

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the MATTER OF:

ELECTRONIC APPLICATION OF LAUREL COUNTY)
WATER DISTRICT#2 FOR ALTERNATIVE RATE)
FILING ADJUSTMENT)

CASE NO. 2021-00385

RESPONSE OF LAUREL COUNTY WATER DISTRICT #2
TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Laurel County Water District submits its Response to the Commission Staff's Request
For information.

Date: May 3, 2022

Respectfully submitted,

Wanda Smith

Wanda Smith
Office Manager/Accountant/
Assistant Superintendent
3910 South Laurel Rd
London, KY 40741
(606)878-2494
wandas@laurelwater.com

VERIFICATION

COMMONWEALTH OF KENTUCKY)

COUNTY OF LAUREL)

The undersigned, Wanda Smith, being duly sworn, deposes and states that she is the Office Manager/Accountant/Assistant Superintendent of Laurel County Water District #2 and that she has personal knowledge of the matters set forth in the responses and the answers contained herein are true and correct to the best of her information, knowledge, and belief.

Wanda Smith

Wanda Smith

Subscribed and sworn to before me, a Notary Public in and for said County and State, this 3rd day of May, 2022.

Andrew Cupp

Notary Public

My Commission Expires 8-26-22

Notary ID: 605408



**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

ANSWERS TO QUESTION 1

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 1

Q.1.a. The District's policy has been for employees to identify the payroll for installing new meters in Account Number 00601-0011 Capitalized Payroll-MMI (previously misstated as Account Number 00101-3344). At the end of the year the balance in that account is reclassified to Account Number 00101-3344 Meters and Meter Installations and included on the Depreciation Schedule. I had not yet prepared any of the year-end closing entries for 2021 when I responded to the PSC Staff Request 1. When preparing the year-end entries for 2021, I discovered that the employees had not properly recorded the payroll for installing new meters on their time sheets. Therefore I was unable to provide the number of hours that were capitalized for each employee for 2021 as you requested in Question 2 of the PSC Staff Request 2.

Q.1.b. For 2020, the District capitalized \$25,499.76 for Services (A/C 00101-3334) and \$35,523.54 (\$33,782.50 materials cost + \$1,741.04 labor) for Meters and Meter Installations (A/C00101-3344). See the Ledger Analysis for both accounts at "EXHIBIT Q.1.c. LEDGER ANALYSIS SERVICES (A/C 00101-3334) & METERS AND METER IINSTALLATIONS (A/C 00101-3344)"

Q.1.c. The documentation for the materials for Services (Account Number 00101-3334) totaling \$25,499.76 is attached as "EXHIBIT Q.1.c. INVOICES FOR SERVICES (A/C 00101-3334)"

The documentation for the materials for Meters and Meter Installations (Account Number 00101-3344) is attached as "EXHIBIT Q.1.c. INVOICES FOR METERS AND METER INSTALLATIONS (A/C 00101-3344)"

The labor of \$1,741.04 was in Capitalized Payroll-MMI (Account Number 00601-0011) and reclassified to Meters and Meter Installations (Account Number 00101-3344) and can be seen in the 2020 General Ledger which was previously submitted as Exhibit Q.1.a Audited GL(2020) in Response to PSC Staff Request 2.

**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

EXHIBIT Q.1.c

LEDGER ANALYSIS

SERVICES (A/C 00101-3334)

&

METERS AND METER INSTALLATIONS

(A/C 00101-3344)

Uploaded as PDF File

**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

EXHIBIT Q.1.c

INVOICES FOR SERVICES (A/C 00101-3334)

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**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

EXHIBIT Q.1.c

**INVOICES FOR METERS AND METER
INSTALLATIONS (A/C 00101-3344)**

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**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

ANSWERS TO QUESTION 2

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 2

Q.2.a. As explained in response to Commission Staff's Second Request, Q. 4.a. "Beginning in October 2021 there were only 2 Commissioners remaining on the Guardian Life policy and a payroll deduction was set up for the premium to be withheld from their pay check beginning in that month. The other 3 Commissioners at that time chose not to be added to the life insurance policy."

Q.2.b. AS explained in response to Commission Staff's Second Request, Q.4.a. "The April 14, 2015 Minutes (a copy of which is included at Exhibit Q.4.b Staff Request 2) show approval for the Commissioners to be added to the Guardian Life policy for \$50,000 life insurance and to also add Commissioners to the policy at Lincoln Life if eligible. (It was determined that the Commissioners were not eligible for the Lincoln Life policy.)" Please note that the 2 Commissioners remaining on the Guardian Life policy only have \$25,000 life insurance coverage due to limitations based on their age.

Q.2.c. As explained in response to Commission Staff's Second Request Q.4.a. "The January 10, 2017 Minutes (a copy of which is included at Exhibit Q.4.b Staff Request 2) show approval for HRA debit cards (Febco Cards) for eligible Commissioners. Motion carried."

NOTE: As also noted in response to Commission Staff's Second Request Q.4.a "According to email correspondence with the Office for the Laurel County Fiscal Court on March 31, 2022 and April 1, 2022 the Fiscal Court has not authorized the payment of the benefits for the Commissioners. The Judge indicated that the subject was left up to the Water Board."

**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

ANSWER TO QUESTION 3

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 3

Q.3. There is no health insurance coverage currently being provided to any of the District's Commissioners. The 5 Commissioners that are currently serving on the Board have never been provided any health insurance coverage by the District.

**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

ANSWER TO QUESTION 4

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 4

Q.4. Copies of the W-2's for 2018, 2019, 2020 and 2021 are provided at "EXHIBIT Q.4 COMMISSIONERS' W-2's FOR 2018, 2019, 2020 AND 2021."

**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

EXHIBIT Q.4

**COMMISSIONERS' W-2's FOR
2018, 2019, 2020 AND 2021**

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**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

ANSWERS TO QUESTION 5

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 5

Q.5.a. The District does not qualify as a tax-exempt organization under Internal Revenue Code (IRC)501(c)(3)

Q.5.b. Laurel County Water District #2 was created in 1963 under Chapter 74 of the Kentucky Revised Statutes (KRS) and is a political subdivision of the county. The District is a Tax Exempt Unit of Local Government. The Kentucky Permit Number is SD-63-102 which authorizes the District to make tax free purchases as provided by Regulation 103 KAR 30:225E

**COMMISSION STAFF'S THIRD REQUEST FOR
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ANSWER TO QUESTION 6

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 6

Q.6. Internal Revenue Code section 3401 (c) indicates that an “officer, employee, or elected official” of government is an employee for income tax withholding purposes. The courts generally define “public official” and “public officer” to mean anyone who exercises significant authority pursuant to public laws. This includes any official who administers or enforces public laws whether the public elected the individual or an office appointed them. Examples of public officers include: “MEMBERS OF ADVISORY BOARDS AND COMMITTEES LIKE BOARDS OF EDUCATION, WATER BOARDS AND OTHER BOARDS AND COMMISSIONS.”¹

Based on the above explanation, it is the District’s position that the Commissioners are employees for income tax withholding purposes since the District is an Exempt Unit of Local Government, the Fiscal Court appoints the Commissioners, and members of Water Boards are listed as an example of public officers considered employees for income tax withholding purposes.

The District issues W-2’s to the Commissioners since they are considered employees for income tax withholding purposes.

¹ <https://www.irs.gov/government-entities/federal-state-local-governments/tax-withholding-for-government-workers>

**COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION**

ANSWERS TO QUESTION 7

LAUREL COUNTY WATER DISTRICT #2

CASE NO. 2021-00385

RESPONSE TO PSC STAFF REQUEST 3

QUESTION 7

Q.7. None of the expenditures listed in the table as 7.a to 7.f have been capitalized. They were all for current year expenses. Copies of the invoices are in "EXHIBIT Q.7 INVOICES FOR EXPENDITURES LISTED IN TABLE AS 7.a to 7.f" A detailed description of each expenditure is noted on each invoice.

**COMMISSION STAFF'S THIRD REQUEST FOR
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EXHIBIT Q.7

**INVOICES FOR EXPENDITURES LISTED IN
TABLE AS 7.a to 7.f**

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