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September 6, 2016

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SEP 7 2016

PUBLIC SERVICE
COMMISSION

Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, Ky. 40601

RE: Case No. 2014-00342
Response to Order No. 3(e)

Dear Commission:

In accordance with the issued order in Case No. 2014-00342, Mountain Water District is submitting the following report and attachments in compliance with Order No. 3(e) of the Commission's Order in the above referenced case. Please refer to Mountain Water District's prior response to Order No. 3(a) for system description and mapping information.

COST OF WATER LOSS ELIMINATION PROJECTS

The Public Service Commission has ordered the Mountain Water District to establish a preliminary cost estimate with regard to the proposed schedule of projects for water loss elimination. Please find attached the preliminary cost estimate for Phase I of Mountain Water District's initial proposed projects for water loss elimination.


Please see attached the following Exhibits with regard to the District's water loss elimination scheduling:

- EXHIBIT A: Water Loss Prevention Program – Phase I, Contract 1
 - Sub-metering Construction Cost Estimate
- EXHIBIT B: Water Loss Prevention Program – Phase I, Contract 2
 - Burning Fork Main Water Line Replacement
 - Big Creek of Sidney Service Line and Meter Replacement (Section 1)
 - Marrowbone Creek Service Line and Meter Replacement (Section 1)

CONCLUSION

The Board of Commissioners remains steadfast in their commitment to reduce or eliminate the water loss. We will continue our efforts to identify funding sources for the infrastructure repairs and replacement. Please see Exhibits C and D, the Summary Report of the District's monthly Water Loss Committee meeting held on August 31, 2016 and an updated Water Loss Percentage Graph.

Sincerely,



Roy B. Sawyers
District Manager

Water Loss Prevention Program Phase I - Contract #1
Mountain Water District
ENGINEER'S PRELIMINARY OPINION OF PROBABLE COST
August 30, 2016

| Item No. | Item Description | Unit | Unit Price | Quantity | Amount |
|----------|-----------------------------------------------------|------|--------------|----------|------------------------|
| 1 | GENERAL | | | | |
| a | Mobilization/Demobilization (Note 2) | LS | \$ 25,000.00 | 1 | \$ 25,000.00 |
| 2 | Master Meter | | | | |
| a | Installation of New Master Meter, Complete In-Place | LS | \$ 75,000.00 | 12 | \$ 900,000.00 |
| b | Telemetry RTU, Central and Site | LS | \$ 30,000.00 | 12 | \$ 360,000.00 |
| | ESTIMATED CONSTRUCTION COSTS | | | | \$ 1,285,000.00 |
| | Construction Contingencies @ 10% | | | 15.0% | \$ 192,750.00 |
| | Basic Engineering @ 100% RD Rate | | | 8.28% | \$ 122,313.37 |
| | Resident Inspection @ 100% RD Rate | | | 5.12% | \$ 75,690.36 |
| | Miscellaneous / ROW Permits / Etc. | | | | \$ 74,246.28 |
| | TOTAL PROJECT COST | | | | \$ 1,750,000.00 |

1. The method of payment varies with the individual item and is described at the close of each section of the Technical Specifications.
2. The amount bid for "Mobilization/Demobilization" may not exceed 3% of the Base Bid Total.
3. Only installed upon written order of the Engineer.

| Project Cost Categories | |
|---------------------------------|------------------------|
| Cost Category | Cost |
| Administrative Expenses | \$ 8,000.00 |
| Legal Expenses | \$ 2,000.00 |
| Land, Appraisals, Easements | \$ 62,000.00 |
| Relocation Expense & Payments | \$ - |
| Planning | \$ - |
| Engineering Fees - Design | \$ 85,619.36 |
| Engineering Fees - Construction | \$ 24,462.67 |
| Engineering Fees - Inspection | \$ 75,690.36 |
| Engineering Fees - Other | \$ 12,231.34 |
| Construction | \$ 1,477,750.00 |
| Equipment | \$ - |
| Miscellaneous | \$ 2,246.28 |
| Contingencies | \$ - |
| Total Project Cost | \$ 1,750,000.00 |

| Construction Cost Categories | |
|-------------------------------------|------------------------|
| Cost Category | Cost |
| Treatment | \$ - |
| Transmission and Distribution | \$ 1,477,750.00 |
| Source | \$ - |
| Storage | \$ - |
| Purchase of Systems | \$ - |
| Restructuring | \$ - |
| Land Acquisition | \$ - |
| Non-Categorized | \$ - |
| Total Construction Cost | \$ 1,477,750.00 |
| Total Sustainability Costs | \$ - |

EXHIBIT A

Water Loss Prevention Program Phase I - Contract #2
Mountain Water District
ENGINEER'S PRELIMINARY OPINION OF PROBABLE COST
August 30, 2016

| Item No. | Item Description | Unit | Unit Price | Quantity | Amount |
|----------|-----------------------------------------------------------------|------|--------------|----------|------------------------|
| 1 | GENERAL | | | | |
| a | Mobilization/Demobilization (Note 2) | LS | \$ 10,000.00 | 1 | \$ 10,000.00 |
| b | Seeding and Cleanup | LS | \$ 5,000.00 | 1 | \$ 5,000.00 |
| c | Pavement Replacement | LS | \$ 5,000.00 | 1 | \$ 5,000.00 |
| 2 | Burning Fork Water Main Replacement | | | | |
| a | 6" PVC Water Main Replacement | LF | \$ 50.00 | 5,000 | \$ 250,000.00 |
| b | 6" Resilient Wedge Gate Valve, MJ | EA | \$ 3,000.00 | 5 | \$ 15,000.00 |
| c | Blow-Off | EA | \$ 3,500.00 | 3 | \$ 10,500.00 |
| d | Reconnect Existing Service Line | EA | \$ 2,000.00 | 25 | \$ 50,000.00 |
| 3 | Big Creek of Sidney (Service Line and Meter Replacement) | | | | |
| a | 3/4" Service Line - Type K | LF | \$ 15.00 | 7,500 | \$ 112,500.00 |
| b | 5/8" x 3/4" Radio Read Meter Replacement | EA | \$ 350.00 | 150 | \$ 52,500.00 |
| c | Curb Stop Assembly | EA | \$ 1,000.00 | 50 | \$ 50,000.00 |
| 4 | Marrowbone Creek (Service Line and Meter Replacement) | | | | |
| a | 3/4" Service Line - Type K | LF | \$ 15.00 | 8,750 | \$ 131,250.00 |
| b | 5/8" x 3/4" Radio Read Meter Replacement | EA | \$ 350.00 | 175 | \$ 61,250.00 |
| c | Curb Stop Assembly | EA | \$ 1,000.00 | 75 | \$ 75,000.00 |
| | ESTIMATED CONSTRUCTION COSTS | | | | \$ 828,000.00 |
| | Construction Contingencies @ 10% | | | 15.0% | \$ 124,200.00 |
| | Basic Engineering @ 100% RD Rate | | | 8.92% | \$ 84,955.28 |
| | Resident Inspection @ 100% RD Rate | | | 5.70% | \$ 54,237.31 |
| | Miscellaneous / ROW Permits / Etc. | | | | \$ 23,607.40 |
| | TOTAL PROJECT COST | | | | \$ 1,115,000.00 |

1. The method of payment varies with the individual item and is described at the close of each section of the Technical Specifications.
2. The amount bid for "Mobilization/Demobilization" may not exceed 3% of the Base Bid Total.
3. Only installed upon written order of the Engineer.

| Project Cost Categories | |
|---------------------------------|------------------------|
| Cost Category | Cost |
| Administrative Expenses | \$ 4,000.00 |
| Legal Expenses | \$ 2,000.00 |
| Land, Appraisals, Easements | \$ 17,000.00 |
| Relocation Expense & Payments | \$ - |
| Planning | \$ - |
| Engineering Fees - Design | \$ 59,468.70 |
| Engineering Fees - Construction | \$ 16,991.06 |
| Engineering Fees - Inspection | \$ 54,237.31 |
| Engineering Fees - Other | \$ 8,495.53 |
| Construction | \$ 952,200.00 |
| Equipment | \$ - |
| Miscellaneous | \$ 607.40 |
| Contingencies | \$ - |
| Total Project Cost | \$ 1,115,000.00 |

| Construction Cost Categories | |
|-----------------------------------|----------------------|
| Cost Category | Cost |
| Treatment | \$ - |
| Transmission and Distribution | \$ 952,200.00 |
| Source | \$ - |
| Storage | \$ - |
| Purchase of Systems | \$ - |
| Restructuring | \$ - |
| Land Acquisition | \$ - |
| Non-Categorized | \$ - |
| Total Construction Cost | \$ 952,200.00 |
| Total Sustainability Costs | \$ - |

EXHIBIT B

EXHIBIT C

MOUNTAIN WATER DISTRICT WATER LOSS COMMITTEE MEETING AUGUST 31, 2016

MINUTES

The Mountain Water District Water Loss Committee met on August 31, 2016, at the hour of 9:00 A.M., at the District's office. Members present were Roy Sawyers, Eddie Hurley, David Taylor, Jody Hunt and Tim Campoy. Dan Stratton also attended the meeting.

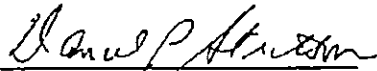
Roy updated the Committee with the current Water Loss Report for July, 2016 which increased slightly to 27%. The main reason for the increase was the shifting of personnel from loss detection to other functions during the past month because of a staff shortage. It is anticipated that the current open positions will be filled within the next week or two, and then we will do one more big push for leak control before winter starts.

Next, Roy reviewed the budget for Phase 1/Contract 1, which will involve master meter replacement. The cost of this project is \$1,750,000. Roy also reviewed the budget for Phase 1/Contract 2, which involved the replacement of water lines at Burning Fork (main line), Big Creek of Sydney, and Marrowbone Creek (service lines and meter replacements). The estimated cost of this project is \$1,115,000. Upon Motion duly made and seconded, these two estimates were approved.

Management is going to begin to look at funding options and several were discussed, including a possible KIA loan and/or seeking to determine whether we would qualify for any grants that would help us be able to fund these projects.

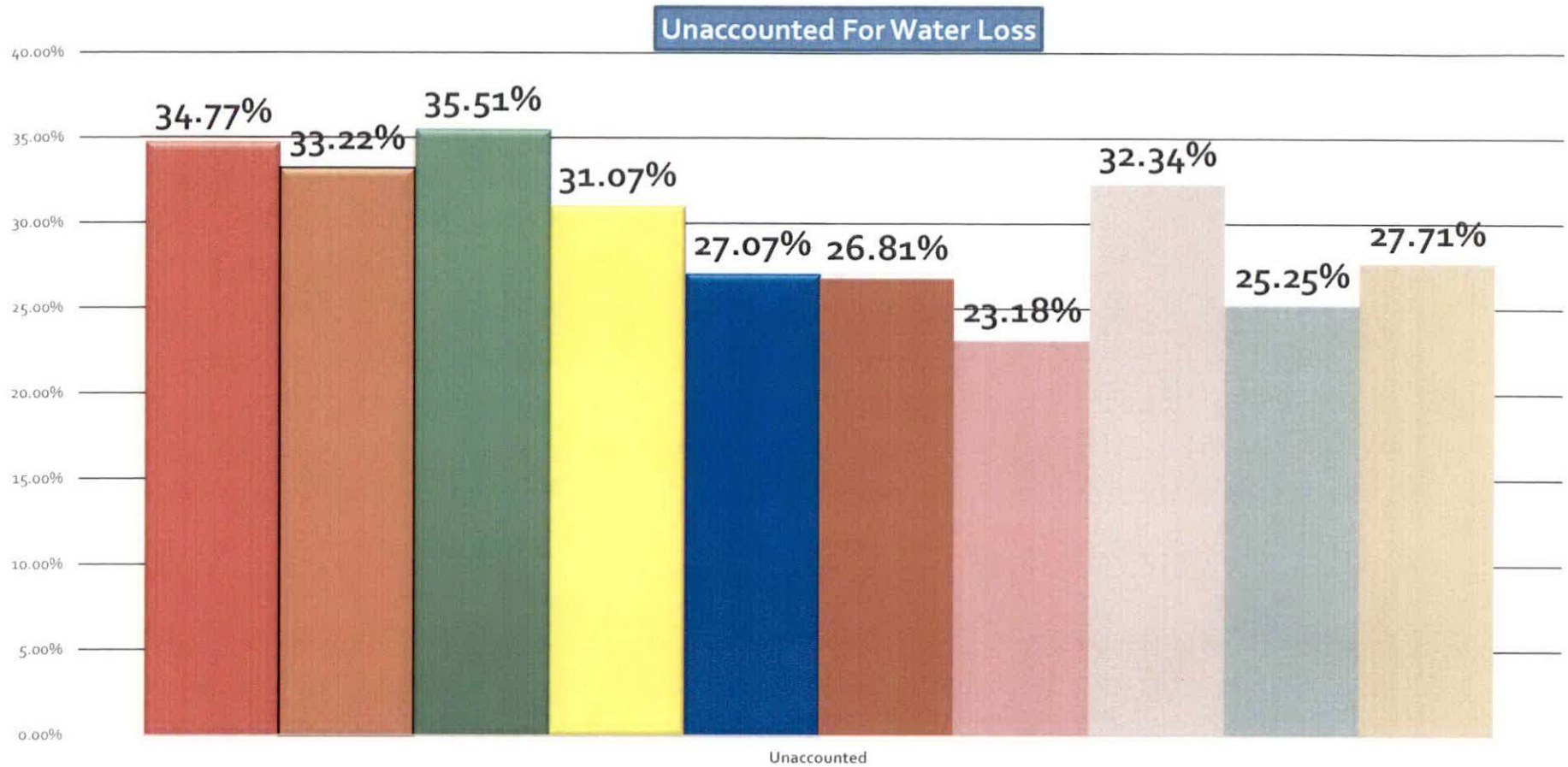
Next, Roy reviewed the issue with failed meter batteries, which, for the month of August, jumped to 78 from 48 in July. The failure rate is starting to increase because the batteries are near the end of expected lifespan. He reported that they have been in discussions with two different companies who could replace our current battery system. He noted that the new products currently available far exceed that which we were able to get in 2004 and 2005, when the current batteries were installed. Roy stated that we need to put together a funding plan which may be in the form of a loan to address this issue, which is roughly estimated to be approximately a 3 million dollar cost. He is going to look to see if this can be phased in over a 1-2 year period, in order to reduce the initial cost.

There being no further business, the meeting was adjourned at approximately 9:45 A.M.



Daniel P. Stratton, Esq.

OCT, 2015 NOV, 2015 DEC, 2015 JAN, 2016 FEB, 2016 MAR, 2016 APR, 2016 MAY, 2016 JUN, 2016 JUL, 2016



Unaccounted
EXHIBIT D