

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF)
THE WHOLESALE WATER SERVICE RATES) CASE NO.
OF LEBANON WATER WORKS) 2017-00417

COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION TO LEBANON WATER WORKS

Lebanon Water Works ("Lebanon"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before June 13, 2018. Responses to requests for information in paper medium 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 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.

Lebanon shall make timely amendment to any prior response if it obtains information that 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 Lebanon

fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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 filing a paper containing personal information, Lebanon 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 response to the Commission Staff's Second Request ("Staff's Second Request"), Item 2.b., Exhibit 2-4, the adjusted trial balance for Fiscal Year 2016, and the response to Marion's First Request for Information ("Marion's First Request"), Item 11.b., Exhibit 11-2, Financial Statement June 30, 2016, and 2015, Independent Auditors Report. At page 8 of the Independent Auditors Report is Lebanon's Statements of Revenues, Expenses and Changes in Net Position ("Income Statement"). Provide a schedule showing how the trial balance revenue and expense sub-accounts are combined to arrive at the accounts reported in Lebanon's 2016 Income Statement.

2. Refer to the response to Staff's Second Request, Item 3.b., Exhibit 3-4, the adjusted trial balance for Fiscal Year 2017, and the response to Marion's First Request, Item 11.a., Exhibit 11-1, Financial Statement June 30, 2017, and 2016, Independent Auditors Report, Income Statement at 8. Provide a schedule showing how the trial balance revenue and expense sub-accounts are combined to arrive at the accounts reported in Lebanon's 2017 Income Statement.

3. Refer to the responses to Staff's Second Request, Item 1, Exhibit 1-1, Workpapers and to Marion's First Request, Item 11.b., Exhibit 11-2, Financial Statement June 30, 2016, and 2015, Independent Auditors Report, Fiscal Year 2016 Income Statement.

a. Provide a schedule comparing the revenues and expenses Lebanon used in its workpapers to the actual amounts reported in the Fiscal Year 2016 Income Statement. Provide in Excel spreadsheet format with all formulas unprotected and with all rows and columns accessible.

b. For each difference, provide a complete description and the supporting calculations.

4. Refer to the response to Staff's Second Request, Item 2.b., Exhibit 2-4, the adjusted trial balance for Fiscal Year 2016.

a. Provide a detailed explanation as to why there are row numbers hidden from view on the trial balance excel spreadsheet (i.e.; Row 120 is visible but rows 121 through 125 are hidden from view).

b. For each revenue or expense account in the table below, provide a schedule that lists each expenditure included in the expense account and provide a detailed description of that expenditure and all invoices related to that expenditure.

	Account #	Account Title	(Revenue)/ Expense
a.	00408-0000	Water Taps	\$ (2,700)
b.	00409-0000	Developer Contributions - Income	\$ (4,537)
c.	00420-0000	Garbage Fees	\$ (10,818)
d.	00506-0000	Pump Station & Filter Plant	\$ 68,029
e.	00508-0000	Repairs, Supp, & Exp - Buena Vista	\$ 1,907
f.	00509-0000	Meters - Repairs	\$ 55,285
g.	00510-0000	Mains - Repairs	\$ 10,773
h.	00511-0000	Fire Hydrants - Repairs	\$ 1,300
i.	00512-0000	Tanks - Repairs & Expense	\$ 9,295
j.	00525-0000	Legal & Accounting	\$ 21,631
k.	00532-0000	Donations	\$ 350

5. Refer to the response to Staff's Second Request, Item 3.b., Exhibit 3-4, the adjusted trial balance for the Fiscal Year 2017. For each revenue or expense account in the table below, provide a schedule that lists each expenditure included in the expense account and provide a detailed description of that expenditure and all invoices related to that expenditure.

	Account #	Account Title	(Revenue)/ Expense
a.	00408-0000	Water Taps	\$ (26,100)
b.	00409-0000	Developer Contributions - Income	\$ (20,280)
c.	00411-0000	Other Miscellaneous Income	\$ (6,088)
d.	00420-0000	Garbage Fees	\$ (11,424)
e.	00506-0002	WTP-Repairs & Maintenance	\$ 8,070
f.	00506-0002	WTP-Repairs & Maintenance	\$ 8,070
g.	00507-0000	Pump Station/Filter Plant-Bldg & Equip	\$ 6,749
h.	00509-0000	Meters - Repairs	\$ 46,069
i.	00510-0000	Mains - Repairs	\$ 17,885
j.	00525-0000	Legal & Accounting	\$ 38,650
k.	00525-0005	Surveying/Engineering Fees	\$ 4,500
l.	00532-0000	Donations	\$ 150
m.	00535-0000	Directors' Fees	\$ 12,600
n.	00538-0000	Laboratory Expense	\$ 16,698
o.	00542-0000	Rental House Expense - Calvary	\$ 704
p.	00546-0000	Miscellaneous Expense	\$ 12,725

6. Refer to the responses to Staff’s Second Request for Information, Item 2.b., Exhibit 2-5, the June 30, 2016 Adjusting Journal Entries Report, JE # 12, AJE to record current year pension and Item 10, Exhibit 10-1, Tab 2016.

a. Provide detailed descriptions of the two debits listed in the table below.

	Account #	Account Title	Amount
a.	00503-0000	Fringe Benefits - Employees	\$ 15,122
b.	00503-0000	Fringe Benefits - Employees	\$ 111,440

b. Identify the amount of Lebanon’s County Employee Retirement System (“CERS”) contribution that is reported as an expense in the Fiscal Year 2016 Income Statement.

c. Confirm that the column titled “Defined Benefit ER” totals \$98,422, and that it reflects the actual contributions made by Lebanon on behalf of each employee in Fiscal Year 2016.

d. Provide a schedule listing Lebanon’s monthly County Employee Retirement System (“CERS”) contributions for the Fiscal Year 2016 and supporting invoices.

7. Refer to the response to Staff’s Second Request for Information, Item 3.b., Exhibit 3-5, June 30, 2017 Adjusting Journal Entries Report, JE # 13, AJE to record current year pension, DOR and DIR and Item 10, Exhibit 10-1, Tab 2017.

a. Provide definitions for the acronyms “DOR” and “DIR”.

b. Confirm that the column titled “Defined Benefit ER” totals \$117,366, and that it reflects the actual contributions made by Lebanon on behalf of each employee in Fiscal Year 2017.

c. Provide a schedule listing Lebanon’s monthly CERS contributions for the Fiscal Year 2016 and supporting invoices.

8. Refer to the Testimony of Holly Nicholas, pages 6 - 7 and the Lebanon’s Response to the Staff’s First Request for Information, Item 5.

a. Provide documentation to support the statement that the Citizens National Bank (“CNB”) requires a debt service coverage of 1.25 times for its long-term loans.

b. Provide documentation showing the debt service coverage required by the Kentucky Infrastructure Authority (“KIA”).

c. Confirm that the following schedule is list of Lebanon’s five outstanding long-term loans, and the annual debt service payments for each.

Loan Identification	Payment Payment and Frequency	Annual Debt Service
CNB Loan #77049	Bi -Weekly Payment of \$ 2,312	\$ 60,112
CNB Loan #76735	Bi -Weekly Payment of \$ 11,721	304,746
KIA Loan #B08-09	Semi-Annual Payment of \$ 16,226	32,452
KIA Loan #F14-036	Semi-Annual Payment of \$ 60,976	121,952
KIA Loan #F15-057	Semi-Annual Payment of \$ 19,417	38,834
Total Annual Debt Service		\$ 558,096

d. Provide a reconciliation of the three-year average debt service calculated by Ms. Nicholas of \$532,038 to the annual debt service of \$558,096 contained in the table in Item 5.a. above.

e. Given that these are loans with fixed payments, explain why the three-year average debt service would vary from any of the annual debt service payments.

9. Refer to the responses to Marion's First Request, Item 8. Exhibit 8-1, Depreciation Schedule June 30, 2017 and Item 10, Exhibit 10-1, Excerpt of the National Association of Regulatory Utility Commissions ("NARUC") survey.

a. Provide a comparison of the depreciation lives in Lebanon's schedule to the lives in the NARUC survey. Use the mid-point depreciation life of any depreciation life range in the NARUC survey.

b. According to Lebanon's Depreciation Schedule, the depreciation expense for the Fiscal Year 2017 is \$575,210. Using the NARUC depreciation lives from the comparison in the response to Item 9.a. recalculate the depreciation expense for Fiscal Year 2017. Provide in Excel spreadsheet format with all formulas unprotected and with all rows and columns accessible

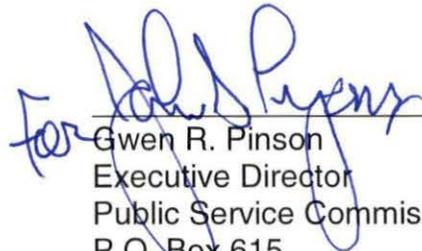
c. Provide any analysis or study prepared by Lebanon's Auditors in 2007 showing that the Capitalization Policy and depreciation lives are reasonable.

d. Refer to the Direct Testimony of Daren Thompson, pages 18–22. Provide a listing of each capital project not included in the depreciation calculation in in the response to Item 9.b., the date the capital project was placed in service, the total capital cost broken down into major plant components (i.e.; tank, pump, pumping structure ...etc.), the NARUC Depreciation life, and the pro form depreciation expense. Provide in Excel spreadsheet format with all formulas unprotected and with all rows and columns accessible

10. Refer to Lebanon's response to Staff's Second Request, Item 6, Exhibit 6-1 Employee List FYE 6-30-2016. Provide an updated employee schedule listing all employees currently on Lebanon's payroll. The schedule should include Employee

Number, Job Description, 2018 Hourly Wage Rates, total salary paid May 31, 2018, and the projected salary that will be paid as of June 30, 2018.

11. Refer to Lebanon's responses to Staff's Second Request, Item 10, Exhibit 10-1 and Item 11, Exhibit 11-1. Using the table format in Exhibit 10-1, provide the benefit information for all employees currently on Lebanon's payroll.


Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED **JUN 08 2018**

cc: Parties of Record

*L Allyson Honaker
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Marion County Water District
1835 Campbellsville Road
P. O. Box 528
Lebanon, KY 40033

*Honorable Damon R Talley
Attorney at Law
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KENTUCKY 42748

*Lebanon Water Works
120 S Proctor Knott Avenue
Lebanon, KY 40033

*David S Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Kaelin G Reed
Mattingly & Nally-Martin, PLLC
104 W. Main Street
P.O. Box 678
Lebanon, KENTUCKY 40033

*Mary Ellen Wimberly
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801