

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LETCHER)	
COUNTY WATER AND SEWER DISTRICT FOR A)	CASE NO.
RATE ADJUSTMENT PURSUANT TO 807 KAR)	2022-00431
5:076)	

ORDER

On January 17, 2023,¹ Letcher County Water and Sewer District (Letcher District) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. The Commission finds that a procedural schedule should be established to ensure the orderly review of Letcher District's application.² The procedural schedule is attached as Appendix A to this Order.

In addition, Letcher District shall file on or before the date set forth in the procedural schedule its responses to the Commission Staff's First Request for Information, attached to this Order as Appendix B, and shall respond to any future requests for information propounded by Commission Staff by the date or dates set forth on any such requests.

¹ Letcher District tendered its application on December 24, 2022. By letter dated January 5, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on January 17, 2023.

² No action is necessary to suspend the effective date of Letcher District's proposed rates for service. Pursuant to 807 KAR 5:076, Section 7(1), an applicant who applies for a rate adjustment pursuant to the procedures set for in 807 KAR 5:076 may not place its proposed rates into effect until the Commission approves those rates or six months from the date of the filing of its application.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.
2. On or before the date set forth in the procedural schedule, Letcher District shall file its responses to the Commission Staff's First Request for Information, attached to this Order as Appendix B.
3. Letcher District shall respond to any additional requests for information propounded by Commission Staff by the date provided in those requests.
4. No later than the date set forth in the procedural schedule, Commission Staff shall file with the Commission and serve upon all parties of record a written report (Commission Staff's Report) containing its findings and recommendations regarding Letcher District's requested rate adjustment.
5. No later than 14 days after the date of service of the Commission Staff's Report, each party of record shall file with the Commission:
 - a. Its written comments on and any objections to the findings contained in the Commission Staff's Report; and
 - b. Any additional evidence for the Commission to consider.
6. If Commission Staff recommends that Letcher District's financial condition supports a higher rate than Letcher District proposes or the assessment of an additional rate or charge not proposed in Letcher District's application, Letcher District in its response to the Commission Staff's Report shall also state its position in writing on whether the Commission should authorize the assessment of the higher rate or the additional rate or charge.

7. If Commission Staff recommends that changes should be made to the manner in which Letcher District accounts for the depreciation of Letcher District's assets, Letcher District in its response to the Commission Staff's Report shall also state its position in writing on whether the Commission should require Letcher District to implement the proposed change for accounting purposes.

8. A party's failure to file written objections to a recommendation contained in the Commission Staff's Report within 14 days after the date of the filing of the Commission Staff's Report shall be deemed a waiver of all objections to that finding.

9. If a party requests a hearing or informal conference, then the party shall make the request in its written comments and state the reason why a hearing or informal conference is necessary.

10. A party's failure to request a hearing or informal conference in the party's written response shall be deemed a waiver of all rights to a hearing on the application and a request that the case stand submitted for decision.

11. A party's failure to file a written response within 14 days after the date of service of the Commission Staff's Report shall be deemed a waiver of all rights to a hearing on the application.

12. As set forth in 807 KAR 5:001E, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding that is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to

intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of water consumed by the movant or a general statement regarding a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene filed after the date established in the procedural schedule attached as an Appendix to this Order shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

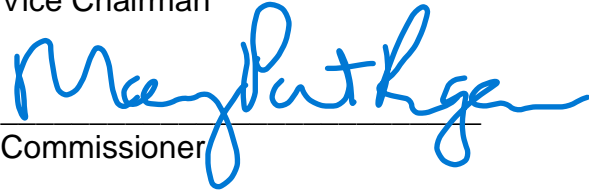
13. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085³ regarding filings with the Commission.

³ 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).

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00431 DATED FEB 16 2023

Requests for intervention shall be filed no later than02/22/2023

All requests for information to Letcher District
shall be filed no later than03/06/2023

Letcher District shall file responses to requests
for information no later than03/20/2023

All supplemental requests for information to
Letcher District shall be filed no later than.....04/03/2023

Letcher District shall file responses to supplemental
requests for information no later than04/17/2023

Commission Staff's Report shall be filed no later than.....05/18/2023

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00431 DATED FEB 16 2023

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO LETCHER COUNTY WATER AND SEWER DISTRICT

Letcher County Water and Sewer District (Letcher District), pursuant to 807 KAR 5:001E, is to file with the Commission an electronic version of the following information. The information requested is due on March 17, 2023. The Commission directs Letcher 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 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.

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

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).

which Letcher District fails or refuses to furnish all or part of the requested information, Letcher 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, Letcher District shall, in accordance with 807 KAR 5:001E, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected:

a. The calendar year 2021 general ledger for Letcher District's water division.

b. The calendar year 2021 general ledger for Letcher District's sewer division.

c. The Adjusted Trial Balance for Letcher District's water division showing unaudited account balances, audit adjustments, and audited balances for the calendar year ended 2021 in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

d. The Adjusted Trial Balance for Letcher District's sewer division showing unaudited account balances, audit adjustments, and audited balances for the calendar year ended 2021 in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

2. Using a table format provide the names, job titles, job description, and pay rates for each Letcher District employee on December 31, 2020, December 31, 2021, December 31, 2022, and for those currently employed in 2023. Include the date the employee was hired and if applicable the employee's termination date. Provide the requested tables in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

3. Using a table format, provide the regular hours, overtime hours, and other hours (identify) for each employee identified in Letcher District's response to Item 1.d. for the calendar years 2020, 2021, and 2022. Provide the requested table in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

4. Provide a description of all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for the calendar years 2020, 2021, and 2022.

5. For each employee benefit listed in Letcher District's response to Item 4., provide the total monthly premium per employee for each benefit, the employer premium contribution, and the employee premium contribution.

6. For each employee listed in Item 2 above, describe how Letcher District allocated their payroll and payroll overhead charges between the sewer and water divisions in calendar year 2021. This response shall include a detailed explanation of all

allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

7. a. List all joint or shared costs that Letcher District incurred during the Fiscal Years 2021 and 2022. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures Letcher District uses to allocate joint and shared costs between its divisions.

8. Provide all internal memorandums, policy statements, correspondence, and documents related to Letcher District's allocations of joint and shared costs.

9. a. Provide the minutes from Letcher District's Board of Commissioners meetings for the calendar years 2020, 2021, 2022, and 2023.

b. Provide a document listing the names of all Letcher District's Commissioners for each calendar year 2020, 2021, 2022, and 2023, and state, individually, the total amount of each benefit paid to, or on the behalf of, each Commissioner during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.).

c. Provide the Fiscal Court minutes approving each commissioner's appointment and compensation

10. Refer to Letcher District's Application, Attachment 4, Schedule of Adjusted Operations – Water Utility, References, and Adjustment Calculations. Provide the workpapers that support the pro forma adjustments described in the References page of Attachment 4 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

11. Letcher District explained in Case No. 2020-00037,² that it purchases water from the following wholesale water suppliers: Knott County Water and Sewer District; the city of Whitesburg; and the city of Jenkins.

a. For each identified wholesale water supplier, provide legible copies of Letcher District's purchased water invoices for the 16-month period from November 1, 2020, through February 28, 2022.

b. For each identified wholesale water supplier provide a table in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible the information requested in the table format below using the invoices provided by Letcher District in its response to Item 11.a.

Wholesale Water Supplier

Meter Reading Date		Bill Date	Meter or Account				Amount
From	To		Number	Number	Number	Number	

12. Provide an overview of any actions planned or taken by Letcher District to reduce its water loss, including any water loss reduction plan.

13. Refer to Letcher District's Application, Attachment 4, Adjustment Calculations, Adjustment Reference D and E. Given that Letcher District has a corrected test-year water loss of 24.98 percent, explain why it did not request that the Commission authorize it to collect a water loss reduction surcharge.

14. State when Letcher District last conducted a cost of service study (COSS) to review the appropriateness of its current rates and rate design.

a. Explain whether Letcher District considered filing a COSS with the current rate application and the reasoning for not filing one.

² Case No. 2020-00037, *Electronic Purchased Water Adjustment Filing of Letcher County Water and Sewer District* (Ky. PSC Mar. 23, 2020).

b. Explain whether any material changes to Letcher District's system would cause a new COSS to be prepared since the last time it has completed one.

c. If there have been no material changes to Letcher District's system, explain when Letcher District anticipates completing a new COSS.

d. Provide a copy of Letcher District's most recent COSS in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

15. a. Identify the number of new connections (meters) that Letcher District installed in calendar years 2021 and 2022.

b. Identify the amount of tap-on fees Letcher District collected in calendar years 2021 and 2022.

c. Identify the account where Letcher District recorded its tap-on fees.

d. State whether Letcher District keeps a record of the dollar amounts of labor and materials used to install new customer taps. If so, state the amount of labor expense and materials expense for the test year and where it is located in the general ledger. Separately state the amounts expensed to install each new meter during the test year.

e. Provide revised cost justification sheets to support any changes to Letcher District's Meter Connection/Tap-on Fee(s).

16. Provide the number of occurrences for which late fees were assessed during the calendar years 2019, 2020, 2021, and 2022.

17. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the calendar years 2019, 2020, 2021, and 2022.

18. Provide an updated cost justification sheet for all nonrecurring charges listed in Letcher District's tariff.

19. Refer to the Application, Attachment 7, 2020 Depreciation Schedule that reports calendar year 2020 Depreciation expense of \$831,961. Provide a copy of Letcher District's 2021 Depreciation Schedule in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that supports its reported test-year depreciation expense.

20. Refer to the Application, Attachment 8, Outstanding Debt Instrument, Promissory Note, and Letcher District's Amortization Schedules submitted on January 17, 2023. For each debt issuance that is still active; provide the case number in which the Commission authorized Letcher District to issue the debt.

21. Refer to Letcher District's Application, Attachment 6, Billing Analysis, Current and Proposed Rates.

a. Provide the billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

b. Provide the source of the 2021 usage data presented in the Billing Analysis, and state whether any adjustments were made to the data.

c. Provide a list of any adjustments made to the data and include an explanation of each adjustment.

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