

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCKINNEY)	
WATER DISTRICT FOR THE ISSUANCE OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO CONSTRUCT A WATER)	CASE NO.
SYSTEM IMPROVEMENTS PROJECT AND AN)	2025-00022
ORDER AUTHORIZING THE ISSUANCE OF)	
SECURITIES PURSUANT TO THE PROVISIONS)	
OF KRS 278.020, KRS 278.300 AND 807 KAR)	
5:001)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO MCKINNEY WATER DISTRICT

McKinney Water District (McKinney District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on March 10, 2025. The Commission directs McKinney District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

McKinney District shall make timely amendment to any prior response if McKinney District obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which McKinney District fails or refuses to furnish all or part of the requested information, McKinney District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, McKinney District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read. Where possible, provide the requested information in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

1. Refer to Application, Exhibit A. Provide any water loss improvement plans or capital improvement plans for McKinney District. If McKinney District has previously provided the Commission with either a water loss improvement plan or capital

improvement plan, please provide an additional copy for this case record, along with a status update of the plan(s).

2. Refer to Application, Exhibit A. Provide a copy of any notice of violations received from the Division of Water in the last five years.

3. Refer to Application at unnumbered page 19 of 140, Financial Impact. Provide a breakdown of the revenue requirement impact of the project including the following items:

a. Net operating expense increase or decrease by expense component;

b. Projected annual depreciation, including calculations, for each component for which there are different depreciation lives;

c. Annual debt service for each debt component;

d. Twenty percent working capital on debt service amounts in item 3c;

and

e. Total of all items above.

4. Provide the cost per thousand gallons impact of the total revenue requirement impact in Request No. 3 based on gallons sold of 101,905,000 as reported in the water statistics of McKinney District's 2023 Annual Report.

5. Refer to Application at 4, paragraph (vi).

a. Explain whether any of the funding components could be affected by federal funding freezes or other Executive Orders.

b. Explain how McKinney District would address any funding shortfalls or loss of funding.

c. Explain what funding sources McKinney District anticipates using to fund the remaining \$62,436 for the projects.

d. Explain which of these sources of funding McKinney District seeks approval for pursuant to KRS 278.300.

6. Refer to the Application at 3, paragraph 5(vi) which states the principal amount of the Rural Water Financing Agency loan (RWFA Loan) is \$865,000. Refer also to the Application, Exhibit C which states the principal amount of the RWFA Loan is \$855,000. Provide the correct amount and explain the reason for the difference.

7. Refer to the Application at 4, paragraph 5(vi). Refer also to the Application, Exhibit A. The funding amount of \$287,289 was described as both a Cleaner Water Grant (22CWW012 Grant) and as local funding from the Lincoln Co. Fiscal Court. Confirm the correct description of the funding.

8. Refer to Application at 7, paragraph 11. McKinney District stated that it anticipates filing an alternative rate case request upon the filing of its 2024 Annual Report. Confirm that McKinney District intends to file a request for an alternative rate adjustment, if granted the requests contained in this Application. If confirmed, explain whether a separate rate increase will be sought for both Phase 1A and then subsequently again for 1B of the project.

9. Refer to Application, Exhibit A, part 1 disinfection byproducts.

a. Provide a copy of the agreed order for exceeding limits on HAA5 disinfection byproducts (DBP).

b. Explain what improvements have been made with DBP in the city of Stanford's treatment process.

c. Refer to Option 1. Explain why McKinney District cannot add additional chlorine.

d. Provide the estimated cost for each of the three investigated options.

e. Refer to the Investigated Solutions. Explain whether McKinney District selected Option 1, 2, or 3, and why it was selected over the others.

10. Refer to Application, Exhibit A, part 2, Low Pressure Areas.

a. Provide the agreed order for low pressure in several areas.

b. Provide a list of all areas under low pressure.

c. Provide the approximate cost for each of the two investigated options.

d. Refer to the Investigated Solutions. Explain whether McKinney District selected Option 1, 2, or 3, and why it was selected over the others.

11. Refer to Application, Exhibit A, part 3, Water Supply problems.

a. Explain whether there are any additional costs besides the city of Stanford's planned expansions.

b. Provide the approximate rate increase for the new project.

c. Refer to the Investigated Solutions. Explain whether McKinney District selected Option 1 or 2, and why it was selected over the other.

d. Explain whether McKinney District will continue to purchase water from the cities of Stanford and Eubank.

12. Refer to the Application, Exhibit A, part 4, Storage Capacity.

a. Provide a detailed fixed asset listing as of December 31, 2024. Designate each of McKinney District's current storage tanks, the net book value, and the remaining useful life.

b. Explain how McKinney District determined the best place to install a storage tank.

c. Provide the approximate cost for each of the explored options.

d. Refer to the Investigated Solutions. Explain whether McKinney District selected Option 1 or 2, and why it was selected over the other.

13. Refer to the Application, Exhibit A, Proposed Projects which states the combined cost of Phase 1A is \$1,626,020 and the combined cost of Phase 1B is \$4,450,311. Refer also to the Application, Exhibit C which states the cost of Phase 1A is \$1,361,138.55 and the cost of Phase 1B is \$4,973,182.79.

a. Reconcile the discrepancy in the total project cost of Phase 1A.

b. Reconcile the discrepancy in the total project cost of Phase 1B.

14. Refer to the Application, Exhibit A, Proposed Projects, Phase 1A, Project Profile reference WX21137053. The audit tab reflects that none of the project details have been updated since October 2019. Confirm whether the components listed reflect the proposed plan. If not confirmed, provide the corrected components.

15. Refer to Application, Exhibit A, Recommendations.

a. Provide a detailed fixed asset schedule as of December 31, 2024, designating all asbestos cement supply lines.

b. Explain how McKinney District chose which lines to prioritize, and why the lines in Phase 1B were chosen for replacement.

- c. Provide any priority lists of McKinney District's line replacements.
- d. Explain how these recommendations will improve water loss in

McKinney District.

16. Refer to Application, Exhibit B, Copies of Permits. State whether McKinney District will need to obtain any additional permits or easements if granted the requests in this application. If so, list those permits or easements.

17. Refer to Application, Exhibit O, Certified Bid Tabulations.

a. Explain why the contracted bid amount from Frederick & May Construction is higher than the engineer's estimate for the base bid for Contract 2 and both alternatives.

b. Explain whether McKinney District discussed with its engineers why the contracted bid amount(s) is higher than the estimated project expense and whether the bids are reasonable.

c. Explain whether McKinney District considered re-opening the bidding process to see if a bidder comes in closer to the engineer's estimate.

d. State whether the Glass Lined Tank of Kentucky was the only bid received for Phase 1B Contract 3 Water Tanks. Provide the length of the bid period and explain whether McKinney District considered extending the bid period or reoffering the bid.

Linda Bridwell AP

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DATED FEB 28 2025

cc: Parties of Record

Case No. 2025-00022

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