COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MORGAN COUNTY WATER DISTRICT FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A WATER SYSTEM IMPROVEMENTS PROJECT AND AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES PURSUANT TO THE PROVISIONS OF KRS 278.020, KRS 278.300 AND 807 KAR 5:001	)	**Case No. 2022 - 00245**

Response to Commission Staff's Second Request for Information

The Morgan County Water District ("Morgan District"), by Counsel, hereby files its Response to the Commission Staff's Second Request for Information, dated October 12, 2022, as follows:

WITNESS to all Commission Requests: Shannon Elam, General Manager, Morgan District.

REQUEST 1: Refer to Morgan District's response to Commission Staff's First Request (Staff's First Request), Item 1(a). Provide documentation regarding the estimated water loss of approximately 28 percent for the four specific sections of waterline proposed to be replaced and explain how that estimate was made.

RESPONSE 1: The proposed project is the second phase of a dedicated program to reduce the amount of unaccounted-for water loss in Morgan District's system. The quantity of water flowing through the master meter that serves the area where the waterlines will be replaced was compared to the water sold through individual customer meters in such area and the water used for flushing. The calculation (in gallons) is as follows:

Amount of water purchased:	19,697,000
Less amount of water sold:	13,185,000
Less amount of water used for flushing:	1,000,000
Total Unaccounted for water:	5,512,000

Total Water Loss: 5,512,000/19,697,000 = 28%

REQUEST 2: Refer to Morgan District's response to Staff's First Request, Item 1(c). State the source(s) of information for the estimated useful life of 62.5 years for the proposed new waterlines. Provide written copies of same, if any.

RESPONSE 2: The source of information is the National Association of Regulatory Utility Commissioners - Depreciation Practices for Small Utilities, page 11, Typical Average Service Lives, Transmission and Distribution Mains, average life of 50 - 75 years.

REQUEST 3: Provide documentation or sources of reference in support of Morgan District's assertion that the useful life of the waterlines at issue is approximately 30 years.

RESPONSE 3: Based upon experience in the field, a realistic useful life of waterlines in Morgan County is approximately 30 years. This figure depends on soil and rock conditions and also the diligence exercised during construction and installation of the waterlines.

REQUEST 4: Refer to Morgan District's response to Staff's First Request, Item 2. State an estimated number of repairs that would likely be needed for all the damaged waterlines, and what the estimated total cost would be to perform all of those repairs. (An actual estimate is required, regardless of uncertainties involved. Providing a range of number of repairs, from greatest to least is acceptable.)

RESPONSE 4: The greatest number of repairs needed is estimated to be 24, while the least number of repairs needed is estimated to be 12. The estimated cost of each repair depends on the severity of the break or damaged section of waterline. The equipment/manpower needed to repair a break or damaged section consists of: (a) a dump truck with a backhoe on a trailer and two individuals; and (b) a service truck with two additional individuals. The average distance traveled one way to the site is approximately 10 miles. A reasonable estimate for repairs is 8 hours which includes digging out the break area, assessing the corrective action necessary to remedy the problem, making the actual repairs and backfilling and dressing the disturbed area. Based on past experience, backhoes are billed at $95 per hour, dump trucks are billed at $100 per hour and service trucks are billed at $75 per hour. Average personnel pay is $22 per hour. Total repair costs as follows:

Backhoe	$95/hr x 8 hours	= $760
Dump Truck	$100/hr x 8 hours	= $800
Service Truck	$75/hr x 8 hours	= $600
Personnel	$22/hr x 8 hours	= $704
Repair material, pipes, clamps, etc.		= $2,000
Surface repair (grass, seed/straw/asphalt)		= $1,000
Total estimated cost per repair		$5,864

24 repairs @ $5,864 = $140,736
12 repairs @ $5,864 = $70,368

REQUEST 5: Refer to Morgan District's response to Staff's First Request, Item 2. Explain is greater detail how the estimated cost of $2,500 - $4,000 for a single repair to a water line was calculated.

RESPONSE 5: Morgan District's estimated cost of a single waterline repair of $2,500 to $4,000 was on the low side. Please refer to the estimated cost breakdown set forth in Response 4 above.

REQUEST 6: Refer to Morgan District's response to Staff's First Request, Item 10 and Item 13. Given the relatively low estimated total cost of repairing the 200 water meters to extend the remaining useful life of the meters another ten years (200 meters at a cost of $75 a piece equals $15,000, in addition to the time and expense of substituting the meters), explain why replacing the meters is the most reasonable least-cost alternative to repairs.

RESPONSE 6: Replacing the meters will provide Morgan District with new, state of the art meters which will be more accurate than the current meters and thus allow Morgan District to generate more revenue and help in Morgan District's goal of reducing unaccounted-for water. Morgan District considered repairing and/or refurbishing the old meters but came to the conclusion due to their age and the time and expense of such repairing/refurbishing and substituting meters, the acquisition of new meters was the most reasonable cost effective alternative in light of the favorable terms of the KIA Fund F loan (interest at the rate of 0.25% per annum and a principal forgiveness of $1,000,000).

REQUEST 7: Refer to Morgan District's response to Staff's First Request, Item 11. Regardless of Commission regulations (not recommendations, as stated in Morgan District's response) for testing/calibrating or replacement, state the estimated remaining useful life of any of the 200 meters that are presently in working order.

RESPONSE 7: The estimated useful life of the meters selected for replacement in this project is approximately 7 years.

REQUEST 8: Refer to Morgan District's response to Staff's First Request, Item 13. Explain how the estimated $75 average cost for repairing or refurbishing meters was calculated. If there are any additional costs not included in the original estimated average cost, explain what those costs are and how that affects Morgan District's estimated cost of repairing or refurbishing the meters.

RESPONSE 8: The estimated cost of replacement parts, if available, is approximately $38 which includes a meter piston, meter bottom, gaskets and bolts. Approximately 2 labor hours are involved (at a cost of $37) which includes meter retrieval, meter testing, meter installment and overhead.

REQUEST 9: Refer to Morgan District's response to Staff's First Request, Item 13. The answer provided (approximately $75 to repair or refurbish each meter, in addition to the time and expense of substituting the meters, for which no estimate was given) was incomplete. Provide an estimate of how much the time and expense of substituting the meters will affect the total cost of repairing/refurbishing the 200 meters in question.

RESPONSE 9: The 200 meters in questions were installed in the 2009 KY 191 project. The $75 estimate to repair or refurbish the meters is based on an estimate to repair a meter that has been in service for 10 years (see Response 8 above). Please be advised that the labor cost of substituting

meters is an estimate and can vary depending on a number of factors including the location of the meters and the difficulty in pulling said meters.

REQUEST 10: Refer to Morgan District's response to Staff's First Request, Item 13. State how many meters Morgan District currently has available for use as a substitute if it is required to repair or refurbish the 200 old meters.

RESPONSE 10: Morgan District currently has approximately 30 new meters that can be used as substitutes. When a meter is removed, it must be replaced with a new meter if available while the old meter is repaired or refurbished. Morgan District would like to use any or all of the meters replaced as backup meters. This would depend on the condition of the replaced meters as some may not be able to be refurbished.

REQUEST 11: If Morgan District anticipates having to purchase substitute meters to perform repairs, state how many it would have to purchase and what the anticipated total cost would be.

RESPONSE 11: Morgan District would have to purchase approximately 200 meters to replace the old meters. If Morgan District was required to repair or refurbish the old meters then it would have to purchase enough meters as substitutes depending on how many meters were pulled at any one time. The cost of any new meters is shown on the certified bid tabulations previously filed with the Commission.

REQUEST 12: If known, state what portion of the 200 meters will require repairs, and what portion will require refurbishment.

RESPONSE 12: It is not known how many of the 200 meters in question are in need of repair or refurbishing as that would be determined once the meter is pulled and examined but it is good practice to replace any mechanical parts after 10 years due to a natural slowdown in reading capability. Generally meters are depreciated over 20 years as that is their average useful life. After 20 years, meters will either leak, quit reading or read slower than when they were new.

REQUEST 13: Explain the difference in costs (if any) between repairing or refurbishing a water meter.

RESPONSE 13: If a certain part of the meter is broken, then that part will be repaired or replaced. If a 10 year old meter is pulled for testing/calibrating and is reading slow, then it will be refurbished which involves changing out the main mechanical parts, not just anything that is broken.

REQUEST 14: Refer to Morgan District's response to Staff's First Request, Item 15. When Morgan District refers to the savings realized with the use of radio transmitters, confirm that all meters in Morgan District are being read by a single person in only three days, and not just a portion of all meters.

RESPONSE 14: All of Morgan District's meters are currently being read in a 3 to 4 day period by a single employee.

Certification of Responses to Commission Staff's Second Request for Information

I hereby certify that I have supervised the preparation of the Responses to the Commission Staff's Second Request for Information. This information provided in the Responses is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Shannon Elam, General Manager
Morgan County Water District

The undersigned has prepared this Response as Counsel to and on behalf of the Morgan County Water District, a governmental agency, and hereby certifies that this Response is true and accurate to the best of the undersign's knowledge, information and belief formed after a reasonable inquiry.

Respectfully Submitted:

Rubin & Hays

By _____

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CERTIFICATE OF SERVICE

The undersigned, in accordance with 807 KAR 5:001, Section 8, hereby certifies that Morgan County Water District's foregoing Response is a true and accurate copy that was electronic transmitted to the Kentucky Public Service Commission on October 27, 2022; that there are currently no parties that the Kentucky Public Service Commission has excused from participation by electronic means in this proceeding.

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