

GARRISON, QUINCY, KY-O-HEIGHTS WATER DISTRICT

284 MURPHY'S LANE

P.O. BOX 279

GARRISON, KY 41141

OFFICE: (606) 757-4898

FAX: (606) 757-9508

Equal Opportunity Employer and Provider

July 27, 2021

Ms. Linda Bridwell
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Case No. 2021-00094
Garrison-Quincy-KY-O-Heights Water District

Dear Ms. Bridwell:

Garrison-Quincy-KY-O-Heights Water District (the District) submits the following comments concerning the Commission Staff Report dated July 13, 2021:

1. Although the District does not agree with the Staff's removal of certain labor expenses from nonrecurring charges, the District does not wish to contest that adjustment in this case. The District's failure to object to Staff's findings and recommendations concerning the reduction of certain Non-Recurring Charges shall not be construed to be a waiver of the District's right to contest a similar finding or recommendation in a future rate proceeding. The District expressly reserves its right to do so.
2. The District concurs with the findings presented in the Staff Report regarding water and sewer rates with the following exceptions:
 - a. Staff allocated Salaries & Wages and related expenses to the water and sewer divisions based on methodology used in the Staff Report from Case No. 2013-00350. This methodology included allocations for field personnel that the District provided based on their experience at that time. The District's position is that those allocations are outdated and should not be used in this case.

During 2011 and 2012 the sewer system was just beginning operations and customers were receiving sewer service for the first time. Operators spent many hours on plant start-up, learning how the treatment plant works, training on process control and mathematics, and attending classes on operations and lab tests. Operating the collection system was also more time consuming then. There were many construction errors that had to be corrected including relocation of control/alarm panels, incorrect wiring, reversed check valves, closed curb stops, etc. Operators spent considerable time with customers on plumbing and electrical issues, performing multiple inspections and educating the customers on proper use of the public sewer. After customers came online there were many problems with rags, grease, etc. discharged to the sewer. Clearly, the work being performed during start-up of the system is different than the work required now.

The District has performed a new, thorough evaluation of the time field employees spend on the water and sewer systems. It is estimated that two employees' time should be allocated 20 percent to sewer and 80 percent to water. The third employee's allocation should be 30 percent to sewer and 70 percent to water. The revised "Allocation of Salaries & Wages and Related Adjustments" enclosed with this letter uses the same method proposed in the Staff Report, but with the new allocations for field personnel. The District respectfully requests that these allocations and the resulting rate increase percentage for water rates of 12.8 percent be approved by the Commission.

- b. The District is requesting the Commission approve a 45 percent increase in its sewer rates. Although the enclosed computations indicate a larger increase could be approved, as stated in the cover letter with the application, the District views such a huge increase as placing an unnecessary burden on its customers. Many of the District's sewer customers have very low incomes. Therefore, the District asks the Commission to consider how difficult it would be for most customers to afford the larger sewer bill if it requires full depreciation.

All properly allocated operating expenses and debt payments are covered with a 45 percent increase, plus over \$40,000 per year will be available for the depreciation fund. The sewer system is relatively new, so this contribution to the depreciation fund is adequate for the next several years. However, the District will review its revenue requirement annually and apply for another increase should it determine the requested increase is not adequate.

- c. Neither the Manager nor the District's Accounting Officer were in their respective positions at the time of Case No. 2013-00350. Being unaware of the recommendations by the Commission Staff in that case, certain procedures regarding allocations of water and sewer expenses had not been implemented. Current management commits to implementing proper allocations of actual time worked and other shared expenses to each division. Management will also be diligent in monitoring the overall finances of each division for the possible future need of additional rate increases.
3. The District waives its right to request an informal conference or hearing in this case, if the Commission concurs with the rates proposed in this response.

If you need any additional information from the District while considering these comments and requests, please contact our office.

Sincerely,



Trent Underwood
Manager

Enclosure