

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF) CASE NO.
SOUTH EASTERN WATER ASSOCIATION, INC.) 2021-00126

RESPONSE OF SOUTH EASTERN WATER ASSOCIATION, INC.
TO THE COMMISSION STAFF'S INITIAL REQUEST FOR
INFORMATION DATED APRIL 8, 2021

South Eastern Water Association, Inc.
Case No. 2021-00126
Commission Staff's First Request for Information

Witnesses

Morris Vaughn: Items 1 - 2, 5, and 8 - 9

Alan Vilines: Items 3 - 4, and 6 - 7

1. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible:

a. The general ledger and trial balance for the calendar years 2019, 2020, and 2021 to date and the trial balance for the calendar years 2019, 2020, and 2021 to date;

Response: See files: Item 1a - 2019 GL Detail
 Item 1a - 2020 GL Detail
 Item 1a - 2021 GL Detail
 Item 1a - 2019 TB
 Item 1a - 2020 TB
 Item 1a - 2021 TB

b. The schedule of notes and bonds payable on December 31, 2019, December 31, 2020, and the current period;

Response: See files: Item 1b - LT Debt 2019
 Item 1b - LT Debt 2020
 Item 1b - LT Debt current

c. All debt agreements/bond ordinances and amortization schedules, including related party debt;

Response: These were included in the application as Attachments 9 and 10.

d. Insurance policies for 2019, 2020, and the current period, if available;

Response: See file: Item 1d - Summary of Ins

e. Hours worked by each employee for the calendar year 2020;

Response: See file: Item 1e - Hrs worked 2020

f. A document listing the names, job titles, job description, and pay rates for each employee on December 31, 2018, December 31, 2019, December 31, 2020, and for those currently employed;

Response: See files: Item 1f - Empl Pay Rates
Item 1f - Job Titles_Descriptions

g. A list that describes all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for each of the previous five years;

Response:

- Employer paid health insurance
- Participation in retirement plan after 3 years
- One personal day per year +4 hours per month personal time
- Holiday Pay (a total of 10 paid holidays) - Each holiday is compensated at eight hours regular pay
- Vacation Pay -Vacation time accrues depending on the number of years of employment with a maximum time of 3 weeks paid vacation. A week vacation pay is defined as forty regular hours. A vacation day pay is defined as eight regular hours.
- All field employees are furnished a truck to drive to and from work
- Workers Compensation coverage is provided to all employees covered by the Kentucky Workers' compensation act.
- Unemployment insurance coverage is provided for all employees subject to the Kentucky statutes and regulations regarding unemployment insurance.

h. Minutes from South Eastern Water Commissioner meetings for the calendar years 2018, 2019, and the current period;

Response: See files: Item 1h - Com Mtgs 2018
Item 1h - Com Mtgs 2019
Item 1h - Com Mtgs 2020
Item 1h - Com Mtgs 2021

i. A document listing the name of all commissioners for each of the five previous years, and state, individually, the total amount of each benefit paid to, or on the behalf of, each commissioner during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.); and

Response: See file: Item 1i - Board Members

j. Fiscal Court minutes approving each commissioner's appointment and compensation.

Response: See file: Item 1j - Fiscal Ct Apprl NA

2. Provide a copy of the Adjusted Trial Balance showing unaudited account balances, audit adjustments, and audited balances for the calendar year ended 2019 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response: See file: Item 2 - Adjusted TB

3. Refer to South Eastern Water's Application, Attachment 4, Current and Proposed Rates. South Eastern Water proposes to raise its monthly water rates by an across-the-board percentage amount.

a. Provide an explanation of how the across-the-board percentage increase method to increase monthly water rates was chosen.

b. Provide a list of alternative methods to increase its monthly water rates South Eastern Water considered and an explanation why each alternative was not chosen.

Response: There have been no significant changes in the distribution of South Eastern's customer usage in many years. Therefore, an across-the-board increase is considered to be the most equitable means of passing along increased costs to the association's customers. Applying a uniform percentage increase to all customer classes lessens the likelihood that the public will perceive that any customer class is being unfairly favored or disfavored. No alternative methods were considered.

4. Refer to South Eastern Water's Application, Attachment 5, Table A. Provide a breakdown for each asset group listing which asset numbers are in each sub-category.

Response: See files: Item 4 - Depr & FER Notes
Item 4 - Depr Worksheet

5. Refer to South Eastern Water's Application, Attachment 5, Reference G. Provide an overview of any reasonable actions planned or taken by South Eastern Water to reduce its water loss, including any water loss reduction plan.

Response: See file: Item 5 - Water Loss Plan

6. Refer to South Eastern Water's Application, Attachment 6, Current Billing Analysis.

a. Provide the billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response: See file: Item 6a - Current BA

b. Provide the source of the 2019 usage data presented in the Billing Analysis, and state whether any adjustments were made to the data.

Response: See file: Item 6b - BA Data

c. Provide a list of any adjustments made to the data and include an explanation of each adjustment.

Response: No adjustments were made to the data from the billing system.

d. Provide a detailed breakdown of the items that are included in the Net Billing Adjustments amount of (\$83,299) in the Summary section. Include a description of each adjustment and the method in which the amount of each adjustment was determined.

Response: This is the total amount for leak adjustments in the test year. The usage associated with all other adjustments (e.g., misread meters, meter changes, etc.) is corrected in the billing system when the adjustment is made and is, therefore, already included in the data provided from the system for the Billing Analysis. The amount of \$83,299 is from a test year adjustment report (see file: Item 6d - Adjustments).

7. Refer to South Eastern Water's Application, Attachment 7, Proposed Billing Analysis. Provide a detailed explanation how the Less Net Billing Adjustment of \$87,840 was determined.

Response: The billing adjustment amount from the Current BA is increased by the overall rate increase percentage ($\$83,299 \times 1.0554 = \$87,840$).

8. Refer to South Eastern Water's 2019 Annual Report, page 57, line 22, Total Other Water Used, is listed as 160,984,000 gallons, which equates to 27.6 percent of the water purchased by South Eastern Water.²

a. Provide a detailed explanation how the amounts were determined for each of the categories listed as Other Water Used.

b. Provide copies of all documents relied upon to support the amounts of water usage for each of the categories listed as Other Water Used.

c. Provide the basis for any usage amount that is estimated.

Response: See file: Item 8 - Other Water Used

9. Refer to South Eastern Water's revised Attachment 12, filed March 17, 2021. The attached ARF Form-3s indicate each commissioner has a party interest.

a. Include a detailed explanation of each individual commissioner's party interest.

Response: Each commissioner does not have a related party interest. The only related party transactions are those with Reed Insurance as reported in the revised disclosure statements. The Association interpreted the language in the Disclosure Statement to mean that each Commissioner is attesting to the transactions of the utility as a whole, not just those related to themselves individually. This appears to be indicated in the first sentence of the disclosure and the first check box below the table of related parties.

b. Provide a detailed explanation of how decisions are made when all commissioners refrain from voting on areas where they have a party interest.

Response: Southeastern Water Association's Board of Directors consists of eight members: President, Vice President, Secretary/Treasurer and 5 board members. In recent years if an elected member has an interest in a topic to be voted on; they announce to the other board members the reason they are affiliated with the topic being discussed, they also announce that they will be refraining from any discussion on said topic and they refrain from voting. There have been no situations as described in Item 9b above.