

Peaks Mill Water District (PMWD)
Follow-up Request from Informal Conference of March 4, 2024
Document prepared by Greg Heitzman 3/6/24

During the Informal Conference held March 4, 2024, the PSC staff requested additional information regarding the multi-year trends of water loss and other water use. In addition, PSC staff requested PMWD provide the data for water purchase, water sold, other water use, and water loss for the calendar year 2023.

Exhibit 1 includes the PMWD Annual Report filing data for water use for 2019 to 2022. A column was added for calendar year 2023 data. Note that the Flushed Water Volume included in Exhibit 1 is water identified in the annual reports as “Total Other Water Used”. As discussed at the informal conference, the flushed water volume has decreased from a peak of 25,825 gallons (or 23.67% of total) in 2020 to 10,365 gallons (11.32% of total) in 2023. Water Loss peaked in 2021 with 35,496 gallons (29.82% of total) to 23,336 gallons in 2023 (25.48% of total). While these are significant improvements, PMWD will be required to continue flushing water to maintain water quality. Efforts to reduce water loss will take capital investment in meter, water main and service line replacement to achieve a target level water loss of 15 percent or below.

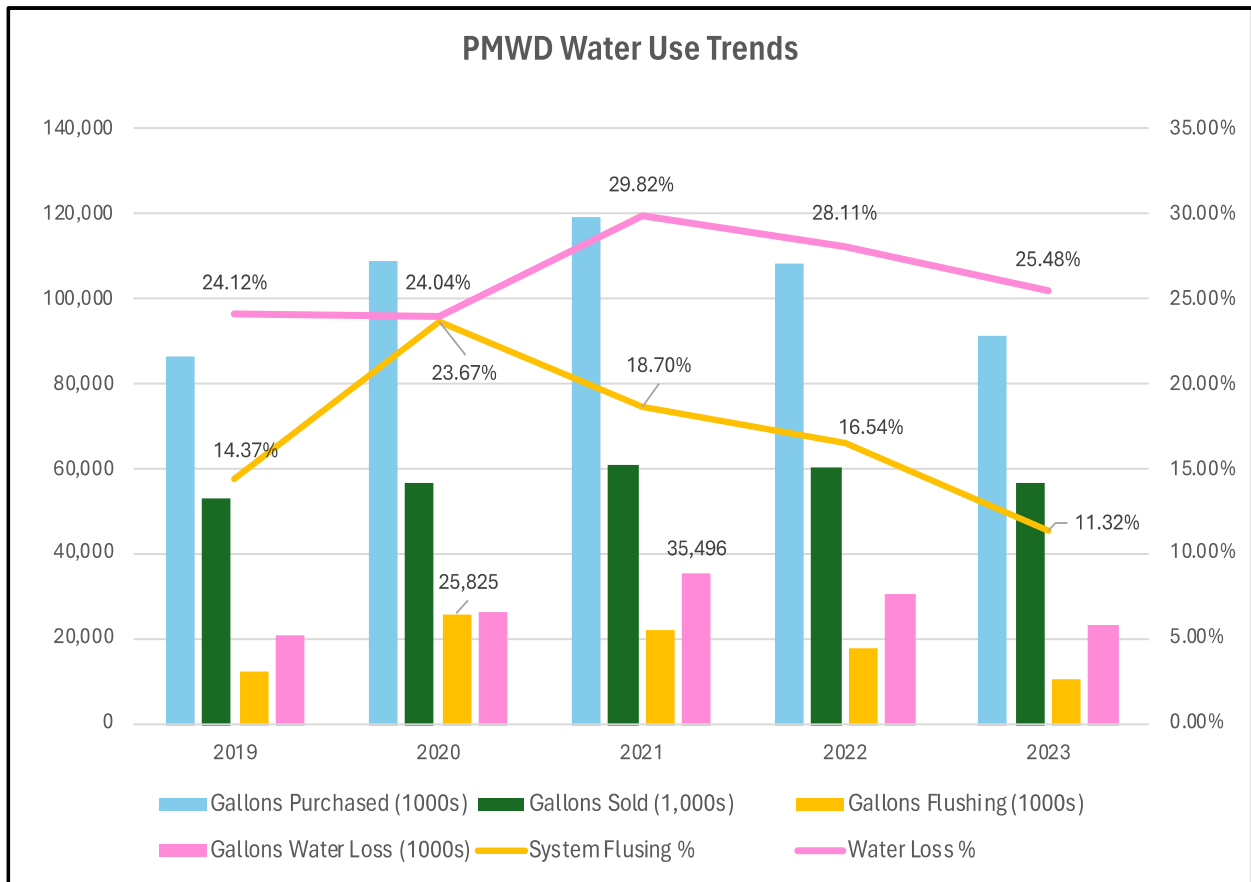
Exhibit 2 provides a summary of the estimated dollar value of water flushed and water loss. The value of water flushed has significantly declined since 2020 due to improved management of water quality in the distribution system, accurate metering of flushed water volumes and a shift in water purchase from higher cost Kentucky American water (average \$4.63/1000 gallons) to Frankfort Plant Board water (average \$2.84/1000 gallons). The value of water loss has declined since 2021. The total value of non-revenue water (flushed and water loss) peaked in 2021 at \$200,399 and has declined to \$107,843 in 2023, a reduction of \$92,556. The savings from the test year (2022) to 2023 is estimated at \$56,019. We expect this non-revenue water value will continue to decline, but will reach diminishing returns unless the 15 year meter stock is replaced and water mains and service lines are replaced. Note the estimated value of flushed water and water loss is based on a weighted average of water purchased from Frankfort and Kentucky American, as shown in Exhibit 2.

In conclusion, PMWD recommends a water loss reduction surcharge of \$3.59 per customer be approved to address water loss exceeding 15 percent. The additional revenue is proposed to be used to replace inaccurate meters, install additional sub-zone meters to locate high water loss areas and develop a plan to replace leaking water mains and service lines in high water loss areas of the system.

Response provided by Greg Heitzman 3/6/24.

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| Exhibit 1 | | | | | |
|----------------------------|--------------------|---------|---------|---------|--------|
| Water Use Category | PSC Annual Reports | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Customer Count | 1,175 | 1,187 | 1,194 | 1,212 | 1,218 |
| Gallons Purchased (1000s) | 86,307 | 109,082 | 119,015 | 108,595 | 91,593 |
| Gallons Sold (1,000s) | 53,086 | 57,032 | 61,263 | 60,115 | 56,523 |
| Gallons Flushing (1000s) | 12,406 | 25,825 | 22,256 | 17,958 | 10,365 |
| Gallons Water Loss (1000s) | 20,815 | 26,225 | 35,496 | 30,522 | 23,336 |
| System Flusing % | 14.37% | 23.67% | 18.70% | 16.54% | 11.32% |
| Water Loss % | 24.12% | 24.04% | 29.82% | 28.11% | 25.48% |



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| Exhibit 2 | | | | | |
|--|----------------------------|------------------|------------------|------------------|------------------|
| Water Use Category | Value of Non-Revenue Water | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| FPB Water Purchase % (AVG) at \$2.84/1000 | 100.0% | 67.4% | 64.3% | 69.1% | 79.5% |
| KAW Water Purchase % (AVG) at \$4.63/1000 | <1% | 32.6% | 35.7% | 30.9% | 20.5% |
| Weighted Average Cost of Water per 1000 Gallons | \$2.84 | \$3.43 | \$3.47 | \$3.38 | \$3.20 |
| Flushing Water \$ Value | \$35,233 | \$88,580 | \$77,228 | \$60,698 | \$33,168 |
| Water Loss \$ Value | \$59,115 | \$89,952 | \$123,171 | \$103,164 | \$74,674 |
| Non-revenue Water \$ Value | \$94,348 | \$178,532 | \$200,399 | \$163,862 | \$107,843 |

