

From: [PSC Public Comment](#)
To: [REDACTED]
Subject: RE: Case Related Question - PSC Case 2022-00068
Date: Friday, March 25, 2022 11:37:00 AM

Case No. 2022-00068

Thank you for your comments on the application of Lake Village Water Association, Inc. Your comments in the above-referenced matter have been received and will be placed into the case file for the Commission's consideration. Please cite the case number in this matter, 2022-00068, in any further correspondence. The documents in this case are available at [View Case Filings for: 2022-00068 \(ky.gov\)](#)

Thank you for your interest in this matter.

From: Connie Allen [REDACTED]
Sent: Monday, March 7, 2022 4:03 PM
To: PSC Public Comment <PSC.Comment@ky.gov>
Subject: Case Related Question - PSC Case 2022-00068

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Ma'am or Sir,
A letter is attached in reference to Case 2022-00068, Lake Village Water Association

I live at 363 Dry Branch Road, Harrodsburg KY. I am a customer/member of the LVWA.
Thank you.

Connie Lea Allen, PE, CCM
Salt River Engineering
[REDACTED]
[REDACTED]
[REDACTED]



7 March 2022

Ms. Linda Bridwell, PE, Executive Director
Kentucky Public Service Commission
PO Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615

Re: Lake Village Water Association - PSC Case 2022-00068

Dear Ms. Bridwell:

I am aware of the filing by the Lake Village Water Association, PSC 2022-00068, wherein LVWA is requesting a 12.6 percent increase in revenues plus a surcharge assessed on every monthly bill of \$1.57 for the purpose of funding water loss detection/reduction. My husband and I are customers of LVWA; we live approximately 0.7 miles from the master meter (Harrodsburg) located at the intersection of KY 1915 and US 68. The close proximity to Harrodsburg rates and the comparison to those charged by LVWA (\$24.67 versus \$53.53 per 4000 gallons, respectively) has always been a source of ainst. I understand the cost of providing water to the extremes of Mercer County is spread among all LVWA customers, but the differential is a constant reminder to watch the PSC website for LVWA filings.

In the spirit of full disclosure, I am the owner of Salt River Engineering and approximately 90 percent of SRE's projects are rate studies and cost of service studies. I have always campaigned for my clients to responsibly manage their utilities, to fund depreciation and generate the revenue required to deliver potable water in compliance with state and Federal regulations. While, generally speaking, I do not oppose a water rate increase for the customers of LVWA, I do have a couple of issues with LVWA's application for a rate increase.

The elevated storage tank located at Northpoint Training Center was constructed to provide the state-owned facility with potable water storage and fire protection service. The ownership of the tank was transferred to LVWA apparently at a time when expensive maintenance was needed and representatives at the Kentucky Department of Corrections determined giving the asset away was in the Commonwealth's best financial interest. According to LVWA's engineer, once Northpoint discontinued water production and began obtaining potable water from LVWA, LVWA would be deficient in finished water storage.¹

By accepting ownership of the tank and providing potable water to Northpoint, LVWA came into compliance with calculated storage volume and Northpoint discontinued water production and avoided the costly repair and recoating of the tank. It should be noted that, in the Deed of Conveyance of the water tank, LVWA agreed, in perpetuity, to supply Northpoint with fire protection.² As stated in Strand's FER, "NTC [Northpoint] is the only customer [of LVWA] that requires its water

¹ Strand Associates, Inc., Lake Village Water Association, Final Engineering Report, Section 3–Northpoint Tank and System Improvements.

² DEED, Commonwealth of Kentucky and Lake Village Water Association, Boyle County Deed Book 499 Page Number 197.

system to provide fire protection.”³ Further, the engineer states that, with the suspension of water production on-site, Northpoint’s demand represents 37 percent of LVWA’s total sales.⁴

LVWA obtained a letter of conditions from USDA Rural Development 23 June 2015 for a RUS loan not to exceed \$656,000 for construction of the tank improvements and related line work.

The application filed by LVWA in PSC Case No. 2016-00153 “shows”, the average daily demand, with Northpoint, as 635,000 gallons and the current storage of 548,000 gallons. LVWA further shows the addition of the Northpoint tank “will increase the storage capacity of the system to 1,148,000.”⁵

The debt service associated with the RD loan for the Northpoint tank improvements averages \$28,044 per year. There are annual depreciation costs associated with the tank and reserve obligations in addition to the principal and interest payments, the amount of which cannot be deciphered from LVWA’s rate case application.

What is included in LVWA’s rate case application are minutes of the 12 January 2021 board meeting. In the minutes, Mike Sanford provided an update on the efforts to address pressure issues caused by filling of the Northpoint tank. The minutes state:

“Stanford reported that 56 customers were moved from the KY 33 master meter zone to the Shakertown master meter zone by opening the valve located at Robinson Roe Road and KY 152 and closing the valve located at the intersection of Paradise Camp Road and Hughley Lane. The customers that were moved are located on KY 33, Paradise Cove Camp Road and Robinson Roe Road. Sanford stated the goal was to move as many properties as possible that could be served by the Shakertown master meter to reduce the number of properties impacted by the tank filling.”

Presumably, when LVWA took possession of the Northpoint tank and assumed the debt obligation associated with the refurbishment, the Board relied on the benefit of the “increase[d] the storage capacity of the system” to include the new capital costs in the revenue requirements common to all customers. It follows that, if the service area of the tank is being valved-off, it is no longer available for finished water storage for all customers.

Storage capacity as calculated by gallons of storage divided by average daily demand is just a quotient. The intention of the regulations is to have effective storage, or storage available to match demands. Therefore, one of two things should happen with regard to the Northpoint tank. Either all costs associated with the Northpoint tank should be direct assigned to Northpoint, or, measures taken to again avail the storage provided by the Northpoint tank to all customers paying the associated capital and maintenance costs.

The minutes of the 21 January 2021 meeting also included a report on non-revenue water for December 2020. Whereas, Mr. Sanford acknowledged an increase in leaks for the month, accounting for the leaks, the water loss was 14 percent. He stated that for 2020, there was approximately 7.5

³ Ibid, Section 1–Introduction and Purpose.

⁴ Ibid.

⁵ “The Application of the Lake Village Water Association, Inc., of Boyle and Mercer Counties, Kentucky for a certificate of Public Convenience and Necessity to Construct and Finance a Project, financed by USDA, Rural Development Pursuant to the Provisions of KRS 278.023 and KRS 278.020,” Case No. 2016-00153.

percent of water that could not be accounted for either by meter sales or known leaks and repairs.⁶ The water loss reported to PSC on the 2020 Annual Report was 22.55 percent.⁷ Realizing there are various ways of calculating and reporting water loss, the fact remains that, according to Mr. Sanford, all but 7.5 percent of water loss, in the traditional meaning of the term, was accounted-for losses. Water loss reported by LVWA to PSC the past five years were as follows:⁸

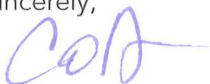
Year 2020	22.55%
Year 2019	17.01%
Year 2018	8.62%
Year 2017	8.87%
Year 2016	5.93%

Substituting 7.5 percent for 22.55 percent water loss in 2020, as per the meeting minutes, results in a consistent and admirable water loss history, save one outlier in 2019. With a 5-year average of 9.59 percent, one would question the necessity of the water loss reduction surcharge of \$1.57 per bill requested by LVWA. The LVWA has requested the use of calendar year 2020 as a test year for the water rate study. If PSC allows the use of calendar year 2020, pro forma adjustments should include the most recent 12-month non-revenue water percentages.

As I stated earlier, I do not, necessarily, oppose a rate increase for customers of the LVWA. However, with the stated goal of restricting the service area of the Northpoint tank, I would recommend reducing the minimum bill for all customers except Northpoint (DOC) by the amount associated with capital costs and maintenance of the tank. Additionally, I do not see evidence of chronic water loss issues that would necessitate a significant water loss reduction surcharge of \$1.57 per bill.

Unfortunately, in my review of LVWA 2020 Audit, I read that LVWA has not been paying the minimum required reserve deposits.⁹ The Board has a duty to adopt rates to generate the required revenue. I also read the transmission lines and standpipes are being depreciated over a 33-year life. Absent allowances otherwise, I understand PSC directs service life for lines at 62.5 years. With margins so close, a reduction in depreciation might result in LVWA operating "in the black" during the test year. Nevertheless, a rate increase is probably necessary; I just request the spirit of cost-based rates be preserved.

Sincerely,



Connie Lea Allen, PE

Cc: Mike Sanford
Lake Village Water Association
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Burgin KY 40310

⁶ Minutes of the regular monthly meeting of the Lake Village Water Association, 12 January 2021.

⁷ 34800 Lake Village Water Association, Inc. 01/01/2020 - 12/31/2020, page 57 of 67.

⁸ Ibid., 2016 through 2020.

⁹ Lake Village Water Association, Inc., Audited Financial Statements, December 31, 2020, Page 16.

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