

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTH)	CASE NO.
MERCER WATER DISTRICT FOR A RATE)	2023-00185
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On December 27, 2023,¹ North Mercer Water District (North Mercer District) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. North Mercer District filed this proceeding in compliance with the final Order in Case No. 2021-00317.² In that proceeding, North Mercer District was ordered to file an application by October 6, 2022, for either a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or for an alternative rate adjustment (ARF) pursuant to 807 KAR 5:076 to ensure its revenue is sufficient to support adequate and reliable service.

¹ North Mercer District tendered its application on June 12, 2023, using the wrong test year. By letter dated June 28, 2023, the Commission rejected the application for filing deficiencies. On July 20, 2023, North Mercer District filed a response requesting a deviation from the test year requirement or an extension of time to resubmit an amended application. By Order dated September 12, 2023, the Commission denied the request for a deviation and granted the request for additional time to submit an amended application using the correct test year. North Mercer District tendered its amended application on December 14, 2023. By letter dated December 18, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on December 27, 2023.

² See Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Oct. 6, 2021).

The Commission finds that a procedural schedule³ should be established to ensure the orderly review of North Mercer District's application. The procedural schedule is attached as Appendix A to this Order.

In addition, North Mercer District shall file on or before the date set forth in the procedural schedule its responses to the Commission Staff's 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.

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, North Mercer District shall file its responses to the Commission Staff's request for information, attached to this Order as Appendix B.
3. North Mercer District shall respond to any additional requests for information propounded by Commission Staff as 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 recommendations regarding North Mercer District's requested rate adjustment.

³No action is necessary to suspend the effective date of North Mercer 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.

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 North Mercer District's financial condition supports a higher rate than North Mercer District proposes or the assessment of an additional rate or charge not proposed in North Mercer District's application, North Mercer 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 North Mercer District accounts for the depreciation of North Mercer District's assets, North Mercer District in its response to the Commission Staff's Report shall also state its position in writing on whether the Commission should require North Mercer 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 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 5:001, 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 the utility 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.

13. Any motion to intervene filed after the date established in the procedural schedule attached as Appendix A 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.

14. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085⁴ regarding filings with the Commission.

⁴ 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

ENTERED
JAN 12 2024
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00185 DATED JAN 12 2024

Requests for intervention shall be filed no later than01/31/2024

All Intervenor requests for information to North Mercer District
shall be filed no later than02/05/2024

North Mercer District shall file responses to requests
for information no later than02/15/2024

All supplemental requests for information to
North Mercer District shall be filed no later than02/29/2024

North Mercer District shall file responses to supplemental
requests for information no later than03/14/2024

Commission Staff's Report shall be filed no later than.....04/23/2024

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00185 DATED JAN 12 2024

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO NORTH MERCER WATER DISTRICT

North Mercer Water District (North Mercer District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on February 15, 2024. The Commission directs North Mercer 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.

North Mercer District shall make timely amendment to any prior response if North Mercer District obtains information that indicates the response was incorrect or

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).

incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which North Mercer District fails or refuses to furnish all or part of the requested information, North Mercer 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, North Mercer District shall, in accordance with 807 KAR 5:001, 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. Employee names should be redacted from all documents.

a. The general ledger in Excel spreadsheet format for the years ended December 31, 2022, and 2023.

b. The trial balance in Excel spreadsheet format for the years ended December 31, 2022, and 2023.

c. Refer to Application Schedule of Adjusted Operations. Provide a cross reference that points each 2022 general ledger account to each revenue and

expense line in the Schedule of Adjusted Operations and reconcile each amount that does not match.

d. Refer to Application Schedule of Adjusted Operations. Distribute the increase of \$72,452 in pro forma labor costs in the following format.

Description	Amount	Percent
Test Year Wages	\$ 591,437	
Wage Rate Inflation		0.0%
Merit / Promotional Increases		0.0%
Positions Added Since Beginning of Test Year		0.0%
Turnover During Test Year		0.0%
Pro Forma Wages	<u>\$ 591,437</u>	<u>0.0%</u>

2. Provide certificates of insurance and most recent invoices for general liability, workers' compensation, automobile, property, and casualty for 2022 and 2023.

3. Provide a description of all employee benefits, other than salaries and wages, paid to or on behalf of each employee for the calendar year 2022. Supplemental coverage for which the employee pays 100 percent of the cost should also be included. Employee names should be redacted from all documents.

4. Provide a copy of one invoice for 2023 for each employee benefit described above.

5. Using a table format, provide an Excel spreadsheet with all formulas, rows, and columns fully accessible and unprotected that lists each position (Position 1, Position 2, etc.), job title, hours worked, pay rates, total wages paid, and total FICA cost for each employee for the years ended December 31, 2022, and December 31, 2023. Additionally, provide calculations by employee that support pro forma wages of \$663,889. Include the date the employee was hired and, if applicable, the employee's termination date. If a

position is recently vacated but the intent is to fill it, note the vacancy and the amount of time that it has been vacant. The table should include a column for total wages by employee (regular wages and overtime) and a row for total wages for all employees. Employee names should be redacted from all documents.

6. Using the same table that lists each position and wage information, list each employee benefit (medical, dental, life, and others), the employee's contribution, the employer premium contribution, and the adjustment based on Bureau of Labor Statistics (BLS) contribution rates, if applicable. If health insurance is provided designate the coverage type (i.e., single, family, couple, or parent plus). If benefits other than medical insurance are provided, include a total column for the cost of all benefits excluding the BLS adjustment.

7. Provide the minutes from North Mercer District's Board of Commissioners meetings for the calendar years 2022 and 2023.

8. Provide a document listing the names of each member of the Board for each of the calendar years 2022 and 2023 and state, individually, the total amount of each benefit paid to, or on the behalf of, each director during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.), their term (beginning and ending), and current authorized annual compensation.

9. Provide documentation from the Fiscal Court that authorizes each Board member's appointment and compensation.

10. Provide training records for each board member for 2022 and 2023.

11. Refer to Application, Attachment 4.

a. Provide the workpapers and other supporting documentation for each pro forma adjustment described in the References (A through L) of the Schedule of Adjusted Operations. Provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Refer to Application Schedule of Adjusted Operations, Reference “B”. Provide the specific Board minutes from the meeting where hourly wages were increased.

12. Provide the number of gallons of water purchased, the cost of purchases, and the average cost of purchases for each supplier and in total for the year ended December 31, 2023.

13. Provide the number of occurrences and the dollar amount for late fees that were recorded during the calendar years 2022 and 2023.

14. Provide the total amount recorded for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was recorded during the calendar years 2022 and 2023 and the general ledger account they are listed in.

15. Provide updated cost justification sheets for all nonrecurring charges listed in the current tariff.

16. Provide updated cost justification sheets for Tap Fees.

17. Refer to North Mercer District’s current tariff dated February 13, 2023, Rules and Regulations, Meter Reading and Billing Procedure.

a. Provide the date that the billing cycle begins (meter read date).

b. State whether the date that the billing cycle begins is the date that would be best stated as the effective date of any order the Commission issues concerning rates in this case.

18. State the last time a cost of service study (COSS) was performed to review the appropriateness of its current rates and rate design.

a. Explain whether conducting a COSS was considered for the current rate application and the reasoning for not filing one.

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

c. If there have been no material changes to the utility's system, explain when preparation of a new COSS anticipated.

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

19. Refer to the Application, Attachment 5 current rate the Billing Analysis and Attachment 6, the proposed rate Billing Analysis,

a. Provide the billing analysis for both attachments in Excel Spreadsheet format with all formulas, rows and columns unprotected and fully accessible.

b. Provide a list of applicable billing adjustments made to the billing analysis and include an explanation of each adjustment.

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