payment plans shall be mutually agreed upon. . ." MCWD's Tariff (Original Sheet 21) exactly mirrors the Commission's regulation, stating in relevant part that "The utility shall negotiate and accept reasonable partial payment plans at the request of residential customers who have received a termination notice for failure to pay. . ." Note that both the Commission regulation and the MCWD Tariff provide that partial payment plans be made available *only* to customers "who have received a termination notice for failure to pay."

On March 16, 2020, the Commission entered its Order in a docket "to address the pressing issues related to utility service arising across the Commonwealth of Kentucky as a result of the novel coronavirus COVID-19. This Order is necessary to provide initial direction to the many utilities under the Commission's jurisdiction with service obligations, and this docket will serve as a venue to address on-going concerns resulting from COVID-19." (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19, Order, at 3 – 5, Docket No. 2020-00085).

In its March 2020 Order, the Commission stated in relevant part that "The Commission expects utilities to _establish lenient and flexible payment plans_ for _any_ unpaid balances." (March 2020 Order, at 5) (emphasis added). In contra-distinction to the PSC regulation, in other words, the Commission's March 2020 Order makes partial payment plans available to customers for "any unpaid balance," not merely to customers who have received a termination notice for failure to pay. Importantly, that March 2020 Order stated that "This Order is in effect until further notice." This part of the Commission's March 2020 Order has not been rescinded.

The Commission took further action on partial payment plans in its September 2020 Order in Case No. 2020-00085. The Commission modified its earlier action, which had "urged utilities to offer lenient payment plans for current unpaid balances" (March 2020 Order, at 3 – 5), to _mandate_ certain utility actions regarding payment plans. The Commission stated that "with regard to residential customers with postpay accounts (which MCWD residential accounts are), "utilities shall":

- "By default for all affected customers, create payment plans for all accumulated arrearages from service rendered on or after March 16, 2020, and before October 1, 2020, to the extent that past due balances exist. The term of the default plan shall be no less than six months and no longer than two years." (September Order, at 7)

- "Take all reasonable efforts to contact the customers who have received default payment plans." (Id., at 7)

- "If customers request alternatives to the default payment plan ordered by the Commission, work with customers on payment plans that accommodate customer circumstances while balancing the concern of the utility, including its income and cash flow." (Id., at 8)

- "Consider customers with arrears subject to a payment plan 'on-time' for all purposes, except those explicitly exempted herein, as long as they timely pay their bill for current service *and* the amount required under the default or an alternative, agreed-upon payment plan." (Id., at 8).

The Commission finally stated that "utilities are not required, but are encouraged, to offer subsequent payment plans to customers who have an initial payment plan for arrearages accumulated between March 16, 2020 and October 1, 2020, and are unable to maintain an 'on-time' status as explained above." (Id., at 8).

MCWD should offer "lenient and flexible" payment plans for its customers in arrears. Two steps, which the Commission has encouraged, should be immediately adopted by MCWD. On the one hand, MCWD should offer initial payment plans that extend to at least 24 months. (September Order, at 7). In addition, if customers happen to default on their "first" payment plan, MCWD should offer a "subsequent payment plan" to help those customers retire arrears.

MCWD has a serious problem with its inability to collect its residential bills. When asked for the percentage of customers in arrears, by month, for the months January 2020 to the present, MCWD reported that it had experienced an increase in the number of customers it deemed to be in arrears from October 2020 (47%) to November 2020 (51%) to December 2020 (53%). Only after writing off certain accounts as bad debt –hardly the way the Commission contemplated as the best way to respond to unpaid balances—did the percentage of residential accounts in arrears decline to 25% in January 2021.

Table 18. Percentage of Residential Accounts in Arrears, Number of Active Residential Payment Plans (July – December 2020)
Martin County Water District, MCCC-1-22(d), MCCC-1-23(d)

Month	Percent Residential Accounts in Arrears	Number of Active Residential Deferred Payment Plans
July 2020	34%	0
August 2020	45%	2
September 2020	46%	15
October 2020	47%	2
November 2020	51%	9
December 2020	53%	10
January 2021	25%* bad debt write off	125
February 2021	21%	22
March 2021	22%	0

It is not merely the ***prevalence*** of arrears that is a problem for MCWD, however, it is the ***age*** of arrears as well. MCWD reports that from June 2020 through March 2021, with the exception of one month (February 2021), only roughly 50% to 60% of its total aged receivables involved "current" bills. In contrast, consistently nearly 20% of its aged receivable were for accounts that were either 3-months past due or more than 4-months past due. As arrearages age, they become less collectible from the perspective of the utility. However, as arrears age (and become increasingly bigger), they become less payable by the customer.

It benefits both the customer and MCWD to place customers in arrears on deferred payment plans. For payment plans to be meaningful, however, they must offer affordable monthly installment payments. Imposing payment plan terms that are unlikely to be kept by the customer not only places the pre-existing arrearage in jeopardy of nonpayment, but places payments toward future bills in jeopardy as well.

Table 19. Aged Receivables (June 2020 – March 2021)
(MCCC-1-19B)

	Current	+1	+2	+3	+4	Total	Pct Current	Pct +3 - +4
Jun-20	$168,340.55	$112,365.47	$0.00	$0.00	$0.00	$280,706.02	60.0%	
Jul-20	$193,497.13	$47,973.28	$66,983.90	$0.00	$0.00	$308,454.31	62.7%	
Aug-20	$145,572.43	$52,655.77	$24,994.43	$57,564.16	$0.00	$280,786.79	51.8%	
Sep-20	$154,573.68	$46,400.39	$32,451.53	$18,278.36	$51,529.36	$303,233.32	51.0%	17%
Oct-20	$147,024.95	$44,303.75	$25,679.87	$22,473.40	$59,421.86	$298,903.82	49.2%	20%
Nov-20	$150,829.32	$47,220.93	$28,668.32	$19,987.24	$70,972.16	$317,677.97	47.5%	22%
Dec-20	$143,698.87	$48,077.30	$28,092.36	$20,137.54	$77,804.37	$317,810.44	45.2%	24%
Jan-21	$144,048.30	$33,898.24	$10,350.46	$6,337.78	$40,726.97	$235,361.75	61.2%	17%
Feb-21	$212,378.14	$35,996.96	$11,394.91	$7,325.07	$36,870.75	$303,965.83	69.9%	12%
Mar-21	$133,699.31	$27,186.18	$8,881.62	$7,341.86	$40,827.55	$217,936.52	61.3%	19%

It is possible to consider the reasonableness of payment plans by looking at the unpaid balances on customer bills at the time of a disconnection. The data is set forth in the Table below. The Table below shows two alternative payment scenarios. The first automatically spreads unpaid balances over a 12-month period. The second spreads unpaid balances over a 24-month period. In addition to presenting the monthly installment that would be required for a 12-month and a 24-month installment payment plan, the Table presents the income that would be needed for a 12-month plan to be affordable (at 2% of income).

As is evident, it is not surprising that a high percentage of MCWD payment plans are not successfully completed. Consider MCWD's 2021 data. In the months of January through March 2021, while MCWD entered into 147 payment plans, by the end of March alone, 37 of those payment plans (25.2%) had defaulted. It would be unreasonable to not expect an increasing number of defaults as additional months progress.

The high rate of default presents no surprise when one considers the affordability of the payment plans being offered by MCWD. The Table below shows the number of payment plans, the average dollar amount of unpaid balance made subject to each payment plan, and the monthly installment payments required if those average unpaid balances are spread over a 12-month plan. The Table demonstrates how, *just to pay the payment plan installment*, customers would need an annual income of between $20,069 (September 2020) and $37,500 (August 2020) to have those payments be affordable. More typically, annual incomes would need to between roughly $30,000 for 12-month installment payments to be affordable. To place this into perspective, the monthly income required just to make the deferred payment plan installment –setting aside the additional income needed to pay the current bill in addition to the payment plan installment—would typically be between $2,000 and $2,500 a month.

Table 20. Payment Plan Payments Under Alternative Scenarios
Average Unpaid Balance of Payment Plans (August 2020 – March 2021)
(MCCC-1-23)

		Alternative 1			Alternative 2
	Average Unpaid Balance	12-month Payment Plan ($ installment per month)	Annual Income Needed to Make Payment at Affordable Percent of Income	Monthly Income Need to Make Payment Affordable	24-Month Payment Plan ($ Installment per month)
August 2020	$750.00	$62.50	$37,500	$3,125	$31.25
September 2020	$401.39	$33.45	$20,069	$1,672	$16.72
October 2020	$635.21	$52.93	$31,760	$2,647	$26.47
November 2020	$565.09	$47.09	$28,255	$2,355	$23.55
December 2020	4530.91	$44.24	$26,545	$2,212	$22.12
January 2021	$599.15	$49.93	$29,957	$2,496	$24.96
February 2021	$429.28	$35.77	$21,464	$1,789	$17.89
Mach 2021[35]	N/A	---	---	---	---

In its March Order, the Kentucky PSC stated that it "expected" utilities to be "flexible and lenient" in offering payment plan terms. In its September Order, the PSC said that payment plans of "no longer than two years" would be appropriate.

The 12-month payment plans currently being offered meet the needs of neither the customer nor the Water District. While a high percentage of deferred payment plans are defaulting, MCWD continues to experience extraordinary levels of unpaid balances. Given MCWD's stated needed for additional revenue, the Water District should not simply be granted additional rate relief while leaving unpaid dollars of revenue on the table by failing to offer reasonable deferred payment plans. MCWD should offer payment plans extending up to two years (24 months) in length.

[35] No payment plans entered into.

3. Enforce Constitutional Ban on Shutoffs without Notice on Payment Plan Default.

MCWD's Tariff governing "partial payment plans" violates fundamental constitutional rights of MCWD residential customers. The MCWD Tariff (Original Sheet 21) states in relevant part that "Plans which extend for a period longer than thirty (30) days will be in writing and will advise customers that service may be *terminated without additional notice* if the customer fails to meet the obligations of the plan." (Original Sheet 21) (emphasis added).

Providing for the nonpayment disconnection of service without notice might at first appear to be authorized by Commission regulation. (Rule 14(2)). That Regulation provides that "written partial payment plans. . .shall advise customers that service may be terminated without additional notice if the customer fails to meet the obligations of the plan."

If MCWD were an investor-owned utility, this Commission regulation might stand in the face of Constitutional challenge. However, application of that Regulation to MCWD as a government entity cannot stand. There is absolutely no question that MCWD's customers have a property interest in continuing water service. Given that, even with a payment plan, service may only be disconnected for nonpayment, there is a "legitimate claim of entitlement" in continuing service. *Craft v. Memphis Gas, Light and Water*, 436 U.S. 1, 12 (1978). If MCWD were not a publicly-owned entity, there could be an argument that the utility's disconnection was not "state action" and constitutional restrictions would not apply. However, given MCWD's status as a government entity, that argument is not available. As a publicly-owned water utility, due process requirements attach to MCWD actions. The U.S. Supreme Court held in *Craft*, that:

> Because of the failure to provide notice reasonably calculated to apprise respondents of the availability of an administrative procedure to consider their complaint of erroneous billing, and the failure to afford them an opportunity to present their complaint to a designated employee empowered to review disputed bills and rectify error, petitioners deprived respondents of an interest in property without due process of law.

(436 U.S. at 22). This instance differs from Craft in that rather than contesting whether the pre-termination notice is adequate, MCWD's Tariff provides for *no notice at all* when a customer is said to have defaulted on a payment plan. Without such pre-termination notice, MCWD disconnections upon a claim that a customer has defaulted on a partial payment plan is unlawful.

MCWD should identify each customer that has been disconnected for default of a partial payment plan within the past 36 months. If that customer remains without service, the customer should be reconnected without charge. If that customer has been reconnected, any non-recurring charges imposed as a result of the disconnection (e.g., disconnect charge, reconnect charge, deposit) should be refunded with interest. Going forward, MCWD should enforce its obligation as a governmentally-owned utility to disconnect service only after providing notice of the pending disconnection and notice of a process by which a customer may dispute that disconnection as unjustified.

4. Clearly Show Date of Last Meter Reading on Bill.

Kentucky PSC regulations require utilities to provide certain information on customer bills. One such requirement is that "each bill for utility service issued periodically be a utility shall clearly show:. . .(3) present and last preceding meter readings; (4) date of the present reading. . ." (807 KAR 5:006, sec. 7(1)(a)) ("information on bills"). This Commission requirement is incorporated into MCWD's Tariff as well. (Tariff, Revised Sheet 12).

Testimony at the hearing on the MCWD's current request for rate relief, however, verified that the Water District does *not* provide such information on a customer's bill. When asked what steps MCWD would need to undertake to provide an accurate meter reading date on each customer bill, MCWD responded by saying "the District will reorganize its meter reading books, zones and routes so that the billing software will print multiple reading dates at the time of monthly billing, allowing for accurate reading dates for individual customers." (MCCC-2-17).

Receiving a regular, accurate meter reading date is important particularly for low-income customers. A customer with a consumption that MCWD reports as average (4,000 gpm), for example, would receive a monthly bill of $63.39 under MCWD rates approved by the PSC in July 2021. Using 2% of income as the definition of affordability for a stand-alone water bill (i.e., without any wastewater component), this bill would be affordable for a household with an income of $3,170/month. This monthly income translates into an annual income of $38,034, or roughly 175% of Poverty for a 3-person household.

if, however, due to changes in meter reading schedules, this same customer received two consecutive bills, one for 2,500 gpm and the other for 5,500 gpm, a total consumption of 8,000 gpm (to be expected for a customer with an average monthly use of 4,000 gpm), the bills are *not* affordable "on average." The monthly bill with the greater consumption (5,500 gpm), because of a longer meter reading schedule, would be $77.43. For *this* bill to be affordable, the customer would need a monthly income $3,872 (annualized to a Federal Poverty Level of more than 210% for a household of three). The fact that the second bill would be lower does not make the customer's monthly income any higher, or any more available, in the month in which the higher bill is received.

Unfortunately, the differences in the dates of meter readings can spiral into higher and higher bills for MCWD's low-income customers. If the customer misses the payment, because of the higher-than-normal size of the bill, they experience an additional 10% Late Payment Charge. If the customer experienced a disconnection of service, they have yet additional (non-cost-based) nonrecurring charges tacked on to their bill. If the customer misses a payment, or experienced a shutoff, they may be subject to the imposition of a new cash security deposit.

In such circumstances, what is merely a "timing" difference to MCWD becomes an economic crisis for the customer. And the crisis occurs without MCWD ever providing the information – required both by PSC regulation and by its own Tariff—that would tell the customer the reason for the abnormal size of the bill.

MCWD should not be permitted to allow unrevealed changes in meter reading dates to impose extra costs on its residential customers. Any customer receiving a MCWD bill which does not "clearly show:. . .(3) present and last preceding meter readings; (4) date of the present reading. . ." should be exempt from imposition of late payment charges. Any customer receiving a bill which does not provide this information mandated by regulation and tariff should be exempt further from collection activity or threats of collection activity, or the imposition of any nonrecurring charges associated with such activity. When MCWD is allowed to impose a Late Payment Charge, or to engage in collection activity, after a bill has been rendered, that permission surely extends only to a bill that has been *properly* rendered.

To the extent that MCWD might believe such exemption would impose a financial burden on the Water District, the remedy is to provide the required information on the bill, not to impose additional fees based on nonpayment of non-compliant bills.

PART 5. SUMMARY OF RECOMMENDATIONS

Based on the data and analysis presented above, the following recommendations have been proffered for PSC approval in this rate MCWD proceeding:

1) Providing a low-income, low-use rate would allow the Commission to pursue several of its primary objectives for MCWD. First, it would provide the affordability assistance for "struggling communities" which the Commission found was so desperately needed in Kentucky. Second, it would provide an incentive for customers, who find it difficult to pay their bills with which to begin, to reduce their water consumption and thus take some responsibility on their own to maintain more affordable bills. Third, by encouraging water conservation, the Commission would encourage lower total system water usage and, by extension, help control the lost water which MCWD has such continuing difficulties to control. MWCD should offer a low use rate for confirmed low-income customers. (See, page 36, et seq.)

2) Given that the surcharges cited above can reasonably be expected to contribute to the ongoing payment difficulties of low-income MCWD customers, and increase the risk of nonpayment disconnection, the surcharges not only fail to achieve the purpose for which they were designed, they are counter-productive to achieving the purpose for which they were designed. In the same fashion as offering a low use minimum charge, customer qualifying for that low-use rate recommended above should also be exempted from the MCWD surcharges. (See, page 39, et seq.)

3) MCWD concedes that its non-recurring charges are not based on a cost-analysis. MCWD is imposing its non-cost-based nonrecurring charges most frequently on precisely the population the Commission has previously expressed the most concern about, Martin County's low-income population. MCWD should exempt low-income households from the imposition of nonrecurring charges. (See, page 41, et seq.)

4) MCWD should create a low-income assistance fund at the rate to be funded through late payment charges and charitable contributions. The Fund should be administered by Community Action of Kentucky (CAK) and distributed as water and sewer assistance to low-income customers of the Water District. The CAK administration can be undertaken pursuant to procedures subject to the review of the Commission and MCWD if desired. (See, page 44, et seq.)

5) MCWD is required by recent legislation to exempt customers from paying the residential Late Payment Charge if the customer has received Federal LIHWAP assistance, or if the customer has received assistance for all or any portion of a water bill from "another public or charitable source." MCWD should adopt practices and procedures properly implementing this state legislation. (See, page 46, et seq.)

6) When, in response to a disconnect notice, a customer notifies MCWD that the customer is facing an inability-to-pay, MCWD should place a 60-day hold on that disconnection pending application of the customer for financial assistance to help pay the outstanding water bill. MCWD should be prepared to provide the payment-troubled customer with information about available sources of public assistance. Allowing time for the customer to access public assistance in the event the customer reports an inability-to-pay an outstanding balance will benefit both the customer in improving his/her ability to retire an unpaid balance and the Water District in improving its ability to collect money that would otherwise remain unpaid. (See, page 49, et seq.)

7) The 12-month payment plans currently being offered meet the needs of neither the customer nor the Water District. While a high percentage of deferred payment plans are defaulting, MCWD continues to experience extraordinary levels of unpaid balances. Given MCWD's stated needed for additional revenue, the Water District should not simply be granted additional rate relief while leaving unpaid dollars of revenue on the table by failing to offer reasonable deferred payment plans. MCWD should offer payment plans extending up to two years (24 months) in length. (See, page 51, et seq.)

8) MCWD should identify each customer that has been disconnected for default of a partial payment plan within the past 36 months. If that customer remains without service, the customer should be reconnected without charge. If that customer has been reconnected, any non-recurring charges imposed as a result of the disconnection (e.g., disconnect charge, reconnect charge, deposit) should be refunded with interest. Going forward, MCWD should enforce its obligation as a governmentally-owned utility to disconnect service only after providing notice of the pending disconnection and notice of a process by which a customer may dispute that disconnection as unjustified. (See, page 56, et seq.)

9) MCWD should not be permitted to allow unrevealed changes in meter reading dates to impose extra costs on its residential customers. Any customer receiving a Water District bill which does not "clearly show:. . .(3) present and last preceding meter readings; (4) date of the present reading. . ." should be exempt from imposition of late payment charges. Any customer receiving a bill which does not provide this information mandated by regulation and tariff should be exempt further from collection activity or threats of collection activity, or the imposition of any nonrecurring charges associated with such activity. To the extent that MCWD might believe such exemption would impose a financial burden on the Water District, the remedy is to provide the required information on the bill, not to impose additional fees based on nonpayment of non-compliant bills. (See, page 57, et seq.)

APPENDIX

KENTUCKY PUBLIC SERVICE COMMISSION

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AUG 09 2019
PUBLIC SERVICE COMMISSION

WATER UTILITY
NON-PAYMENT DISCONNECTION/RECONNECTION REPORT

JULY 2018 THROUGH JUNE 2019

COMPANY: Martin County Water District

Month	July	August	September	October	November	December	January	February	March	April	May	June
Number Terminated	NO PULLS	72	59	44	32	NO PULLS	104	30	23	27	53	67
Highest $ Amt. Terminated		655.03	634.85	836.10	767.38		594.54	459.49	489.84	436.56	266.69	503.83
Lowest $ Amt. Terminated		43.47	46.43	76.15	76.15		78.40	80.75	80.87	80.87	80.87	80.87
Median $ Amt. Terminated		348.01	304.69	292.18	288.53		246.50	201.64	269.59	204.15	176.98	245.84
Average $ Amt. Terminated		193.45	162.64	199.05	157.48		180.31	166.28	172.08	150.48	127.49	187.11
Number Reinstated		55	51	37	21		73	21	34	18	32	52

For information regarding this report contact:

Name Marcie Dials

Phone (606) 298-3885

807 KAR 5:006, Section 4 (5)

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PUBLIC SERVICE COMMISSION

WATER UTILITY
NON-PAYMENT DISCONNECTION/RECONNECTION REPORT

JULY 2019 THROUGH JUNE 2020

COMPANY: Martin County Water District

Month	July	August	September	October	November	December	January	February	March	April	May	June
Number Terminated	68	24	22	37	23	69	41	34	Ø	Ø	Ø	Ø
Highest $ Amt. Terminated	433.96	468.11	232.81	431.98	363.43	966.91	2,092.02	518.77				
Lowest $ Amt. Terminated	72.47	72.47	80.87	80.87	76.32	80.01	69.86	87.51				
Median $ Amt. Terminated	184.32	183.98	160.86	249.32	172.51	423.04	527.50	130.92				
Average $ Amt. Terminated	167.98	177.77	144.41	164.44	174.70	188.74	210.63	166.34				
Number Reinstated	49	20	11	20	15	46	35	33				

For information regarding this report contact:

Name: Helen Proctor

Phone (606) 298-3885

807 KAR 5:006, Section 4 (5)

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KENTUCKY PUBLIC SERVICE COMMISSION

WATER UTILITY
NON-PAYMENT DISCONNECTION/RECONNECTION REPORT

JULY 2020 **THROUGH JUNE** 2021

COMPANY: Martin County Water District

Month	July	August	September	October	November	December	January	February	March	April	May	June
Number Terminated	Ø	Ø	Ø	Ø	Ø	Ø	81	Ø	54	36	40	19
Highest $ Amt. Terminated							2,702.24		840.38	1,865.13	643.02	867.58
Lowest $ Amt. Terminated							83.37		87.29	89.74	83.34	90.00
Median $ Amt. Terminated							398.26		371.35	501.53	138.48	393.32
Average $ Amt. Terminated							543.05		201.84	183.81	169.44	237.87
Number Reinstated							27		14	20	22	5

For information regarding this report contact:

Name [signature]

Phone (606) 298-3885

807 KAR 5:006, Section 4 (5)

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