

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)
SOUTHERN WATER AND SEWER)
DISTRICT FOR AN ALTERNATIVE) CASE NO. 2018-00230
RATE ADJUSTMENT)

**RESPONSE OF APPLICANT TO COMMISSION STAFF'S POST-HEARING
REQUEST FOR INFORMATION DATED JANUARY 10, 2019.**

Comes the Applicant, Southern Water and Sewer District ("Southern"), by and through counsel, and for its Response to the Commission Staff's Post-Hearing Request for Information, states as follows.



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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

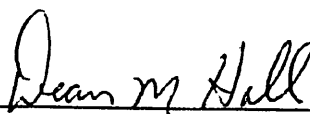
In the Matter of:

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|------------------------------------|---|----------------------------|
| ELECTRONIC APPLICATION OF |) | |
| SOUTHERN WATER AND SEWER |) | |
| DISTRICT FOR AN ALTERNATIVE |) | CASE NO. 2018-00230 |
| RATE ADJUSTMENT |) | |

**CERTIFICATION OF RESPONSE OF APPLICANT TO COMMISSION STAFF'S
POST-HEARING REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of the Applicant's Response to the Commission Staff's Post-Hearing Request for Information. The responses submitted on behalf of the Applicant are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: 4-15-19



Dean M. Hall, Manager
Southern Water and Sewer District

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 1

Responding Witness: Dean M. Hall, Manager of Southern District

Q-1. Provide a description and the associated value of all water service assets owned by the Floyd County government that Southern District utilizes to provide water to its customers.

A-1. Applicant does not know what properties or the associated values of water service assets Floyd County claims to own. However, Southern requested that information from the Floyd County Fiscal Court on January 10, 2019. It appears the Floyd County Fiscal Court has provided those properties and water service assets it claims to own to the Commission in response to the Commission's informal data request on January 14, 2019.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 2

Responding Witness: Dean M. Hall, Manager of Southern District

Q-2. Provide the total number of Southern District customers that were previously unmetered in the area now being served by Prestonsburg City's Utilities Commission (PCUC).

A-2. Southern is not aware of any alleged un-metered customers in the old Sandy Valley Water System that was transferred to the PCUC. Southern first learned of the existence of these alleged un-metered customers at the January 8, 2019 hearing in this rate case. Based on testimony of Turner Campbell at the January 8, 2019 hearing, the number of alleged unmetered customers in the area now being served by the PCUC from old Sandy Valley Water System could be around 40. However, in his follow-up letter to the PSC, it is not clear that any of these alleged un-metered customers have been or could be documented. Southern stands by Dean Hall's testimony of January 8, 2019: that any un-metered customers exist as a result of theft or tapping into water lines without consent from Southern.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 3

Responding Witness: Dean M. Hall, Manager of Southern District

Q-3. Provide the date and all related documentation associated with the last time Southern District prosecuted a customer for theft of water service.

A-3. See Case File at Attachment No. 3.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 4

Responding Witness: Dean M. Hall, Manager of Southern District

Q-4. Provide the Floyd County Fiscal Court meeting minutes for October, November, and December 2018.

A-4. See Minutes at Attachment No. 4.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 5

Responding Witness: Dean M. Hall, Manager of Southern District

Q-5. Provide the resignation letter, if any, that Hayes Hamilton sent to the Floyd County Fiscal Court and any corresponding documentation from the fiscal court that accepted his resignation.

A-5. See Hamilton Resignation Letter at Attachment No. 5.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 6

Responding Witness: Dean M. Hall, Manager of Southern District

Q-6. Provide copies of the executed wholesale water service contracts for PCUC, the city of Pikeville, the Knott County Water District, and the city of Hindman.

A-6. See agreements and rates at Attachment Nos. 6a-6d.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 7

Responding Witness: Dean M. Hall, Manager of Southern District

Q-7. Provide all minutes of the Southern District Board of Commissioners meetings from January 2013 to the date of the issuance of this request.

- a. Provide confirmation that Southern District currently follows the Kentucky Open Records Act, KRS 61.870 to KRS 61.884.
- b. Provide confirmation that Southern District currently follows the Kentucky Open Meetings Act, KRS 61.800 to KRS 61.850.

A-7. In addition to response to Question No. 4 above, see the following: Attachment No. 7a – Meeting Minutes from 9/2018-1/2018; No. 7b - Meeting Minutes for 2017; 7c – Meeting Minutes for 2016; 7d – Meeting Minutes for 2015; 7e – Meeting Minutes for 2014; 7f - Meeting Minutes for 2013.

- a. Southern currently follows the Kentucky Open Records Act to the best of its ability. Water District Commissioners attend PSC training yearly, including the presentations regarding the Kentucky Open Records Act. Southern is working with counsel on a formal, written Open Records Policy consistent with Kentucky law to be adopted at the next board meeting.
- b. Southern currently follows the Kentucky Open Meetings Act to the best of its ability. Water District Commissioners attend PSC training yearly, including the presentations

regarding the Kentucky Open Meeting Act. Southern is working with counsel on a formal, written Open Meetings Policy consistent with Kentucky law to be adopted at the next board meeting.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 8

Responding Witness: Dean M. Hall, Manager of Southern District

Q-8. Provide a detailed list identifying all compensation and all other payments made by Southern District that include, but are not limited to, wages, bonuses, gift cards, travel and entertainment, transportation expense reimbursements, etc., to each of its employees for the years 2016, 2017, and 2018. For each item listed, provide a detailed description of the purpose of the compensation or payment.

A-8. See Compensation List at Attachment No. 8.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 9

Responding Witness: Dean M. Hall, Manager of Southern District

Q-9. Confirm that Southern District does not have any contract personnel.

A-9. Aside from Southern's response to Question No. 10, Southern does not have contract personnel.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 10

Responding Witness: Dean M. Hall, Manager of Southern District

Q-10. Provide the names of any and all third-parties which Southern District has hired or entered into a contract with to perform services having a value of \$20,000 or less from January 2013 to the date of the issuance of this request.

A-10. Boca Enterprises Inc. performs contract work associated with Kentucky Transportation Cabinet projects. CML Consultants performed contract work related to the operation and maintenance of Southern's wastewater treatment plants as well as providing technical assistance to Southern's personnel. Southern also contracts with an electrician, Rick Frasure of Frasure Electric, on an as needed/emergency basis to perform electrical work on water plant, water pumps, computer telemetry, and other electrical jobs.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 11

Responding Witness: Dean M. Hall, Manager of Southern District

Q-11. Provide a list of Southern District's monthly customer disconnections by account number of customer name, for the fourth quarter of 2018.

A-11. See Disconnection List at Attachment No. 11.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 12

Responding Witness: Dean M. Hall, Manager of Southern District

Q-12. Provide the names of meter reader employees terminated by Southern District for not reading meters from January 2013 to the date of the issuance of this request.

A-12. The meter reader employees terminated by Southern District for not reading meters from January 2013 to the date of the issuance of this request are:

- 1) Ethan Johnson
- 2) Everett Hunter
- 3) Shawn Wilkes
- 4) Cartney Conn

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 13

Responding Witness: Dean M. Hall, Manager of Southern District

Q-13. Provide the fourth quarter of 2018 system flushing usage, by month, as calculated by the formula cited during the January 8, 2019 hearing by witness Dean Hall. Include the formula relied upon, identifying all variables, and all assumptions and work papers utilized to produce this information.

A-13. The Fourth quarter of 2018 system flushing usage, by month, as calculated by the formula cited during the January 8, 2019 hearing by witness Dean Hall is as follows:

- 8 fire hydrants flushed per day through 25" hose nozzle @ 250-300 gallons per minute, for 15-20 minutes each, multiplied by 30 days, or:

$$(8)(250)(15)(30) = 900,000 \text{ monthly flushing usage (min)}$$

$$(8)(300)(20)(30) = 1,440,000 \text{ monthly flushing usage (max)}$$

- Estimated at 1,000,000 per month for September, October, and November 2018

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 14

Responding Witness: Dean M. Hall, Manager of Southern District

Q-14. Provide the fourth quarter of 2018 fire protection water usage, by month, as calculated by the formula cited during the January 8, 2019 hearing by witness Dean Hall. Include the formula relied upon, identifying all variables, and all assumptions and work papers utilized to produce this information.

A-14. Fourth quarter of 2018 fire protection water usage, by month, as calculated by the formula cited during the January 8, 2019 hearing by witness Dean Hall is as follows:

$(\text{Water sales per month})(.3) = \text{fire protection usage per month}$

September 2018: $(19,783,000)(.3) = 593,790 \text{ gpm}$

October 2018: $(22,918,000)(.3) = 687,540 \text{ gpm}$

November 2018: $(18,608,000)(.3) = 558,240 \text{ gpm}$

This formula was provided by Tim Blanton and Danny Stinson from the Kentucky Rural Water Association.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 15

Responding Witness: Dean M. Hall, Manager of Southern District

Q-15. Provide the applicable statute, as testified to at the January 8, 2019 hearing, which sets the amount of fire protection water usage as a percentage of water sales in the absence of reporting by the fire department.

A-15. KRS 278.170(3) and 807 KAR 5:098 Section 9.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 16

Responding Witness: Dean M. Hall, Manager of Southern District

Q-16. Provide the make, model, and year of each vehicle that is currently personally assigned to an employee of Southern District.

- a. Confirm that each employee that has a vehicle personally assigned to them has been paying taxes on that vehicle for any personal miles driven.
- b. Confirm that each employee that has a vehicle personally assigned to them reports any personal miles driven on that vehicle to their supervisor.

A-16. The make, model, and year of each vehicle currently personally assigned to an employee of Southern District, is as follows:

- 1) Dean Hall, 2016 Chevrolet 1500
 - 2) Reese Salyer, 2014 Ford F150
 - 3) Barry Catron, 2011 Ford Ranger
 - 4) Logan Crowder, 2016 Chevrolet Dump Truck
 - 5) Justin Conley, 2016 Chevrolet 2500 (Chris Robinson was assigned this truck until December 2018 when he was put on sick leave).
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- a. Southern is not aware of any personal use of vehicles.
 - b. Personal miles are not authorized by Southern.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 17

Responding Witness: Dean M. Hall, Manager of Southern District

Q-17. Provide a copy of every letter, email, or other document, including but not limited to contracts or agreements, between Southern District, PCUC or all attorneys for legal services rendered or to be rendered in connection with the negotiation, sale and transfer of water distribution assets and sewer assets from Southern District to PCUC.

A-17. Other than documents filed in PSC case No. 2017-00044 (asset transfer case), Southern does not have any letters, emails, or other documents for attorney legal services rendered or to be rendered in connection with the negotiation, sale and transfer of water distribution assets and sewer assets from Southern to PCUC. If there are any additional documents, it is Southern's understanding that the PCUC possesses those documents.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 18

Responding Witness: Dean M. Hall, Manager of Southern District

Q-18. Provide evidence of all payments made by Southern District for legal services in any related to the transactions referred to in Item 17 above, as well as evidence of all payments to Terry Fyffe CPA, ABV for appraisal services rendered in connection therewith.

A-18. Southern did not retain an attorney for legal services related to the transactions referred to in Item 17. Southern did not hire or pay Terry Fyffe for his appraisal services rendered in connection therewith.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 19

Responding Witness: Dean M. Hall, Manager of Southern District

Q-19. Confirm that Southern District has adopted the Kentucky Model Procurement Code.

- a. If confirmed, provide a copy of the minutes of the Southern District Board of Commissioners meeting when it was adopted.

A-19. While Southern believes it works consistent with the principles of the Kentucky Model Procurement Code, it will work with their attorneys to consider formal adoption of the model procurement code, if necessary.

- a. Not available at this time.

CASE NO. 2018-00230

Response to Commission Staff's Post-Hearing Request for Information

Question No. 20

Responding Witness: Dean M. Hall, Manager of Southern District

Q-20. Provide a copy of Southern District's Governance and Policy Manual.

A-20. See Personnel Policies and Procedures at Attachment No. 20a and Code of Ethics at Attachment No. 20b.

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the Applicant's electronic filing of this Response is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on January 15, 2019; that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding; and that an original paper medium will be delivered to the Public Service Commission on or before January 15, 2019.