

**Western Lewis Rectorville Water and Gas District**  
**8044 KY 3160**  
**Maysville, KY 41056**

February 5, 2019

Public Service Commission  
Attn: Gwen R. Pinson, Executive Director  
PO Box 615  
Frankfort, KY 40602-0615

RE: Western Lewis-Rectorville Water and Gas District  
Case No. 2019-00028 – Response to Electronic Investigation

***Response to issues identified in the Staff Report issued on January 7, 2019:***

**Allocation and Assignment of Costs between Divisions** – After the review of the staff report, we agreed that 100% of the purchased power and chemical costs should have been allocated to only the water division. We modified the amount allowed by the Staff Report based on the revised water loss percentage (Response to Staff Report Letter D of the Pro Forma Operating Statement Responses and Adjustments). The independent auditor does not revise and assign actual amounts attributed to the water division between the water and gas division. The independent auditor performs audit procedures to determine if the compiled accrual basis financial statements are materially correct. The compilation is completed by the office of Jeffrey D. Newman, CPA, LLC. Please see #6 and #7 below for a more detailed description of the process and how operating revenues are affected.

**Accuracy of AMR Reporting and Billing** – Per our response to the Staff Report regarding the discrepancy between the amount of annual revenue from water sales calculated by the Staff and amount calculated by us: “While reviewing revenues to determine why there was such a large variance between normalized revenues and actual revenues for the test year we found the following explanations. First, the billing analysis prepared in the application calculates the amount of the water bills issued to customers without regard to amounts that will actually be collected. While the District does collect a large percentage of the billed revenues, not all can be expected to be received. Second, on a purely cash basis the District collected and posted \$834,281 to the water collections general ledger line item. Only after accrual journal entries to prepare GAAP financial statements did the water collections then reflect a balance of \$799,611 on the general ledger. In order to match the PSC Annual Report and the Audit Report the \$813,191 was used on the application to reflect Revenue from Water Sales. Therefore, if we take the difference between the normalized revenue and the actual revenues collected there is only a difference of \$30,425. We understand that there has to be a calculation of normalized revenue, however, it cannot be expected that all amounts billed will be collected. We would like the Commission to consider reducing the amount of normalized revenues by \$15,000 to \$849,706.” (Response

to Staff Report Letter A of the Pro Forma Operating Statement Responses and Adjustments). Additionally there are no issues with the Automated Meter Reading (AMR) system. If a customer uses 2,600 gallons of water in the month of January, then the customer is billed for 2,000 gallons. In February when the meter is read at 5,200 gallons, the customer is billed for 3,000 gallons used (5,200 – 2,000) and the 200 gallons rolls to March. There is no lost revenue from the gallons being rounded to the lowest 1,000 gallons, as the gallons build from month to month and are billed as such.

**Billing Analysis** – Please see the answer to above “Accuracy of AMR Reporting and Billing” as well as the answer to #6 and #7 below.

**System Flushing** – As noted in #2 below, system flushing for the water treatment plant was metered and outside of the water treatment plant is an educated estimate. The methodology the District used for estimating the amount of water claimed for flushing is what is common for estimating flushing: the amount in gallons flowing through the particular line multiplied by the amount of time the lines were being flushed. The District will put this estimation in a tariff sheet if the Commission so desires.

**General Manager Salary** - As to the concerns the Commission has with regard to Chad Clark’s general manger salary, we have obtained and reviewed a 2015 Kentucky Rural Water Association survey regarding compensation and benefits (Attachment A). According to this report, the average salary for a manager of a water district was \$64,619.74, keeping in mind these numbers are over 3 years old. Currently, the managers of two neighboring Districts, one a water distribution only and the other a water/sewer treatment and distribution, is \$75,000. The customer base of these two Districts is similar to WLRW&GD. WLRW&GD not only has water treatment and distribution, but natural gas distribution as well. Mr. Clark does not receive any insurance or retirement benefits through WLRW&GD. The managers noted above at the neighboring districts have retirement and insurance benefits over and above the \$75,000. Mr. Clark’s salary is also the same as his predecessor, who was unable to return to work after a May 2013 work related accident. Mr. Clark’s salary since being hired as an employee in 2015 has not changed in any significant amount. When hired he was approved to make \$1,000 per week, and in 2017 his salary was \$1,040 per week.

***Responses to Questions in Appendix:***

1. Jayhawk Utility Suite (JUS) is used to bill customers. This is a well-established company of 30 years. The radio read meter software creates a usage report which is then imported into the JUS system. The JUS system then generates the bills based on Western Lewis-Rectorville’s approved rates.
2. System flushing for the water treatment plant was metered. System flushing outside of the water treatment plant is an educated estimate. However, during 2017 the filtration process at the water treatment plant was eliminated and a new chemical phosphate system was put into place. Because of the elimination of the filter system, the water used to backwash filters was completely eliminated at the water treatment plant.

When the new treatment plan was incorporated into the distribution system, there was a recommend flushing of the system by the manufacturer of the new chemical phosphate. Thus, there was a larger amount of gallons used to flush the system during 2017. As noted above in "System Flushing", the methodology WLRW&GD used for estimating the amount of water claimed for flushing is what is common for estimating flushing: the amount in gallons flowing through the particular line multiplied by the amount of time the lines were being flushed.

3. Following are the employees currently working at WLRW&GD: Chad Clark, David Hampton, Laura Bradford, Pauline Calhoun, Randy Bailey, Sharon Dennison, Sharon Polley, and Terrell McCall. All employees work hours are tracked and recorded. Hours have been designated as either Gas or Water for approximately one year.
4. As noted in number 3 above, Chad Clark's hours are tracked and recorded, even though he is on salary.
5. Mr. Clark is not an employee at any other business. He is contracted on an as needed basis with two other Districts, however, that has no bearing on his employment at WLRW&GD. This question was asked and answered in PSC Case No. 2017-00074.
6. WLRW&GD maintains their accounting records on a cash basis throughout the year. Thus, the actual amount of operating revenue, purchased power, and chemical costs are recorded. However, in order to comply with accounting standards at year end the books have to be converted to accrual basis. This conversion from cash to accrual is done through a compilation, which is completed by Jeffrey D. Newman, CPA, LLC. In the most basic form this entails recording journal entries to accrue income billed at year end but not received and expenses incurred but not paid before December 31<sup>st</sup>. The auditor then performs procedures to ensure the numbers compiled are materially correct in order to complete the audit and issue an opinion on the financial statements.
7. As noted in #6 above, actual amounts of operating revenue, purchased power, and chemical costs are recorded on the District's books. Throughout the compilation process various journal entries are posted to these accounts in order to convert the numbers from cash basis to accrual basis. The amount of purchased power and chemicals, upon direction of PSC in the staff report, were allocated 100% to the water division. Operating revenues on the compiled profit and loss statement are divided between residential and commercial sales of the gas and water division combined. We then use the percentage of customer method, required by PSC, to allocate the residential and commercial sales between the water and gas divisions. Therefore, between the accrual journal entries and the presentation of the financial statements, the operating revenue would not match the actual cash receipts posted to the accounting system.

The information was provided by Chad Clark, General Manager, Pauline Calhoun, Sr. Office Clerk, and Lyn Rhonemus, CPA. The information provided is true and accurate to the best of our knowledge, information and belief formed after a reasonable inquiry.

Chad Clark  
Chad Clark, General Manager

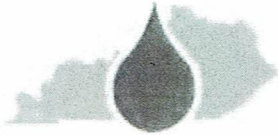
02/07/2019  
Date

Pauline Calhoun, Sr.  
Pauline Calhoun, Sr. Office Manager

02/07/2019  
Date

Lyn Rhonemus, CPA  
Lyn Rhonemus, CPA

02/06/19  
Date



# Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

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## Memorandum

To: KRWA Member Utilities  
From: Andy Lange  
Assistant Director  
Date: June 4, 2015  
Subject: 2015 KRWA Compensation and Benefit Survey Results

Please find enclosed the 2015 KRWA Compensation and Benefit Survey results. We hope that the information compiled from this survey will give you a basis in your effort to provide equitable compensation and benefit packages for your employees.

We received a 41% response to the survey (142 out of 351 utilities) which provides salary and benefit information for over 1590 full-time employees. To ease in the interpretation of this data, we have broken down the information by type of utility (water district, municipality, etc.) and size (by number of connections). For each utility category, salaries are presented on an annualized basis with the minimum, average and maximum salary for each position. The wage information has been annualized using 2080 hours per year for full time employment. Please take into consideration that years of service, geographic location, and sophistication of operation have not been factored into this survey.

Benefit information is presented for each type and size of utility only in respect to whether a utility offers the benefit to its employees.

Thank you for participating in this survey. If you have specific questions concerning compensation and benefit issues, please give us a call and we will try to provide assistance.

Enclosures

## All Water Districts, Sanitation Districts, Water Associations & Water Commissions

Position	Count	Annual Salary Range		
		Minimum	Average	Maximum
Asst. Manager/Asst. Superintendent	22	\$21,340.00	\$48,999.45	\$81,018.00
Asst. Office Manager/Asst. City Clerk	18	\$18,720.00	\$29,079.67	\$40,290.00
Bookkeeper	28	\$21,828.00	\$36,159.36	\$50,715.00
Customer Service Rep (CSR)	110	\$16,640.00	\$30,891.76	\$51,771.00
Distribution Supervisor/Foreman	28	\$25,000.00	\$43,140.64	\$67,912.00
Engineer	4	\$58,906.00	\$86,637.25	\$129,607.00
Engineer Assistant/Inspector	3	\$42,245.00	\$49,601.00	\$56,056.00
Equipment Operator	30	\$21,008.00	\$35,214.87	\$48,256.00
Finance Director/Accountant	7	\$43,264.00	\$61,860.14	\$91,478.00
GIS Specialist	3	\$37,190.00	\$48,020.00	\$60,382.00
Lab Technician	3	\$39,000.00	\$41,239.33	\$42,702.00
Laborer	77	\$16,640.00	\$30,884.19	\$53,061.00
Maintenance Supervisor/Foreman	46	\$20,800.00	\$49,341.11	\$80,472.00
Manager/Superintendent	68	\$29,120.00	\$64,619.74	\$145,480.00
Mechanic/Electrician	14	\$30,784.00	\$39,579.79	\$52,291.00
Meter Reader	32	\$10,800.00	\$29,031.03	\$35,360.00
Meter Reading Foreman	11	\$23,712.00	\$40,014.64	\$54,544.00
Office Manager/City Clerk	59	\$18,000.00	\$40,352.37	\$74,721.00
Wastewater Collection Operator	61	\$20,800.00	\$39,389.21	\$51,334.00
Wastewater Plant Operator	50	\$21,299.00	\$35,882.20	\$49,130.00
Wastewater Plant Supt./Foreman	10	\$22,880.00	\$52,707.80	\$82,203.00
Water Distribution Operator	85	\$21,861.00	\$34,920.55	\$54,662.00
Water Plant Operator	68	\$20,800.00	\$36,705.09	\$49,525.00
Water Plant Superintendent/Foreman	13	\$25,646.00	\$47,651.23	\$62,520.00