

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WESTERN LEWIS)
RECTORVILLE WATER AND GAS DISTRICT) CASE NO.
FOR RATE ADJUSTMENT FOR SMALL) 2017-00074
UTILITIES PURSUANT TO 807 KAR 5:076)

ORDER

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
WESTERN LEWIS-RECTORVILLE WATER AND GAS DISTRICT

Western Lewis-Rectorville Water and Gas District ("Western Lewis"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 14, 2017. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response 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 governmental agency, be accompanied by a signed certification of the preparer or 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.

Western Lewis shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Western Lewis fails or refuses to furnish all or part of the requested information, Western Lewis shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied 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, Western Lewis shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Attachment SAO-G, Sheet 2; Attachment BA-DB; and Western Lewis's 2015 Annual Report, Statement of Income for the Year ("2015 Income Statement"). The actual 2015 usage for Residential and Commercial customers totals to 40,880 Mcf on Sheet 2 of Attachment SAO-G, while total sales volumes are shown as 39,017 Mcf on Attachment BA-DB, and 38,854 Mcf on the 2015 Income Statement. State which amount is correct, explain why the sales volume numbers are different, and provide any revised attachments for the application as needed.

2. Refer to the Application, the ARF Form 1 checklist, Sheet 3, Item 9; Attachment SAO-G, Sheet 1; and Western Lewis's 2015 Income Statement. Western

Lewis states in Item 9 that its 2015 annual report is the basis for the test period for its proposed rates.

a. Reconcile the \$384,661 Test Year Operating Revenues, Total Sales of Gas on Attachment SAO-G, Sheet 1, with Western Lewis's \$421,006 Operating Revenues, Total Gas Service Revenues from its 2015 Income Statement.

b. Reconcile the \$10,000 Other Gas Revenues from Sheet 1 of Attachment SAO-G with the 2015 Income Statement, which shows Miscellaneous Service Revenues of \$33,720 but sets out no Other Revenues.

c. Provide the 2015 test-year revenues resulting from activities relating to each of the following approved Non-Recurring Charges from Western Lewis's tariff:

Connection Fee \$55.00
Meter Test Fee \$85.00
Re-connection Fee \$55.00
Returned Check Fee \$30.00
Meter Connection I Tap-on Fee:
Standard Size Class 175-250 Gas Meter \$900.00
All Larger Gas Meters Actual Cost

3. Refer to the Application, Attachment RR-OR. Explain why Other Operating Revenue was not subtracted from the Total Revenue Requirement to determine the Total Revenue Required from Rates for Service.

4. Refer to the Application, Attachment BA-DB.

a. The first page, which shows the Revenue Table for revenues from current rates, shows only 2,518 bills used to calculate the minimum bill revenue for 0-1 Mcf. Confirm that Western Lewis charges the minimum bill for all bills, regardless of usage, and that the revenue calculated for the first line should be \$44,146 (6,545 bills

multiplied by \$6.7450) instead of \$34,864.91. Also confirm that with this correction, total revenue at current rates is \$189,813.52 instead of \$187,077.40.

b. Confirm that subtracting the \$189,813.52 corrected current revenue from the proposed revenue of \$504,273.16 shown on the second page of Attachment BA-DB results in an increase in revenue of \$314,460.

c. State whether Western Lewis intended to propose a fixed monthly customer charge of \$1.00 and all Mcf billed at one rate, as shown on the second page of Attachment BA-DB. If Western Lewis intended to propose a rate design composed of a minimum bill consisting of 0-1 Mcf, as shown in its Notice, provide a revised Revenue Table for proposed rates.

d. Confirm that Western Lewis is requesting an increase in revenue of \$194,301.

5. With respect to the proposed \$1.00 monthly customer charge, explain whether Western Lewis incurs any fixed costs to serve its gas customers, regardless of the amount of gas they use, and if the proposed \$1.00 customer charge will be sufficient to cover those costs.

6. Explain whether Western Lewis is aware that the Commission has approved higher monthly customer charges for other small Local Distribution Companies in order to provide a measure of revenue stabilization, and whether it has considered increasing its customer charge above the current \$1.00 level.

7. Western Lewis's 2015 Annual Report, Gas Account, shows that it had Unaccounted for Gas of 727 Mcf and Natural Gas Purchases of 39,581 Mcf, which indicates line loss of 1.8 percent. Western Lewis's most recent Purchased Gas

Adjustment application in Case No. 2017-00106 indicates purchases of 37,840 Mcf and sales volumes of 35,028 Mcf, indicating line loss of 7.4 percent. Explain why the level of line loss increased in 2016 compared to 2015.

8. Provide Western Lewis's current number of gas customers, average number of gas customers in 2016, and the number of gas customers at December 31, 2016.

9. Refer to the January through December 2015 Payroll Summary Western Lewis provided to Commission Staff at the limited filed review conducted on March 8, 2017. Provide copies of the Western Lewis's January through December Payroll Summaries for the calendar years 2012, 2013, 2014, and 2016.

10. Provide copies of the Board of Commissioners' meeting minutes authorizing or discussing employee wage increases in the calendar years 2012 through 2017.

11. With regard to health insurance coverage paid by Western Lewis's employees and on behalf of its employees, provide the following:

a. Provide a listing of all health care plan options available to Western Lewis's employees (i.e., single coverage, married no dependents, single parent with dependents, family coverage, etc.).

b. For the calendar years 2012 through 2017, identify the associated employee contribution rates and Western Lewis's contribution rates of the total premium cost for each category identified in Western Lewis's response to Item 11.a.

c. Provide a copy of all health insurance invoices for each calendar years 2012 through 2017 documenting the monthly premium paid by Western Lewis at

a given interval. Provide a schedule that can be traced from the invoices that shows the total healthcare premium that was paid for each coverage year

12. a. Confirm that dental insurance is an optional coverage whose premium is paid totally by the employee. If this cannot be confirmed, provide the amounts for the calendar years 2012 through 2017 that were paid by Western Lewis on behalf of the employee.

b. Identify the employees that opted to carry dental insurance in each calendar year from 2012 through 2017, and provide the monthly premium that was paid by each employee.

c. Refer to Western Lewis's 2015 General Ledger at 306. The Delta Dental insurance premiums are recorded in the Insurance – Other Account. Provide a detailed explanation for the \$382 debit balance in the Insurance – Other Account.

13. a. Confirm that short-term disability insurance is an optional coverage whose premium is paid totally by the employee. If this cannot be confirmed, provide the amount of premium, by employee, by month, that was paid by Western Lewis on behalf of the employee.

b. Identify the employees who opted to carry short-term disability insurance in each calendar year from 2012 through 2017 and provide the monthly premium that each employee paid.

c. Refer to Western Lewis's 2015 General Ledger at 304. Provide a detailed explanation for the \$170 credit balance in the Disability Insurance Account.

14. a. Provide the date when Chad Clark was hired in his former contract labor position, the title Mr. Clark held, and copies of the Board of Commissioner meeting minutes authorizing the hiring of Mr. Clark as contract labor.

b. Provide a list of the duties and responsibilities Mr. Clark performed while he was being paid as contract labor and the number of hours per week Mr. Clark spent performing those duties.

15. a. Provide the weekly salary, with annual totals, from the date that Mr. Clark began working as contract labor for Western Lewis to the date he was hired as part-time General Manager.

b. Provide the date that Mr. Clark was hired as Western Lewis's part-time General Manager and copies of the Board of Commissioner meeting minutes authorizing the hiring of Mr. Clark in this capacity.

c. Provide a list of the duties and responsibilities Mr. Clark performs as the part-time General Manager of Western Lewis and the number of hours per week Mr. Clark spends in performance of those duties.

16. a. Does Mr. Clark manage any other utility as either contract labor or on a part-time basis?

b. If the response to 16.a. is yes: identify the name of the utility; state whether Mr. Clark's position is part-time or contract labor; for each position held, list the duties and responsibilities; provide the weekly compensation each utility pays to Mr. Clark; and provide the number of weekly hours Mr. Clark devotes to each utility.

17. Refer to the Application, Schedule of Adjusted Operations – Gas Utility and References.

a. Western Lewis is proposing to increase Transmission Expenses by \$60,000 for projected "Repairs and maintenance; Gas line extension/Rebuilding regulator station." Provide an itemized schedule that contains the following information:

- (1) Identify each item that is included in the \$60,000 estimate.
- (2) A detailed description of each Item identified in 17.a.(1).
- (3) The expected date construction will begin.
- (4) The expected date the construction will end.
- (5) The funding source Western Lewis will use for each Item identified in 17.a.(1).

- (6) The estimated cost of each Item identified in 17.a.(1).

b. Provide documentation that provides support for the cost/necessity of each Item identified in 17.a.(1).

c. Western Lewis estimated that its cost to file the current proceeding before the Commission is a one-time charge of \$5,000.

- (1) Provide a schedule that details all test-year and post-test-year expenditures related to the current proceeding, along with a copy of vendor invoices. The schedule should state the nature and amounts of all charges. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged on Western Lewis's general ledger.

- (2) Provide the anticipated total cost of the case upon completion. The projected amount should be detailed by type of service and vendor, with supporting documentation for each.

(3) During the processing of this current case, provide a monthly update of the schedule requested in Item 17.c.(1), showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in Item 17.c.(1).

(4) Recognizing that the cost of a rate case is a nonrecurring expenditure, the Commission has historically amortized, rather than expensed, items related to the rate case. Explain why Western Lewis choose to expense its estimated rate case cost in pro forma operations.

d. Reference Item C of Western Lewis's pro forma adjustments includes an adjustment of \$18,300 for what is listed in the References as a "Gas Consultant," and includes a note that the "company contracted with will provide the required training and keep the District up to date on current laws and regulations relating to gas services."

(1) Provide a statement as to whether Western Lewis has currently hired, or is in the process of hiring, a Gas Consultant. If Western Lewis has already hired a Gas Consultant, provide the date of hire and the rates or charges associated with the hiring of this Consultant.

(2) Provide any contracts, past and current, regarding the procurement or subsequent contracting of any Gas Consultant utilized by Western Lewis.

(3) Provide a complete list of services that any current or future Gas Consultant would provide to Western Lewis.

(4) Provide any invoices, calculations, or assumptions used in the determination of the \$18,300 annual expense for a Gas Consultant.

18. Refer to the audited adjusted trial balance prepared by Western Lewis's independent Certified Public Accountant ("CPA") that was provided to Commission Staff during its field review on March 8, 2017. Additionally, refer to the general ledger for the year ended December 31, 2015, that was provided at that same juncture.

a. Provide a schedule or work paper that ties the amounts indicated on the audited adjusted trial balance to the general ledger that was provided to Commission Staff. If the amounts cannot be tied back, explain why they cannot.

b. Provide a list of any/all audit adjustments made that do not appear on the audited adjusted trial balance for any reason, and provide the reason they do not appear.

19. Refer to the 2015 Audit Report prepared by Western Lewis's independent CPA that was filed with the Commission on March 20, 2017, and the general ledger for the year ended December 31, 2015, provided to Commission Staff during its review on March 8, 2017.

a. Provide a schedule or work paper that clearly shows the relationship between the general ledger and the amounts that are listed for each account on the Statement of Revenues and Expenses on page 15 of the 2015 Audit Report. If allocations were made, state the amounts allocated from the general ledger to each account on the 2015 Audit Report and the allocation method that was used.

b. For each revenue and expense account that is listed on the general ledger, provide a schedule or work paper that shows how the account balances tie to Western Lewis's 2015 Annual Report.

c. For each operating revenue and expense account that is listed on page 15 of the 2015 Audit Report, provide a schedule or work paper that shows how the account balances tie to Western Lewis's 2015 Annual Report.

20. Provide Western Lewis's current nepotism policy and indicate when it was most recently changed.



Talina R. Mathews
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Public Service Commission
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DATED MAR 3 1 2017

cc: Parties of Record

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