

Ledbetter Water District
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Ledbetter, Kentucky 42058
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PUBLIC SERVICE
COMMISSION

July 25, 2018

Ms. Gwen R. Pinson
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Case No. 2018-00117
Ledbetter Water District
ARF – Water & Sewer Rate Adjustments

Dear Ms. Pinson:


The Ledbetter Water District (the District) submits the following comments concerning the Commission Staff Report dated July 16, 2018:

1. The District waives its right to request an informal conference or hearing in this case.
2. The District concurs with the findings presented in the Staff Report regarding water rates and requests that the Commission approve the rates shown in the Attachment to the report.
3. The District concurs with the findings presented in the Staff Report regarding sewer rates with the following two exceptions:
 - a. The Staff Report acknowledges the appropriateness of audit adjustments included in the District's application. However, the audit adjustment of \$14,747 in depreciation expense was omitted in the staff's pro forma statement. The District requests this amount be included in the final revenue requirement and rates. The relevant page from the Audit Report is enclosed as Attachment A.
 - b. The Staff Report divides the revenue increase equally between Phases 1 and 2. The District urgently needs a larger increase in revenue immediately. It is delinquent on debt service payments and has depleted its reserves. Therefore, we request that at least 65 percent of the revenue increase be included in Phase 1 with the remainder in Phase 2. Corroboration for this request from the Kentucky Infrastructure Authority is enclosed as Attachment B.

If you need any additional information from the District to incorporate these changes or expedite implementation of the new rates, please contact our office.

Sincerely,

Philip Dae, Chairman
Ledbetter Water District





KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Donna McNeil
Executive Director

July 23, 2018

Mr. Bill Downs, Superintendent
Ledbetter Water and Sewer District
P.O. Box 123
Ledbetter, KY 42058

RE: KIA Loan #A06-01 (wastewater)

Dear Mr. Downs:

This letter is a follow up to discussions that you have had with KIA personnel concerning the District's overdue loan account balance and underfunded repair and replacement reserve account. Please note the following in relation to the loan terms.

1. The loan has a zero percent interest rate, a current balance of \$999,746.63, and a maturity date of December 1, 2026. A semi-annual payment of \$56,097.03 was due on June 1, 2018 for which we received a partial payment of \$10,000.00 on June 26, 2018. This leaves a delinquent balance of \$46,097.03.
2. The next semi-annual payment of \$56,097.03 is due on Dec 1, 2018.
3. The loan requires a repair and replacement reserve, which should have been \$220,000 at December 31, 2017. Based on information provided in the District's 2017 compilation report the balance was \$7,681 and was thus underfunded by \$212,319.

We commend your recent efforts to initiate rate action to improve the District's financial position. We reviewed the Kentucky Public Service Commission's (PSC) Staff Report dated July 16, 2018 and are concerned that the distribution of the approved increase equally over two years will not sufficiently accelerate new cash flow to permit the District to meet its debt obligation to KIA in a timely manner and that a larger percentage, if not all, of the increase should be effected immediately.

Mr. Bill Downs
July 23, 2018
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Please contact Jeff Abshire at Jeff.Abshire@ky.gov or 502-892-3428 if you have any questions or wish to discuss.

Sincerely,



Donna McNeil
Executive Director

cc: Alan Vilines

JA

Ledbetter Water and Sewer District
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended December 31, 2016

	Water	Sewer	Total
Operating Revenues			
Charges for services	\$ 445,491	\$ 420,272	\$ 865,763
Total operating revenue	<u>445,491</u>	<u>420,272</u>	<u>865,763</u>
Operating Expenses			
Salary expenses	179,860	167,327	347,187
Treatment expenses	162,054	95,537	257,591
Maintenance expenses	3,211	6,155	9,366
General operating expenses	75,292	31,963	107,255
Depreciation	44,995	127,735	172,730
Total operating expenses	<u>465,412</u>	<u>428,717</u>	<u>894,129</u>
Operating income (loss)	<u>(19,921)</u>	<u>(8,445)</u>	<u>(28,366)</u>
Nonoperating Revenue (Expenses)			
Interest revenue	249	134	383
Interest expense	(1,950)	(46,057)	(48,007)
Total nonoperating expenses	<u>(1,701)</u>	<u>(45,923)</u>	<u>(47,624)</u>
Capital Contributions			
Tap-on fees	5,950	1,000	6,950
Total capital contributions	<u>5,950</u>	<u>1,000</u>	<u>6,950</u>
Change in net position	<u>(15,672)</u>	<u>(53,368)</u>	<u>(69,040)</u>
Net position, beginning of year, before restatement	720,304	(504)	719,800
Prior period adjustment - See Note 11	<u>227,573</u>	<u>(181,955)</u>	<u>45,618</u>
Net position, beginning of year, restated	<u>947,877</u>	<u>(182,459)</u>	<u>765,418</u>
Net position, end of year	<u>\$ 932,205</u>	<u>\$ (235,827)</u>	<u>\$ 696,378</u>