

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)	

RESPONSE OF PEAKS MILL WATER DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED FEBRUARY 8, 2024

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

Witnesses: Nancy Sherrow #2, 4 and 6
Gregory C. Heitzman #3, 7, 9 and 10
Robert K. Miller #1, 5 and 8

1. Refer to the 2022 general ledger and the Application, Schedule of Adjusted Operations (SAO), Miscellaneous Income. Provide exclusions from the general ledger to reconcile to the SAO amounts listed as shown below.

Description	General Ledger	SAO	Difference
Sales:Residential Water Sales	(664,720.13)		
Sales:Commercial Water Sales	(51,004.34)		
	<u>(715,724.47)</u>	717,547.00	1,822.53
Government Grants:Grant - Revenue MOA	(25,576.32)		
Miscellaneous Income	(2,800.00)		
New Meter	(18,785.00)		
Sales:Late Fee	(12,873.21)		
Sales:Reconnect Fees	(2,800.00)		
Sales:Returned Check	(1,823.21)		
Sewer Billing Revenue	(700.00)		
	<u>(65,357.74)</u>	38,690.00	(26,667.74)
Interest Income (Rev Requirements)	(1,995.34)	1,581.00	(414.34)

Response:

Total Retail Metered Sales of \$717,547.00 in the Schedule of Adjusted operations did not include an offset of \$1,823.21 for Returned Checks. Instead, that amount was included in Miscellaneous Services Revenues. The Total Retail Metered Sales in the Schedule of Adjusted Operations for the test year is correct.

Other Water Revenues of \$38,690.00 in the Schedule of operations did not include Government Grants of \$25,573.32. This was intentionally not included in the Schedule of Adjusted Operations because this was non-recurring income.

Interest Income of \$1,581.00 in the Schedule of Adjusted Operations was incorrect because the 2021 amount was inadvertently used. The correct amount should have been \$1,995.34.

2. Provide the amount billed to Elkhorn Water District for 2022 management fees and the general ledger account where it is classified.

Response: These are recorded on rows 4531 through 4544 of the 2022 General Ledger.

See file 2_Management_Fee

3. Refer to the Application, SAO, Reference M, Broadband Revenue, \$1,200. Provide the amount included in the test year and the general ledger account where it is classified.

Response: Adjustment Reference K of \$1,200 represents Miscellaneous Service Revenues as a result of a contract amendment with All Points Broadband for \$100 per month as of October 2023. There were no revenues related to this contract in the test year to record in the general ledger.

See file 3_All_Points_Broadband

4. Refer to the Response to Commission Staff's First Request for Information (Staff's First Request), Item 1f_Jobs_and_Pay. Confirm that 2023 hours worked are representative of ongoing activities or provide anticipated pro forma hours by employee. Specifically explain Peaks Mill District's decrease in total hours worked from 2022 to 2023, from 3,778.65 to 3,150.25, respectively.

Response: Hours worked decreased from 2022 to 2023 because an employee resigned on May 30, 2023 and was not replaced.

5. Refer to the Response to Staff's First Request, Item 1.i. The Commission requested a list describing all employee benefits, other than salaries and wages, to which Peaks Mill District's response was that commissioners receive no additional benefits. The response provided does not answer the question requesting information about employee benefits, rather it only refers to commissioners.

Response: All employees are part-time and are not eligible for employee benefits.

6. Refer to the Response to Staff's First Request, Item 1.a., general ledgers for 2022 and 2023. Provide a copy of the invoice for each Kentucky-American Water Company purchase that was charged to Water Purchases for the items listed in the table below. Show calculation amounts for each component charge (i.e., rider, Kentucky River Authority withdrawal fee, fixed components) if they are not evident from the invoice.

Date	Num	Memo	Credit
01/25/2022	2540	1012-2200342244816; 12/02/21 - 01/03/22; 3,907,600 gallons	\$ 18,252.03
11/27/2023	3234	32244816; 10/11/23 - 11/13/23 2,169,700 gallons	\$ 10,768.43
12/04/2023		9446813; 10/11/23 - 11/13/23 40,800 gallons	\$ 327.23
12/08/2023		9446813; 10/11/23 - 11/13/23 30,200 gallons	\$ 275.89
12/28/2023	3268	220032244816; 11/14/23 - 12/11/23; 2,100,200 gallons	\$ 10,431.26

Response: See file 6_KAWC_Invoices

7. Refer to the Response to Staff's First Request, Item 7b_Response.

- a. State whether each contract is fixed cost. If variable elements exist for a contract, provide documentation for the variable component.

Response: The contract with BlueWater Kentucky is a variable cost (hourly rate) contract. BlueWater Kentucky (Greg Heitzman) provides professional engineering and management services at a rate of \$150.00 per hour.

The contract with C & L Consulting (Jeff Lee) is a fixed price contract with a variable rate for capital services and emergency services. Operations and maintenance services are provided for a fixed rate of \$6,000 per month for basic services. Capital construction services are provided for \$50.00 per hour. Emergency call out work (after hours and weekends) at \$75.00 per hour.

The contract with Cartwright Contracting is a variable cost contract for maintenance and repairs as needed by the District. The hourly rates are as follows:

Utility Worker = \$35.00/hour

Equipment Operator (including equipment) = \$90.00/hour

- b. Describe the procurement process for each contractor.

Response: The procurement process for the contract with BlueWater Kentucky was a professional services executed December 16, 2019. The most recent Professional Service Contract was executed on February 13, 2023, with a Contract Extension #1 executed on January 8, 2024.

The procurement process for the contract with C & L Consulting was for services procured through a Request for Interest and Qualifications issued by the District on October 18, 2021. The C&L Consulting operations and maintenance agreement was initially executed February 22, 2022, with a fixed monthly fee of \$10,500 per month. An amendment was executed on May 6, 2022, with a fixed monthly fee of \$6,500 per month. A Contract Extension #1 was executed on January 8, 2024, with a fixed monthly fee of \$6,000 per month.

The procurement process for the contract with Cartwright Consulting was bid by the District as work for "Distribution Water Loss and Water Quality Improvements" on October 5, 2023. The bid documents included hourly rates for maintenance and repair services. The low bidder was Cartwright Contracting, LLC. The

District entered into a contract with Cartwright Contracting, LLC on October 24, 2023.

8. Refer to 2022 general ledger. Also refer to Application, Adjustment F for -\$18,785 and Adjustment S for -\$8,400. The general ledger reflects \$18,785 in New Meter Revenue. State whether Adjustment S for -\$8,400 was double-counted by inclusion in Adjustment F and Adjustment S and therefore should be removed.

Response: Adjustment F is intended to remove the Contractual Services Expenses for services installed by a contractor during the test year. Adjustment S is intended to reflect the lower cost of materials used for service installations as a result of decision by Peaks Mill District in 2023 to create and manage an inventory of supplies used in the distribution system. These adjustments are not double-counted and should not be removed.

9. Refer to the Application, SAO, Reference T which reduces materials expense by \$8,000 for a buildup of inventory during the test year. Provide supporting calculations for the adjustment.

Response: Prior to January 1, 2022, the District contracted with Gatewood Water Services for operations and maintenance services. Gatewood Water Services owned and maintained an inventory of distribution materials.

In 2022, the District transitioned contract services from Gatewood Water Services to C&L Consulting and the District decided to purchase and build an inventory of repair materials. The material purchases through October 2023 totaled \$40,275. The prorated value for 12 months equals \$48,330. The value of materials for service installations was estimated to be \$8,400. The value of initial inventory buildup for the year was estimated at \$8,000.

10. Refer to the Application, Attachment 2, Reasons for Application.

- a. Describe Peaks Mill District's efforts to reduce water loss during the past five years.

Response: The District has experienced a water loss of 18 to 27% over the past five years. The following efforts have been initiated to reduce water loss:

- **The contract operator routinely reviews system operations and looks for areas of possible water leaks. A Digital Leak Detector was purchased in 2023 to assist with identify leaks in the distribution system.**
- **The District has discovered theft of some water through unauthorized use. These connections have been locked out and in one case the service line was buried to prevent theft.**
- **The District installed three pressure zone meters and began systematically tracking water loss by zone in June of 2021. The water loss tracking by zone is reported to the board monthly. The zone water loss is used to determine areas of high water loss to identify potential water main and service line leaks or breaks.**
- **The District installed a new SCADA telemetry system in 2022 that allows the licensed distribution operator to monitor tank levels and the rate of drop in tank levels. This allows the operator to identify potential leaks or breaks in the distribution system as well as tank overflows.**
- **Beginning in 2023, the District requested the Frankfort Plan Board and Kentucky American provide daily water meter and consumption readings. This allows the distribution operator to monitor trends in water purchases and possible leaks or unauthorized use.**
- **The previous contract operator (Gatewood Water Service) did not conduct meter testing during COVID period of 2020-2022. The District reinitiated meter testing in 2023. A review of the test results indicates a high number of under-registering meters, leading to lost revenue. Meters not meeting the AWWA meter accuracy standard are replaced. All 1-inch meters have been replaced as of February 15, 2024.**

- **The current meter stock was installed in 2009 and approaching 15 years in age. Some meters have been found to be older than 15 years. The District has prepared a project summary (WX 21073036) for replacement of 1,250 meters with new AMR technology. The estimated cost is \$745,000. The project could be funded in part from the water loss surcharge.**
 - **Prior to 2022, the District did not have a distribution mapping system. With the assistance of Kentucky Rural Water Association, the distribution system is being mapped in ARC GIS to assist with management and operations of the system. The mapping system is available for field staff to access on mobile devices (phone and tablet), allowing entry of field notes, photos and leak documentation.**
 - **A Water Loss Reduction Plan was prepared in September 2022 in response to a PSC inspection on August 11, 2022. The plan was updated and submitted the PSC on December 11, 2023, for its response to the October 24, 2023, PSC inspection. The Water Loss Reduction Plan was updated on February 23, 2004, and is attached as Exhibit 10a.**
- b. Describe how Peaks Mill District anticipates using the proposed water loss surcharge of \$3.59 per customer per month.

Response: The District has proposed a \$3.59 per customer water loss surcharge that will generate an estimated \$51,696 per year (\$206,784 over 4 years). If approved, the District will evaluate the best use of the funds to reduce water loss. A portion of the funds will be used to develop a strategy to reduce water loss in a systematic, beneficial approach to maximize value and reduce non-revenue water and water loss. The following activities will be considered (subject to PSC approval):

- **Replacing meters – Total replacement cost is estimated at \$745,000. A portion if this project could be funded by the water loss surcharge.**
- **Sub-zone metering - Further sub-zone metering to identify areas of high water loss.**
- **Main replacement - Replacing portions of the distribution system that have documented high water loss (following the sub-zone metering program).**