

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**MARION COUNTY WATER DISTRICT
CHARLES M. WHITE TESTIMONY
ERRATA SHEET**

Comes now Marion County Water District (“Marion District”), by counsel, and tenders an Errata Sheet consisting of updated pages for the direct testimony of Mr. Charles M. White, which was originally filed on May 14, 2018. The Errata Sheet includes highlighted corrections to the testimony of Mr. White, including: (1) using the water rate now in effect for calculating the value of the free water provided by the Lebanon Water Works Company (“LWWC”) to the City of Lebanon, Kentucky; and (2) using the updated pricing for a 400,000 gallon per day water purchase by LWWC from Campbellsville. These changes are also reflected in the updated Exhibit CMW-6, which is also attached.

This 19th day of June, 2018.

Respectfully submitted,



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CERTIFICATE OF SERVICE

This is to certify that foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on June 19, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being hand delivered to the Commission within two business days.



Counsel for Marion County Water District

1 Q. HAVE YOU ANALYZED THE COSTS OF THE CITY'S WATER AND
2 WHAT HAS THAT ANALYSIS REVEALED?

3 A. The LWWC stated that they provided the City of Lebanon approximately
4 3,700,000 cubic feet of free water. While there is some trade-off of expenses for
5 treating of sludge and borrowing of equipment, these items do not appear to have
6 been accounted for within the ledger of the LWWC.

7 $3,700,000 \times 7.480519 = 27,677,920$ gallons of water, with 7.480519 being
8 the conversion rate for cubic feet to gallons

9 $27,677,920$ gallons \times \$4.4783/1000 (Rate Effective 04/16/18) = \$123,950
10 of free water

11 \$123,950 \times 56.24% = \$69,709 cost to MCWD, with 56.24% being the
12 calculated percentage of water purchased by MCWD from LWWC

13 With MCWD being the largest customer of LWWC, they, by default, are paying
14 for more than half of the cost of production of the City's water.

15 Q. HAVE YOU ANALYZED THE COSTS OF LWWC AS DESCRIBED IN
16 EXHIBIT 1-1 AND WHAT HAS THAT ANALYSIS REVEALED?

17 A. Our firm has noted the following three points that we believe to be key:

18 1) The prior three years of audited financial statements show an average of
19 \$35,445 of revenues per year collected from customers for penalties and late fees.
20 \$0 of revenue for this category was included in the calculation of the rate increase
21 proposal. MCWD also receives revenues from penalties and late fees annually.
22 There is minimal fluctuation in the amount of revenues received for this category

1 from year to year. Thus, these revenues are general operating revenues and
2 should have been considered in the proposed rate increase calculation.

3 2) Concerning the purchase contract agreement with Campbellsville Water and
4 Sewer System (See Exhibit CMW-2):

5 a) It is noted that LWWC plans to purchase 400,000 gallons per day when they
6 are only required to purchase 300,000 per day. That results in an additional cost
7 of ~~\$57,670~~ per year to LWWC.

8 b) We have calculated 400,000 per day to be approximately 18% of the usage of
9 LWWC. If this percentage is accurate, then purchased power, pump station and
10 filter plant, and chemical costs should decrease by approximately 18%. However,
11 the cost savings projected by LWWC is only \$29,950 per Exhibit 1-1. This does
12 not seem to be a reasonable amount of savings from the water purchased from
13 Campbellsville Water and Sewer System. Based on the three cost categories
14 noted, an 18% savings would be \$85,051, which is \$55,101 more than what was
15 used in calculation of the rate increase.

16 3) Four Cost Categories That Do Not Appear to Be Reasonable (See Exhibit
17 CMW-1).

18 a) The three year average of Maintenance and Repair Costs is \$128,933. The Per
19 Pro Forma used to calculate the rate increase lists those same costs at \$201,500.
20 That's an increase of \$72,567 or 56.3%. With that type of increase, I question

REVISED
Summary of Findings

Utility Operating Loss Per Pro Forma at Exhibit 1-1		(217,970)
Decrease in Depreciation Expense of LWWC - Revised		59,927
<u>Cost of "free" water to the City of Lebanon - Revised</u>		<u>123,950</u>
Omission of average revenue from penalties and late fees		35,445
<u>Cost of additional 100,000 gallons of water per day above the minimum - Revised</u>		<u>57,670</u>
Expeted decrease in variable costs related to power, pump station and filter plant, and chemical costs - Revised	85,051	
Less: Amount of savings listed at Exhibit 1-1	<u>(29,950)</u>	
		55,101
Costs above the 3 year average (computed from the audited financial statements) as compared to the Pro Forma at Exhibit 1-1		
a) Maintenance & Repair Costs	72,567	
b) Salaries	52,413	
c) Outside Services	22,346	
d) Miscellaneous Expenses	<u>24,732</u>	
		172,058
<u>Adjusted Operating Income - Revised</u>		<u><u>200,101</u></u>

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

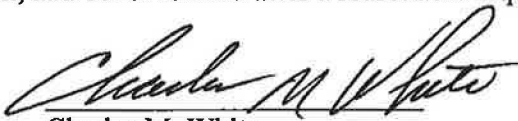
In the Matter of:

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


VERIFICATION OF CHARLES M. WHITE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF MARION)

Charles M. White, Certified Public Accountant, White And Company, PSC, on behalf of Marion County Water District, being duly sworn, states that he has supervised the preparation of the Errata to his Direct Testimony in the above-styled matter, that he would respond in the same manner to the questions if so asked upon taking the stand, and that his testimony is true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry.


Charles M. White

The foregoing Verification was signed, acknowledged and sworn to before me this 19th day of June, 2018, by Charles M. White.


NOTARY PUBLIC, Notary # 566851
Commission expiration: 10/14/20

