COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BRONSTON WATER ASSOCIATION, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A SYSTEM IMPROVEMENTS PROJECT AND AN ORDER AUTHORIZING THE ISSUANCE OF SECURITIES PURSUANT TO KRS 278.300	))))))	**Case No. 2024-00076**

Response to Commission Staff's Second Request for Information

The Bronston Water Association, Inc. ("Bronston Water"), by Counsel, hereby files its Response to the Commission Staff's Second Request for Information, dated May 24, 2024, as follows:

REQUEST 1: Refer to the Application, Exhibit D, KIA conditional commitment letters, and Attachment B, executive summary and credit analysis, paragraph IX, regarding debt obligations. Provide the current debt amortization schedules for all the outstanding obligations as well as for the proposed loan.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

RESPONSE 1: The requested amortization schedules are being filed with this Response.

REQUEST 2: Refer to the Application, Exhibit B, stating that the Project will also include the installation of 1,180 radio read meters.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

(a). Provide an itemized breakdown of any differences in operation and maintenance costs for the new proposed meters with the DIALOG 3G AMR System as compared to continuing to operate the old meters, and explain how differences in the operation and maintenance expense were calculated.

RESPONSE 2(a): Since the installation of the radio read meters in 2008, Bronston Water has used the same radio read meters and the Dialog 3G AMR System. Since the old meters are 10 years or older, the 10-year warranty has expired, and the meters are starting to show signs of wear and loss of accuracy, Bronston Water has elected to replace each existing radio read meter with a new radio read meter. Therefore, there are no differences in the operation and maintenance of the

newly proposed meters compared to the old meters. No operation and maintenance expenses were calculated.

(b). Provide the estimated useful life of the proposed meters.

RESPONSE 2(b): The estimated useful life of the proposed meters is 15 to 20 years with a ten (10) year warranty. The useful life of the battery of the radio read meter is 10 years.

(c). Provide the estimated remaining useful life of the meters being replaced.

RESPONSE 2(c): The estimated remaining useful life of the meters being replaced is four (4) years due to their being in service since 2008.

(d). Explain how Bronston Water determined that the proposed meters were the reasonable least cost option if no other meters were considered, and provide any calculations or comparison that were completed in making the determination.

RESPONSE 2(d): Bronston Water did not consider the proposed meter based on a least cost option. The proposed meter was chosen due to the fact that the radio read system that Bronston Water uses is sole source, and no other meter is compatible with the Dialog 3G AMR System.

(e). State where the purchase of the new meters and the installation of the new meters are reflected in the Final Budget.

RESPONSE 2(e): The purchase of the new meters has not been reflected in the Final Budget due to the fact that Bronston Water intends on purchasing the meter themselves with contingency funds remaining after completion of the project. It is not known at this time how many of the new meters will be purchased using the remaining project contingency funds. Bronston Water will have to wait until the base bid and alternate bid portion of the project is complete before it can purchase any new meters with remaining contingency funds. KIA has approved the purchase of up to 1,180 new meters from remaining KIA funds. The installation of the new meters will be performed by Bronston Water employees.

(f). Provide an itemized breakdown of the cost of purchasing and installing the new meters.

RESPONSE 2(f): Each new meter purchased is approximately $285/Each. Replacement of an existing meter with a new meter is considered a routine maintenance item for Bronston Water, therefore there is no cost associated with installation of the new meter.

(g). State if the purchase and installation of the new meters is included in the Bid Tabulations, and if so, identify the line item.

RESPONSE 2(g): The purchase and the installation of the new meters is not included in the Bid Tabulations as Bronston Water is intending on purchasing as many new meters as contingency funds allow. The new meter purchase and installation is not included in the Final Budget due to the unknown amount of remaining funds at the end of the base bid and alternate

portion of the project. Should there be remaining contingency funds upon completion of the base bid and alternate portion of the project, then Bronston Water will calculate the number of new meters of the proposed 1,180 they will be able to purchase based on the funds remaining.

REQUEST 3: Explain Bronston Water's reasoning for selecting the meter model it did, including any cost justifications or operational concerns that lead Bronston Water to select the model it chose.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

(a). State when the meters being replaced were last tested.

RESPONSE 3(a): The meters to be replaced were tested prior to installation in 2008 to 2012.

(b). State why all the meters must be replaced at once.

RESPONSE 3(b): Most if not all of the radio read meters to be replaced were installed around 2008 through 2012 and are nearing the end of their life expectancy and are showing signs of wear and losing accuracy. Not all of the 1,180 meters to be replaced will be done at once (see funding discussion in Response 2 above). It may take Bronston Water employees a period of 1 to 3 years to replace the meters. Bronston Water will start with the first meter installed on their radio read system and follow in chronological order based on the date of installation. Bronston Water has recorded all dates, serial numbers, areas, etc. of each meter installed that needs replacement.

(c). Explain what Bronston Water intends to do with any remaining undepreciated value of the meters being replaced.

RESPONSE 3(c): Once the meters are scrapped, they will be removed from depreciation and when sold, Bronston Water's CPA will do the calculations to figure a gain or loss to the depreciation numbers.

(d). State what Bronston Water intends to do with the meters being replaced once they are removed from the system.

RESPONSE 3(d): Once the meters are removed from meter box, the meter bases will be scrapped to obtain any residual value from them. The meter dial tops will be sent back to the manufacturer.

REQUEST 4: Refer to the Application, Exhibit B, regarding the water line replacement project.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

(a). Provide operation and maintenance savings, if any, from the installation of proposed water lines, and explain how those savings were calculated.

RESPONSE 4(a): When considering the Operation and Maintenance (O&M) cost associated with the existing system and the proposed project, the analysis is being done based solely on the components being impacted by this project.

EXISTING SYSTEM

The existing water lines serving Kentucky Highway 790, Rocky Point, Gibson Lane/Timberlake Road, Old Decker Road, Island View Drive, Sugar Hollow Road, Flynn Road, Cedar Bluff Shores, and Ruth Road were installed in the 1970's and are in poor overall condition. Accordingly, should the water lines continue to remain in service, frequent repairs will continue to be required on a regular basis. Based on data supplied by Bronston Water, the major repairs (i.e. significant leaks) are required once per month on average. In addition, minor repairs (i.e. minor leaks) are required to be repaired about twice per month. The average cost for each repair category was determined considering the following costs for: man-hours, overtime, fuel, equipment, materials, water loss, water used for flushing and lab testing costs. It was determined that the costs are $3,500 and $500 respectively. Additional maintenance costs for the line are minimal and are estimated to be approximately $1,000 per year. Accordingly, the total annual maintenance cost is approximately $60,000 (($4,000 +$1,000) x 12). Like all water mains, the operational cost of the existing line is minimal. The operation of the line, aside from customer meter related tasks, includes primarily flushing and performing line locations. Flushing of the line is performed monthly, requiring roughly 1,200,000 gallons annually. This corresponds to a purchased water cost of $3,354. The existing line doesn't have tracer wire, so line locates are time and labor intensive. It is estimated that six line locations are required annually. When factoring in the labor and equipment cost, the approximate cost of each line location is approximately $350. The corresponding annual cost of all line locations is therefore approximately $2,100. Accordingly, the annual average operational cost is approximately $5,454. Considering the above data, it is estimated that the annual O&M cost of the existing water lines are approximately $65,454 per year (60,000 + $5,454).

PROPOSED PROJECT

The proposed project will replace the existing water lines with a new water line of the same material, PVC. The new lines will be installed using superior and appropriate materials and construction standards. Accordingly, the line is expected to perform virtually leak free for the duration of its 60 year plus life cycle. Therefore, the anticipated annual number of repairs will be greatly reduced as compared to the existing line. It is estimated that this will be on the order of one major and two minor repairs annually. Using the same estimate cost per repair noted above, the total annual repair cost for the new line will be $4,500. Similar to the existing line, additional maintenance costs for the line will minimal, and are estimated to be roughly $1,000 per year. Accordingly, the total annual maintenance cost is approximately $5,500. Similar to the existing line, the operational cost for the new line will include primarily flushing and performing line locations. Flushing of the new line will

also be performed monthly. Similar to that for the existing line, this corresponds to a purchased water cost of $3,354. The proposed line will be installed with a tracer wire, allowing line location to be performed by one man in just a few minutes. When factoring in the small labor cost, the approximate cost of each location will be on the order of $100. Considering six line locations per year, the corresponding annual cost of all locations will be about $600. Accordingly, the annual average operational cost will be approximately $3,954. Considering the above data, it is estimated that the annual O&M cost of the proposed project are approximately $9,454 per year. This represents an annual cost savings of roughly $56,000 as compared to the existing line.

(b). Provide the percentage that Bronson Water expects water loss to be reduced by the replacement of the proposed water lines.

RESPONSE 4(b): As stated in the previous response to Staff's First Request Item 11, Response 11, the percentage that Bronston Water expects water loss to be reduced by the replacement of the proposed water lines is 1.14%.

REQUEST 5: Refer to Bronston Water's response to Commission Staff's First Request for Information (Staff's First Request), Item 14. State if Bronston Water has replaced 200 meters per year since 2018, and if so, state why Bronston Water still needs to replace 1,180 meters at this time.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

RESPONSE 5: Bronston Water had initially intended to start replacement of existing radio read meters starting in 2018 but due to lack of funding, they have not replaced 200 meters per year since 2018. Now that Bronston Water has access to funding, they will be able to begin the process of replacing 1,180 existing meters with new meters. Not all of the 1,180 meters will be replaced at this time due to a shortfall of funding. It is unknown at this time how many of the new meters will be purchased. The number of new meters purchased of the 1,180 will be dependent on the contingency funds remaining at the completion of the base bid and alternate bid portion of the project. Most, if not all of the contingency funds will be used to fund the base bid and alternate portions of the project. Should any contingency funds remain, Bronston Water will purchase new meters and request reimbursement from the funding agency, KIA. Please note that the 1,180 new meters were described in the Drinking Water Project Profile as approved by KIA.

REQUEST 6: Provide a legible copy of Exhibit Response 15 provided in response to Staff's First Request, Item 15.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

RESPONSE 6: A legible copy of Exhibit Response 15 is being filed with this Response.

REQUEST 7: Given the revised proposed debt increase of the $625,420 loan, confirm whether Bronston Water still believes that a rate increase is not required. If the answer is no, explain why.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

RESPONSE 7: Bronston Water confirms that a rate increase is NOT required. Based on the Kentucky Infrastructure Authority (KIA) Attachment B Executive Summary and Credit Analysis for Bronston Water Association Loan B22-005 (Increase) dated March 7, 2024, under EXHIBIT D of the Application, KIA calculates a Debt Coverage of 1.3% through project 2027 with current rates. Based on the pro forma assumptions by KIA, Bronston Water shows adequate cash flow to repay the KIA Fund B Loan with the debt increase.

REQUEST 8: State when Bronston Water projects that its 2022 financial audit will be complete. If the 2022 financial audit is complete, provide a copy.

WITNESS: Deron S. Byrne, P.E., Monarch Engineering, Inc.

RESPONSE 8: Bronston Water's 2022 financial audit is complete and is being filed with this Response.

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.

Deron S. Byrne, P.E.
Monarch Engineering, Inc.

The undersigned has prepared this Response as Counsel to and on behalf of the Bronston Water Association, Inc., 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 the Bronston Water Association's electronic filing of the foregoing Response is a true and accurate copy of the same document being transmitted via electronic filing to the Kentucky Public Service Commission on June 4, 2024; 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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