

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF PEAKS MILL	)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT	)	2023-00401
PURSUANT 807 KAR 5:076	)	

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RESPONSE OF PEAKS MILL WATER DISTRICT  
TO THE COMMISSION STAFF'S THIRD REQUEST FOR  
INFORMATION DATED APRIL 15, 2024

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF PEAKS MILL ) CASE NO.  
WATER DISTRICT FOR A RATE ADJUSTMENT ) 2023-00401  
PURSUANT 807 KAR 5:076 )

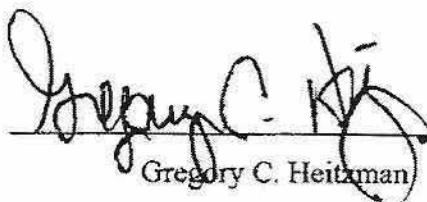
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VERIFICATION OF GREGORY C. HEITZMAN

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COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

Gregory C. Heitzman, on behalf of Peaks Mill Water District, states that he has supervised the preparation of certain responses to the third Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
Gregory C. Heitzman

The foregoing Verification was signed, acknowledged and sworn to before me this 24 day of April, 2024, by Gregory C. Heitzman.

*Nathan* KYNP 24034

Commission expiration: 4/24/2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF PEAKS MILL	)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT	)	2023-00401
PURSUANT 807 KAR 5:076	)	

VERIFICATION OF ROBERT K. MILLER

COMMONWEALTH OF KENTUCKY )  
 )  
 COUNTY OF JEFFERSON )

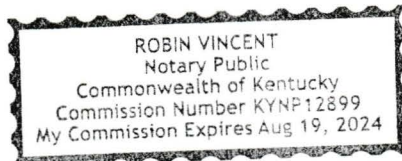
Robert K. Miller, Kentucky Rural Water Association on behalf of Peaks Mill Water District, states that he has supervised the preparation of certain responses to the third Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Robert K. Miller

The foregoing Verification was signed, acknowledged and sworn to before me this 26<sup>th</sup> day of April, 2024, by Robert K. Miller.

Commission expiration:

August 19, 2024



**Peaks Mill Water District  
Case No. 2023-00401  
Commission Staff's Third Request for Information**

**Witnesses:** Gregory C. Heitzman #1a, 1c, and 3a-e  
Robert K. Miller #1b and 2a-b

1. Refer to Peaks Mill District's responses to Commission Staff's First Request for Information (Staff's First Request), Item 10, revised tap-on fee calculations as well as the revised filing on February 15th.
  - a. Explain why Peaks Mill District did not calculate the tap-on fees by taking the average of the long side and short side installations.

**Response: Peaks Mill Water District filed a request on February 15, 2024 for approval of a bifurcated tap fee for short and long services. The bifurcated fee was recommended after reviewing the cost premium for installing long service across roadways that required a bore or unusual field conditions that drive up the cost of installation.**

**Peaks Mill Water District is a small water system serving rural Franklin and Owen Counties. The area served has significant elevation changes in the Elkhorn Creek and Kentucky River watershed. Many roads are narrow with rock outcroppings and the roads run parallel to creeks and streams with steep terrain. The water mains were typically installed on the high and open side of the roadway, where home building is more feasible.**

**In 2022 and 2023, a total of 22 services were installed with 16 services identified as short (72%) and 6 identified as long (28%). A further examination of the six long service installed, revealed that two required a bore, one required an open cut, one was 150 foot in length. The average cost of the long service installs was over \$4,400.**

**It is for this reason that the bifurcated tap fee was recommended. Otherwise, charging an average cost of \$3,500 for the short and long service installs will over charge customers with short service installations and under charge long service installations. An alternative would be to charge actual costs for service installs that require a road bore, road crossing, creek crossing, rock removal or exceed 50 feet in length.**

- b. Provide examples where this Commission has approved other utilities to charge bifurcated tap-on fees for long side installations as well as short side installations.

**Response: Peaks Mill District was unable to identify examples where the Commission has approved other utilities to charge bifurcated tap-on fees for long side installations as well as short side installations.**

- c. Explain whether Peaks Mill District considered adding specific language in its tariff for instances where the installation requires a road bore or creek crossing, or other circumstances where the cost may be more expensive. If not, explain why not.

**Response: At the time of the filing, Peaks Mill Water District did not consider adding specific language in its tariff regarding a service line installation that requires a bore or a creek crossing. This would be an acceptable alternative to the bifurcated proposal, since long services that cross roadways have an additional cost for a road bore or an open road cut requiring road base restoration and pavement.**

**In such cases, Peaks Mill requests the Commission allow the District's Tariff to be amended to allow the tap fee for service installations requiring a bore, road crossing, creek crossing, rock removal or exceeding 50 feet in length, to be installed at actual cost following a deposit based on an estimate. The final cost will be adjusted to actual cost upon completion of the installation.**

**A revised Exhibit 10A has been prepared that excludes services that included a bore, road crossing, creek crossing, rock or exceed 50 feet in length. Peaks Mill recommends the Tapping Fee for 3/4-inch service lines be set at \$2,650 based on information submitted in Exhibit 10A – Revised 4/23/24 and the District's Tariff be amended to reflect these conditions.**

**See file RFI 3 Exhibit 10A**

2. Refer to Peaks Mill District's Application, Attachment 4, Table G and Table H. Table G illustrates a Customer Charge in the amount of \$10.99 for meter sizes 5/8-inch x 3/4-inch and 1-inch. Additionally, Table G illustrates that the usage blocks are calculated for the first 10,000 gallons, next 90,000 gallons, and over 100,000 gallons. However, Table H has a monthly minimum bill of \$34.77 for the first 2,000 gallons, and usage blocks of next 8,000 gallons, next 90,000 gallons and over 100,000 gallons.
- a. Confirm that Peaks Mill District combined the first 2,000 gallon usage block and next 8,000 gallon usage block to calculate the total costs and gallons sold in Table G. If confirmed, then provide a breakdown of costs and gallons sold for the usage blocks used in Table G. If not confirmed, then explain the discrepancy between the usage blocks in Table G and in Table H.

**Response:**

**Peaks Mill District computed three usage blocks:**

<b>First</b>	<b>10,000 gallons</b>
<b>Next</b>	<b>90,000 gallons</b>
<b>All Over</b>	<b>100,000 gallons</b>

**A breakdown of costs and gallons sold for the usage blocks used is shown in Table G:**

**Table G**  
**CALCULATION OF WATER RATES**  
**Peaks Mill Water District**

	Total	First 10,000	Next 90,000	Over 100,000
Adjusted Commodity Sales	65,577,700	52,546,600	9,321,900	3,709,200
Commodity Percentages	100.00%	80.13%	14.22%	5.66%
Demand Weighting Factor		2.00	1.50	1.00
Demand Weighted Sales	122,785,250	105,093,200	13,982,850	3,709,200
Demand Percentages	100.00%	85.59%	11.39%	3.02%
Commodity Costs	274,829	220,217	39,067	15,545
Demand Costs	481,717	412,307	54,858	14,552
Total Costs	756,546	632,524	93,925	30,097
No. of Gallons Sold x 1,000		52,547	9,322	3,709
<b>CALCULATED USAGE RATES</b>		\$12.04	\$10.08	\$8.11
<b>PROPOSED USAGE RATES</b>		<b>\$11.89</b>	<b>\$9.93</b>	<b>\$7.96</b>
(adjusted per Billing Analysis to result in required revenue)				
<b><u>CALCULATION OF CUSTOMER CHARGES:</u></b>				
	<u>Billing &amp; Collecting</u>	<u>Meters &amp; Services</u>		
Expenses to be Allocated	79,989	78,722		
No. of Bills or Equivalent	14,365	14,521		
Unit Cost of Service	\$5.57	\$5.42		
	<u>Billing &amp; Collecting</u>	<u>Service Ratio</u>	<u>Meters &amp; Services</u>	<u>Total Customer Charge</u>
5/8 x 3/4"	\$ 5.57	1.00	\$ 5.42	\$ 10.99
1"	5.57	1.00	5.42	10.99
1-1/2"	5.57	1.80	9.76	15.33
2"	5.57	2.90	15.72	21.29
3"	5.57	11.00	59.63	65.20
4"	5.57	14.00	75.90	81.47

- b. Explain and provide support for how the amounts of gallons for monthly minimum bills were calculated for all meter sizes larger than 1-inch meters.

**Response: The amount of gallons for monthly minimum bills for meter sizes 1-inch and smaller was based on 2,000 gallons per month.**

**The District wanted to establish specific minimum bills for each meter size. Because there is currently no history for 1-1/2 inch to 4 inch meters in typical minimum bill usage ranges, amounts were chosen that are customarily used by other water utilities.**



3. Refer to Peaks Mill District's Application, Schedule of Adjusted Operations (SAO) and Explanation of Adjustment to Total Retail Metered Sales. Adjustment I in the SAO shows a revenue adjustment of \$17,395 to total retail metered sales. The Explanation of Adjustment to Total Retail Metered Sales indicates that this is an estimation of an increase in revenues due to an increase in customers as well as the change out of older, under-registering meters with new, more accurate meters.

- a. Provide support and all necessary calculations for how the adjustment of \$17,395 was derived.

**Response: The \$17,395 is an estimate of increased revenue based on the increase in revenue of \$14,681 from January to October 2022 (Test Year) to January to October 2023, an increase of 2.5%. The test year revenue metered sales were increased by 2.5% from \$695,797 to \$713,192.**

- b. Provide the number of customers that will be added to Peaks Mill District's water system as well as how this number was derived. Provide the anticipated timeline for bringing these customers online.

**Response: The increase in revenue was not based on a specific number of new customers added to the system. The increase in revenue was attributed to an increase in customers and replacement of inaccurate meters. Individual consumption patterns and weather may have also contributed to the increase in consumption and revenue over that period. From July 2022 to December 2023, 22 new meters were installed.**

- c. Explain whether these customers are retail or commercial customers. Include in the response the average gallons Peaks Mill District used to estimate the revenues generated by these new customers.

**Response: There was not a distinction between residential and commercial customers when preparing the estimate of increase revenue. There was not an estimate of gallons from new customers used in the revenue adjustment.**

- d. Provide the number of older, under-registering meters that were replaced with newer, more accurate meters and the replacement timeline. Include in the response all records, including meter testing results, that represent the number of meters that were under-registering customer usage as well as specific dates of replacement.

**Response: From December 2022 to April 2024, 76 customer meters have been tested, and 69 of the 76 (90.8%) meters tested did not**

**meet the state requirement for accuracy and have been replaced with new meters. The majority (over 95%) were slow compared to the actual test consumption. Therefore, a general assumption was made that the new replacement meters will generate an increase in revenue. The exact amount of increased revenue would require an extensive analysis of the past consumption history and best be determined after one year of consumption with the new meter installed.**

**The meter test results are included in Exhibit 3d. At the time of this submittal, the addresses of the replacement meters are in the process of being compiled. Upon completion, a revised Exhibit 3d will be submitted to the Commission including the date of replacement and address location of replacement (where applicable).**

**See file RFI 3 Exhibit 3d**

- e. Refer to the \$17,395 adjustment in total retail metered sales. Of this amount, how much is derived from newer customers and how much is derived from newer meters.

**Response: There was not a calculation of new revenue projected from new customers and from new meter installs. The estimate was based on overall revenue growth from October 2022 to October 2023.**