

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MONROE)	
COUNTY WATER DISTRICT FOR)	CASE NO. 2017-00173
APPROVAL OF CERTAIN ACCOUNTING)	
PRACTICES AND ADJUSTMENTS)	

RESPONSE OF MONROE COUNTY WATER DISTRICT
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED AUGUST 4, 2017

FILED: SEPTEMBER 1, 2017

MONROE COUNTY WATER DISTRICT

**Response To Commission Staff's First Request for Information
August 4, 2017**

Case No. 2017-00173

Question No. 1

Witness: R. Brent Billingsley

- Q-1.** Refer to the Uniform System of Accounts for Class A/B Water Districts and Water Associations (“USoA”), Accounting Instruction 173, Accrued Utility Revenues, which states: “At the option of the utility, with approval of the Commission, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included herein. In case accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses, such as for the purchase of energy.” [Footnote omitted.]¹
- a. Explain why Monroe County did not include proposed accruals for unbilled expenses in its application; and
 - b. State all factors relied upon by Monroe District as its basis for exercising its discretion in favor of pursuing this option.
- A-1.**
- a. Monroe County Water District’s accountants mistakenly concluded that the costs for unbilled purchased water and electric service were included in accounts payable as this account included the invoiced amounts that Monroe County Water District paid in January of each year in question. Upon further inspection, however, they discovered that the invoices paid in January of each year were for purchased water and electric power that Monroe District received in November of the preceding year. Monroe County Water District has requested to amend its application to include the subsequent invoices paid in February for wholesale water service and electric service received in December of the preceding year.
 - b. Monroe County Water District wishes to provide an accurate account of its operations for the reporting period to the Commission and to the public. Inclusion of the unbilled revenue and associated expenses within Monroe County Water District’s financial statements allows this to occur.

MONROE COUNTY WATER DISTRICT

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Question No. 2

Witness: R. Brent Billingsley

- Q-2. Refer to the USoA, Accounting Instruction 439(A), Adjustments to Retained Earnings, which states: "This account shall include significant nonrecurring transactions relating to prior periods." [Footnote omitted.] Explain why Monroe County believes the proposed accounting adjustments are significant.
- A-2. Failure to report unbilled revenue and expenses distorts Monroe County Water District's financial statements, prevents the Commission from receiving the most current and accurate information about Monroe County Water District's financial condition, and impedes the Commission's ability to evaluate Monroe County Water District's financial condition. Any accounting adjustment that removes these obstacles and assists the Commission to better perform its statutory duties is significant.