

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

In the Matter of:

ELECTRONIC TARIFF FILING OF MOREHEAD	)	
UTILITY PLANT BOARD TO REVISE ITS	)	
WHOLESALE WATER RATES TO AND ENTER	)	CASE NO.
INTO REVISED WATER PURCHASE	)	2024-00193
AGREEMENTS WITH BATH COUNTY WATER	)	
DISTRICT AND ROWAN WATER, INC.	)	

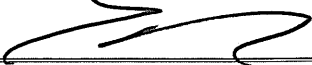
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RESPONSE OF MOREHEAD UTILITY PLANT BOARD  
TO THE COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION DATED JULY 18, 2024

This 31<sup>st</sup> day of July, 2024.

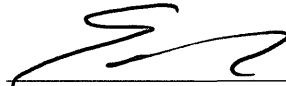
Respectfully submitted,

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154 FLEMINGSBURG ROAD  
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BY:   
EARL ROGERS III  
ATTORNEY FOR MOREHEAD UTILITY  
PLANT BOARD

## **CERTIFICATE OF SERVICE**

This is to certify that the foregoing electronic filing was transmitted to the Kentucky Public Service Commission for filing on July 31<sup>st</sup>, 2024; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; by virtue of the Commission's Order of July 22, 2021, in case number 2020-00085, no paper copies of this filing will be made.



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EARL ROGERS III  
ATTORNEY FOR  
MOREHEAD UTILITY PLANT BOARD





COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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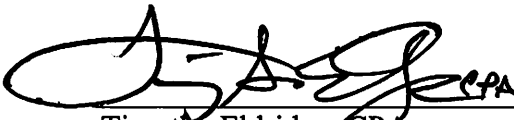
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VERIFICATION OF TIMOTHY ELDRIDGE, CPA

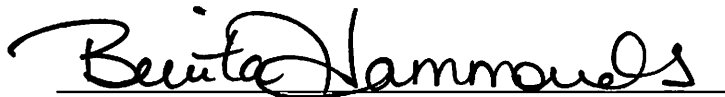
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COMMONWEALTH OF KENTUCKY )  
 )  
 COUNTY OF ROWAN )

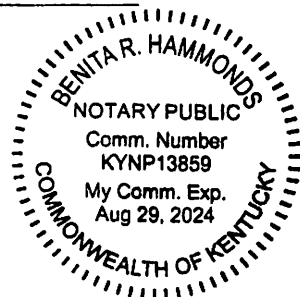
Timothy Eldridge, CPA, Baldwin CPAs, PLLC on behalf of Morehead Utility Plant Board, states that he has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
 Timothy Eldridge, CPA

The foregoing Verification was signed, acknowledged and sworn to before me this 23rd day of July, 2024, by Timothy Eldridge, CPA.



Commission expiration: 8/29/24



**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Holly McGrath-Rosas

1. Refer to Opening Order, Executive Summary at unnumbered page 67 of 83.
  - a. Provide formal documentation (e.g., Board Minutes) that states Morehead's most recent estimated date of initiation for the new water treatment plant.

**Response:** See attached a copy of board minutes dated June 24, 2024 and Water Treatment Plant Report May 2024 which was presented and approved as part of the General Manager's Report at the June 24<sup>th</sup>, 2024 meeting of the Morehead Utility Plant Board. The Water Treatment Plant Report May 2024 provides the most recent estimated date of initiation of use of the new water treatment plant as October 2024. The October 2024 date was provided by the construction engineers and may be subject to change or further delay.

**MOREHEAD UTILITY PLANT BOARD  
REGULAR BOARD MEETING @ 12:00PM  
Monday, June 24, 2024**

**Place of Meeting**

The primary location where all members can be seen and heard and the public may attend is the MUPB Conference Room at 135 S. Wilson Ave. Morehead, KY 40351.

**Board Members Present**

Russ Ward, Chairman  
Jeff Barker, Vice Chairman  
Heather Neff Perkins, Board Member  
Beth Ousley, Board Member

**Also Present**

Holly McGrath Rosas, General Manager  
Benita Hammonds, Director of Administration  
Billy Wheeler, Financial Asset Manager  
Larry Tackett, Operations Manager  
April Perkins, Administration Manager  
Michael Lewis, IT Manager  
Earl Rogers, MUPB Attorney

**Call to Order & Confirmation of Quorum**

Chairman, Russ Ward declared a quorum and called the meeting to order at 12:00 p.m. He welcomed all visitors and staff.

**Approval of May 25, 2024, Special Board Meeting Minutes**

A motion was made by Jeff Barker seconded by Beth Ousley to approve the minutes of the special board meeting held on May 13, 2024. The motion was unanimously approved.

**Approve April & May Financial Report**

Holly McGrath Rosas, General Manager, goes over the financial highlights for the eleven months ended May 31, 2024. They are as follows:

- Water and sewer revenue combined is about \$639,000 over budget.
- Grant and contributions in aid of construction totaling about \$2,325,000 YTD with no proceeds received this month.
- Water Plant expenditures are about \$213,000 (10%) under budget.
- Sewer Plant expenditures are about \$52,000 (3%) under budget.
- The maintenance department is .2% (\$4,700) under budget.
- Storm water revenue and expenses net out favorably through the eight months by \$12,00 when compared to budget. Revenue is about \$14,00 less, while expenses are below budget by \$26,000.
- Through May, the margin on gas is less than budget by \$297,000. This is mostly due to billing timing and warmer than normal temperatures. Compared to budget, gas revenue and purchased

gas vary from budget by \$2,102,000 and \$1,805,000 respectively, which reflect variable actual unit cost.

- \$693,000 (71%) of the budgeted \$975,400 in capital projects has been expended. For the fiscal year, about 20.6 million has been spent on the new WTP project and \$1.1 million on the Lead Removal Project. Gas, water, sewer, and storm water projects constructed externally and accepted by MUPB into our system now total about \$878,000.
- After factoring out the grant proceeds of about \$1,447,000 and CIAC revenue of \$878,000, actual net income is about \$783,000 above budget. This represents water and sewer revenue above budgeted amounts, an unfavorable gas margin with most department expenses below budget.

A motion was made by Heather Neff Perkins, seconded by Jeff Barker, to approve the financial report for April & May 2024. The motion was unanimously approved.

### **Reports-General Manager**

#### **Water Treatment Plant (WTP)**

Ms. McGrath Rosas states that the maximum daily treated water for the month of May was 6.2 MGD (83% capacity) and a daily average of 5.3 MGD (71% capacity)

#### **Wastewater Treatment Plant (WWTP)**

The General Manager reports that the WWTP has performed routine operations and maintenance. See the May 2024 WWTP Report for additional information.

#### **Maintenance Department**

The General Manager reports that the maintenance department is running as normal. Ms. McGrath Rosas informs the board that crews have been working to make repairs throughout the system and inspecting water, sewer, and gas lines. See May 2024 Maintenance Department Report for additional information.

#### **Administration Department**

The Administrative Department reports an annual water loss of 10.75%. Automatic bank draft for May is 1699. Service orders for May were 488. See the Administrative Office May report for additional information.

A motion was made by Beth Ousley seconded by Heather Neff Perkins to accept the General Managers report. The motion was unanimously approved.

### **New Business**

- a. Election of Officers.

A motion was made by Jeff Barker seconded by Beth Ousley for Officers to remain unchanged. The motion was unanimously approved.



**Ratify Payment of Monthly Bills**

The General Manager presented the board with checks that had been written for the month.

A motion was made by Jeff Barker seconded by Heather Neff Perkins to ratify payment of monthly bills for April & May 2024. The motion was unanimously approved.

**Old Business**

Impact fees passed City Council. Second reading on July 8, 2024.

**Other Business**

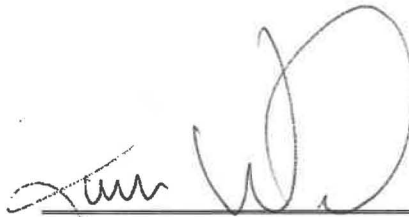
Ratify final versions of Rowan Water and Bath Water contracts.

A motion was made by Russ Ward seconded by Jeff Barker to ratify final versions of contracts. The motion was unanimously approved.

**Meeting Adjourned**

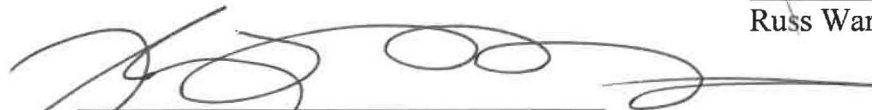
A motion was made by Jeff Barker seconded by Beth Ousley, to adjourn the meeting.

Meeting Adjourned at 12:34 p.m.



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Russ Ward, Chairman



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Holly McGrath Rosas, General Manager



# Water Treatment Plant


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May 2024



# O&M Highlights

- Processed 11 loads on the belt press (55 tons). Roller on belt press broke. Replacement has been ordered, 8-12 weeks lead time.
- Cleaned Actiflo trains.
- Repaired automation in Actiflo building.
- Replaced chlorine transfer pump.
- Repaired water leak in the caustic building.
- Repaired chlorine leak.

A photograph of a construction site at a water intake. In the foreground, there is a complex structure of metal scaffolding and wooden walkways. A large, dark, rectangular wall form is being installed. Several workers in high-visibility vests and hard hats are visible on the scaffolding. In the background, there is a large body of water and distant hills under a cloudy sky.

**Wall forms being installed for next concrete pour at the new intake**

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## Other Highlights

- Submitted MOR, NetDMR, & Withdrawal Reports.
- Distributed CCR & submitted CCR certification to DOW.
- Analyzed 20 BacT samples in the Drinking Water Lab. (10 routine, 10 specials.)
- Submitted written audit response to KY Lab Certification Program. We passed our first audit, with only minor deficiencies found.
- Renewed operator certifications.
- Attended Water Management Council Meeting.



**Judy Construction lowers a high service pump into place**

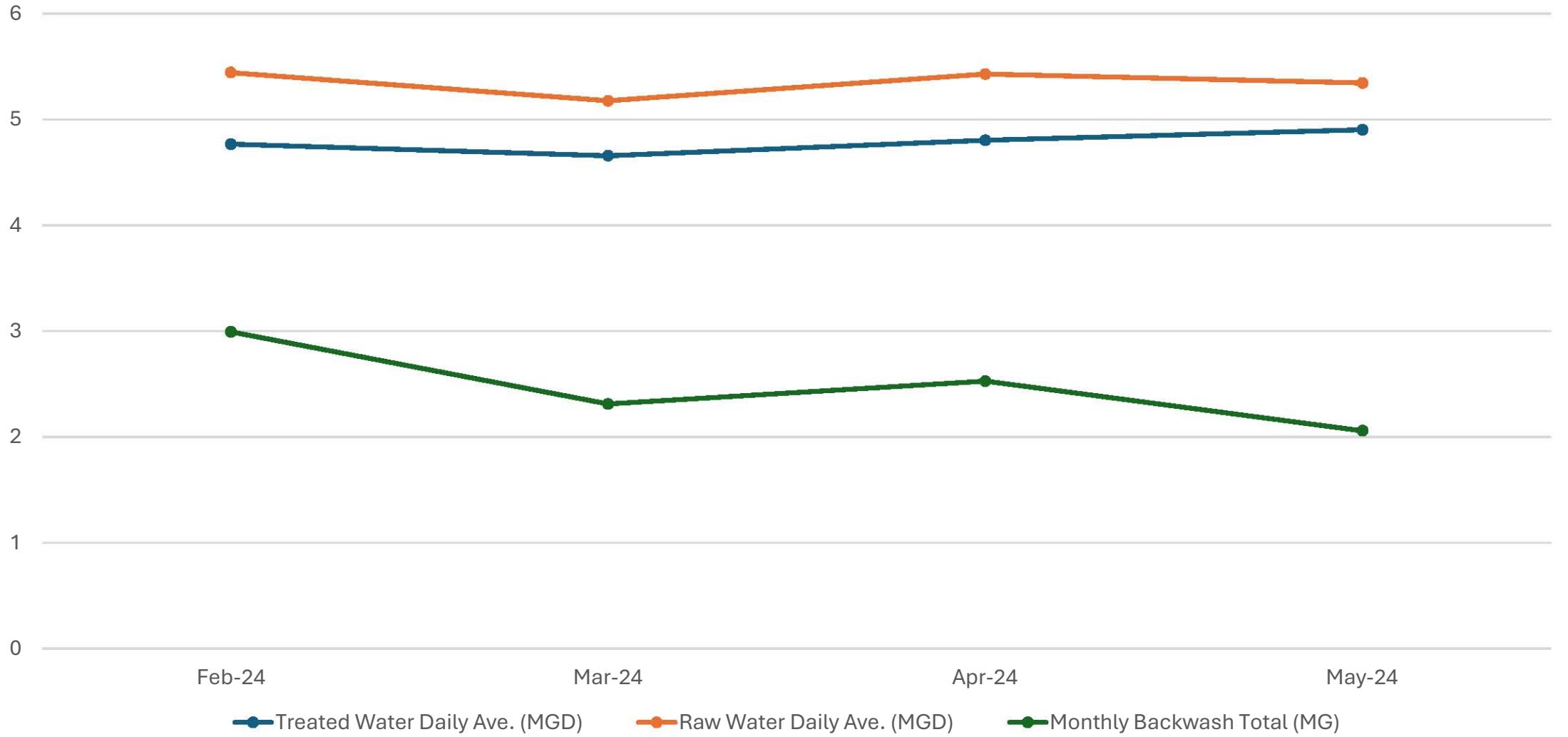


**C.J. Mahan Construction has assembled the barge their crane will sit on while lowering underwater pipe for installation**

## Construction Update

- The water plant is about 75% complete! Projected to come online October 2024.
- Judy Construction has completed the flocculator, has set the turbine pumps, and resumed lagoon earthwork in addition to many other things on the interior of the buildings.
- The intake is now about 50% complete!
- C.J. Mahan Construction poured the floor of the pump room and assembled the barge that their crane will sit on while underwater piping is being installed, among other things.

# Production Trend Chart







**The flocculator is mostly complete. Pump motors will be installed soon**

## May Statistics

Raw Water Total – 165,667,000

Daily Average – 5,344,097 (71% Capacity)

Peak Day – 6,227,000 (83% Capacity)

Finished Water Total – 151,979,750

Daily Average – 4,902,572

Peak Day – 5,305,000

Backwash Water Used – 2,058,000

Daily Average – 66,387

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Robert K. Miller

1. Refer to Opening Order, Executive Summary at unnumbered page 67 of 83.
  - b. For referenced debt (two items) totaling \$52,052,602, provide estimated amortization schedules from the borrowers that reflect the timing of payments based on the initiation of operation date provided in item 1a above.

**Response:** See attached Excel file **1b\_Revised\_Debt\_Service\_Schedule**.

**The attached revised debt service schedule is based on the question as presented by KYPSC and does not consider grant funding authorized after the Executive Summary of the Wholesale Water Rate Study Report was written.**



**ATTACHMENT: 1b\_Revised\_Debt\_Service\_Schedule**

**AN EXCEL SPREADSHEET UPLOADED SEPARATELY**

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Robert K. Miller

2. Refer to Opening Order Appendix B, Table A.2, Depreciation Expense at unnumbered page 79 of 83.
  - a. Provide the useful life used to calculate projected depreciation expense of \$1,500,166.51 on original cost of \$52,052,602. If components of the total cost are depreciated at different lives, provide a breakdown of cost groups and the respective depreciation life for each.

**Response:** The table below shows an estimated breakout of the total project cost between Structures and Improvements, Plant Equipment, Transmission and Distribution, and Storage Tanks and using estimated lives for each of these asset categories. This estimated breakout will be replaced with an actual breakout based upon final project costs for ratemaking purposes.

City of Morehead Utility Plant Board						
New Regional Water Treatment Plant						
Estimated Depreciation Schedule						
Asset Price	\$ 52,052,602					
	Structures and	Plant	Transmission &	Storage		
	Improvements	Equipment	Distribution	Tanks		Total
Allocation Percentages	60%	30%	5%	5%		
Allocation Amounts	\$ 31,231,561	\$ 15,615,781	\$ 2,602,630	\$ 2,602,630		\$ 52,052,602
Estimated Lives	37.5	27.5	62.5	45		
Annual Depreciation	\$ 832,842	\$ 567,847	\$ 41,642	\$ 57,836		\$ 1,500,167

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Robert K. Miller

2. Refer to Opening Order Appendix B, Table A.2, Depreciation Expense at unnumbered page 79 of 83.
  - b. Confirm that the depreciation expense is an annual amount for the first full year of operation. If not, state the number of months of depreciation that are included in the \$1,500,166.51 estimated depreciation.

**Response: I confirm that the depreciation expense for the new Regional Water Treatment Plant as shown on unnumbered page 79 of 83 is an annual amount of \$1,500,166.51. Based upon the most recent estimated date of initiation of use of the new water treatment plant as October 2024, the first-year depreciation amount would be nine-twelfths of the annual amount or \$1,125,124.88.**

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Holly McGrath Rosas and Timothy Eldridge, CPA

3. Refer to the Water Purchase Agreements with Bath County Water District (Bath District) and Rowan Water, Inc. (Rowan Water), Section 13, Gradual Implementation of Initial Rate Modification.
  - a. Confirm that the rates effective July 2026, July 2027, and July 2028 will not exceed the rates reflected in any cost of service study conducted by Morehead during that period.

**Response: We confirm that rates effective July 2026, 2027 and 2028 will not exceed the rates reflected in any cost of service study conducted by Morehead during that period.**

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Holly McGrath Rosas and Timothy Eldridge, CPA

3. Refer to the Water Purchase Agreements with Bath County Water District (Bath District) and Rowan Water, Inc. (Rowan Water), Section 13, Gradual Implementation of Initial Rate Modification.
  - b. Explain how Bath District and Rowan Water will be notified of the increases resulting from the gradual implementation sections of the Water Purchase Agreements.

**Response: Morehead intends to meet with Bath District and Rowan Water prior to each subsequent increase resulting from the gradual implementation section of the Water Purchase Agreement. Morehead will present the following information at these meetings:**

1. **Metrics on water volumes produced at the new water treatment plant.**
2. **Metrics on water quality produced at the new plant.**
3. **Status of operation and maintenance conditions at the new plant.**
4. **Status of grants and debt financing for the new plant.**
5. **Comparison of operation and maintenance expenses of the new plant versus the old plant.**
6. **Delivery of Customer Notice of wholesale water rate increase.**

**Morehead will file updated tariff sheet with the Commission for each subsequent increase resulting from the gradual implementation section of the Water Purchase Agreement. Morehead will also submit to the Commission copies of all information presented to Bath District and Rowan Water at these meetings.**

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Timothy Eldridge, CPA

3. Refer to the Water Purchase Agreements with Bath County Water District (Bath District) and Rowan Water, Inc. (Rowan Water), Section 13, Gradual Implementation of Initial Rate Modification.
  - c. Explain how the Commission will be notified of the increases resulting from the gradual implementation sections of the Water Purchase Agreements.

**Response: An updated tariff will be filed and used to notify Bath District and Rowan Water for each subsequent increase resulting from the gradual implementation section of the Water Purchase Agreement.**

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Timothy Eldridge, CPA

4. Refer to the Water Purchase Agreements with Bath District and Rowan Water, Section 13, Gradual Implementation of Initial Rate Modification.
  - a. Provide the calculation and amount of the credit or reduction Bath District and Rowan Water will receive for their share of capital charges collected from January 2024 to June 2024 for bonds that were paid off December 2023 and explain how the credit or reduction will be provided, including the period over which it will be provided.

**Response: See Attachments for Item 4 – One for Bath District and one for Rowan Water giving response to item 4a for their share of capital charges to be credited to actual costs. Based on the anticipated in-service date of the new water plant to be October 2024, instead of filing a new tariff for a rate increase in October 2024, MUPB intended to give both Bath and Rowan credit for the two items detailed in the contract to leave the July 1, 2024 rate in place until July 1, 2025. The credit would be depleted between October 2024 and July 1, 2025 (see chart attached.) The July 1, 2025 is based on recovering an amount based closer to the original cost of the project (Pre-COVID) and then based on the actual cost of service study conducted for the first full year of operation, the difference would be stepped up over the next 3 years to meet that cost of service study rate. The result would be a shortfall to MUPB during that 3-year period, however after additional grants have been received since the original cost of service study, it may be that the July 1, 2025 rate will be much closer to the actual updated cost of service study.**

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Timothy Eldridge, CPA

4. Refer to the Water Purchase Agreements with Bath District and Rowan Water, Section 13, Gradual Implementation of Initial Rate Modification.
  - b. Provide the calculation and amount of the credit or reduction Bath District and Rowan Water will receive for their share of the reserve funds pursuant to the Interlocal Agreement and explain how the credit or reduction will be provided, including the period over which it will be provided.

**Response: See Attachments for Item 4 – One for Bath District and one for Rowan Water giving response to item 4b for their share of reserve funds to be credited to actual costs. Based on the anticipated in-service date of the new water plant to be October 2024, instead of filing a new tariff for a rate increase in October 2024, MUPB intended to give both Bath and Rowan credit for the two items detailed in the contract to leave the July 1, 2024 rate in place until July 1, 2025. The credit would be depleted between October 2024 and July 1, 2025 (see chart attached.) The July 1, 2025 is based on recovering an amount based closer to the original cost of the project (Pre-COVID) and then based on the actual cost of service study conducted for the first full year of operation, the difference would be stepped up over the next 3 years to meet that cost of service study rate. The result would be a shortfall to MUPB during that 3-year period, however after additional grants have been received since the original cost of service study, it may be that the July 1, 2025 rate will be much closer to the actual updated cost of service study.**



**ATTACHMENT 4a and 4b  
BATH COUNTY WATER DISTRICT**

Morehead Utility Plant Board  
Case No. 2024-00193  
Commission Staff's First Request for Information  
Question 4a and 4b. Bath District attachment

Water Plant projected to go into service in October 2024. Planned step 1 of new rate should go into service in October, however instead of filing new tariff for \$3.61 to go into effect on October 1, there are two credits that are proposed to be used to keep the rate at the July 1, 2024 rate of \$2.34 until the \$3.61 rate is implemented at July 1, 2025

4a. Capital charges that were scheduled to be removed in January 2024 and continued through June 2024 equals 6 months of extended payments on capital charges. Amounts are \$8,799.30 per month times 6 months equals **\$52,796.**

4b. Depreciation Reserve is Bath District portion (27.0323% of \$681,280) equals **\$184,166**

Total of two credits equals **\$236,962.** Based on October in service date, and the \$3.61 rate was put into effect at that time, the credits would be used up in less than 5 months as follows:

The increases in the monthly average water consumption for Bath District would be 38,201 thousands of gallons used at the rate differential of \$1.27 (\$3.61 - \$2.34) equals \$48,515 per month

	Increased water cost	Credit available to offset	Shortfall
November 2024	\$48,515	\$48,515	
December 2024	48,515	48,515	
January 2025	48,515	48,515	
February 2025	48,515	48,515	
March 2025	48,515	42,902	\$ 5,613
April 2025	48,515	0	48,515
May 2025	48,515	0	48,515
June 2025	48,515	0	48,515

In good faith effort to minimize the rate increase to Rowan/Bath customers and support the transition of this interlocal agreement to the flat rate contract, this shortfall and any shortfall for the 3 year phase in, if any proposed to be absorbed by Morehead Utility Plant Board and credits would be utilized in full.

**ATTACHMENT 4a and 4b  
ROWAN WATER INC.**

Morehead Utility Plant Board  
Case No. 2024-00193  
Commission Staff's First Request for Information  
Question 4a and 4b. Rowan Water attachment

Water Plant projected to go into service in October 2024. Planned step 1 of new rate should go into service in October, however instead of filing new tariff for \$3.61 to go into effect on October 1, there are two credits that are proposed to be used to keep the rate at the July 1, 2024 rate of \$2.34 until the \$3.61 rate is implemented at July 1, 2025

4a. Capital charges that were scheduled to be removed in January 2024 and continued through June 2024 equals 6 months of extended payments on capital charges. Amounts are \$11,788.50 per month times 6 months equals **\$70,731**.

4b. Depreciation Reserve is Rowan Water portion (35.3671% of \$681,280) equals **\$240,949**

Total of two credits equals **\$311,680**. Based on October in service date, and the \$3.61 rate was put into effect at that time, the credits would be used up in less than 5 months as follows:

The increases in the monthly average water consumption for Rowan Water would be 58,121 thousands of gallons used at the rate differential of \$1.27 (\$3.61 - \$2.34) equals \$73,814 per month

	Increased water cost	Credit available to offset	Shortfall
November 2024	\$73,814	\$73,814	
December 2024	73,814	73,814	
January 2025	73,814	73,814	
February 2025	73,814	73,814	
March 2025	73,814	16,424	\$57,390
April 2025	73,814	0	73,814
May 2025	73,814	0	73,814
June 2025	73,814	0	73,814

In good faith effort to minimize the rate increase to Rowan/Bath customers and support the transition of this interlocal agreement to the flat rate contract, this shortfall and any shortfall for the 3 year phase in, if any proposed to be absorbed by Morehead Utility Plant Board and credits would be utilized in full.

**Morehead Utility Plant Board**  
**Case No. 2024-00193**  
**Commission Staff's First Request for Information**

**Witness:** Timothy Eldridge, CPA

5. Provide a pro forma calculation of rates for 2026, 2027, and 2028, assuming the rate implemented July 1, 2025, is \$3.61 and the calculated rate based on the twelve months ended June 30, 2025, is \$4.74. Show the capital and reserve fund credit as a separate amount for each year.

**Response:** After taking into consideration that credits are all absorbed between the October in service date and July 1, 2025 and based on the current proposed cost of service study rate of \$4.74 per thousand after initiation of the new water plant, the current agreement currently calls for a simple phase in of 1/3 of the difference between the two amounts to be added each year.

**Difference between \$3.61 and \$4.74 = \$1.13**  
**\$1.13 divided by 3 = 38 cents**

**July 1, 2026 = \$3.61 + \$.38 = \$3.99**

**July 1, 2027 = \$3.99 + \$.38 = \$4.37**

**July 1, 2028 = \$4.37 + \$.37 = \$4.74**

**Please note that after the new grants are factored into the cost of service study along with actual full year operational costs, we expect the maximum \$4.74 rate to be reduced considerably and were only looking at the 3 year phase in as a way to minimize the rate increase shock to Rowan/Bath customers and not to ever exceed the rate produced by a future cost of service study.**