

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

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF	)	CASE NO.
LAKE VILLAGE WATER ASSOCIATION	)	2022-00068

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RESPONSE OF LAKE VILLAGE WATER ASSOCIATION  
TO THE COMMISSION STAFF'S INITIAL REQUEST FOR  
INFORMATION DATED MARCH 21, 2022

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF ) CASE NO.  
LAKE VILLAGE WATER ASSOCIATION ) 2022-00068

VERIFICATION OF MIKE D. SANFORD, MPA

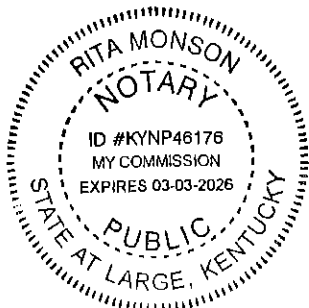
COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF MERCER )

Mike D. Sanford, MPA, Executive Director of Lake Village Water Association, states that he has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Mike D. Sanford  
Mike D. Sanford, MPA

The foregoing Verification was signed, acknowledged and sworn to before me this 8th day of April, 2022, by Mike D. Sanford, MPA.

Rita Monson  
Commission expiration: 3/3/2026



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

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF	)	CASE NO.
LAKE VILLAGE WATER ASSOCIATION	)	2022-00068


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**VERIFICATION OF ROBERT K. MILLER**

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COMMONWEALTH OF KENTUCKY    )  
  )  
COUNTY OF JEFFERSON    )

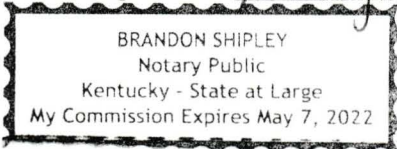
Robert K. Miller, Kentucky Rural Water Association on behalf of Lake Village Water Association, states that he has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
Robert K. Miller

The foregoing Verification was signed, acknowledged and sworn to before me this 8<sup>th</sup> day of April, 2022, by Robert K. Miller.

  
\_\_\_\_\_

Commission expiration: May 7, 2022



*Handwritten note:* KY wordy ID: 600390

**Lake Village Water Association**  
**Case No. 2022-00068**  
**Commission Staff's First Request for Information**

**Witnesses:** Mike D. Sanford, MPA #1-2, #4-10  
Robert K. Miller #3, #11-13

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

a. The general ledgers for the calendar years 2020 and 2021.

**Response: See files 1a\_General\_Ledger\_2020**  
**1a\_General\_Ledger\_2021**

b. Provide copies of Lake Village Water's General Liability Insurance, Workers' Compensation Insurance and Automobile Insurance policies for 2020 and 2021.

**Response: See files 1b\_Insurance\_2020**  
**1b\_Insurance\_2021**

c. Provide copies of the invoices (bills) received in 2020 and 2021 for the insurance policies identified in Item 1.b.

**Response: See files 1c\_GL\_Auto\_Property\_Invoices\_2020**  
**1c\_GL\_Auto\_Property\_Invoices\_2021**  
**1c\_Workers\_Compensation\_Invoices\_2020**  
**1c\_Workers\_Compensation\_Invoices\_2021**

d. A document detailing the names, job titles, job description, and pay rates for each Lake Village Water employee on December 31, 2019, December 31, 2020, December 31, 2021, December 31, 2022, and for those currently employed.

**Response: See files 1d\_Employee\_Information**  
**1d\_Job\_Descriptions**

e. Using a table format, provide the regular hours, overtime hours, and other hours (identify) for each employee identified in Lake Village Water's response to Item 1.d. for the calendar years 2019, 2020, and 2021. Provide the requested table in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response: See file 1e\_Employee\_Hours**

- f. Provide a description of all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for the calendar years 2019, 2020, 2021, and 2022.

**Response: See file 1f\_Employee\_Benefits\_Description**

- g. For each employee benefit listed in Lake Village Water's response to Item 1.f., provide the monthly premium per employee paid for each benefit, the employer premium contribution, and the employee premium contribution.

**Response: See file 1g\_Employee\_Benefits\_Costs**

- h. Provide the minutes from Lake Village Water Board of Director meetings for the calendar years 2019, 2020, and 2021.

**Responses: See files 1h\_2019\_Minutes  
1h\_2020\_Minutes  
1h\_2021\_Minutes**

- i. Provide a document listing the names of all Lake Village Water's directors for the calendar years 2019, 2020, and 2021, and state, individually, the total amount of each benefit paid to, or on the behalf of, each director during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.).

**Response: See file 1i\_Director\_Compensation\_2019-2021**

- 2. Provide a copy of the Adjusted Trial Balance showing unaudited account balances, audit adjustments, and audited balances for the calendar year ended 2020 in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

**Response: See files 2\_LVWA\_Trial\_Balance\_2020\_prior\_to\_audit  
2\_LVWA\_Audit\_Adjustments\_2020  
2\_LVWA\_Trial\_Balance\_2020**

- 3. Refer to Lake Village Water's Application, Attachment 4, Schedule of Adjusted Operations and References. Provide the workpapers that support the pro forma adjustments described in the References page of Attachment 4 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response: See file 3\_Rate\_Study Tab SAO Column N**

### 3\_Mercer\_County\_Fee\_Increase\_Documentation

4. Refer to Lake Village Water's Application, Attachment 4, References, Adjustment B.
  - a. Provide a copy of the current management agreement between Lake Village Water and the Mercer County Sanitation District.

**Response: See file 4\_MCSD\_Management\_Agreement**

- b. Provide any written documentation that Lake Village Water has to support the \$5,000 increase in the annual management fee.

**Response: See file 4\_MCSD\_Fee\_Increase\_Documentation**

5. State the last time Lake Village Water performed a cost of service study (COSS) to review the appropriateness of its current rates and rate design.

- a. Explain whether Lake Village Water considered filing a COSS with the current rate application and the reasoning for not filing one.

**Response: Lake Village Water did not consider filing a COSS with the current rate application. There have been no material changes to the Association's system that would create the need for a new COSS to be prepared.**

- b. Explain whether any material changes to Lake Village Water's system would cause a new COSS to be prepared since the last time it has completed one.

**Response: There have been no material changes to Lake Village Water's system since the last time it completed a COSS in 2003.**

- c. If there have been no material changes to Lake Village Water's system, explain when Lake Village Water anticipates completing a new COSS.

**Response: A new COSS would be appropriate if material changes in customer usage patterns were to occur.**

- d. Provide a copy of the most recent COSS that has been performed for Lake Village Water's system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

**Response: Lake Village Water was unable to find a copy of the most recent COSS study spreadsheets.**

6.
  - a. Identify the number of new connections (meters) that Lake Village Water installed in calendar year 2020 and 2021. Appendix B Page 5 of 6 Case No. 2022-00068
  - b. Identify the amount of tap-on fees Lake Village Water collected in calendar years 2020 and 2021.
  - c. Identify the account where Lake Village Water recorded its tap-on fees.
  - d. State whether Lake Village Water keeps a record of the dollar amounts of labor and materials used to install new customer taps. If so, state the amount of labor expense and materials expense for the test year and where it is located in the general ledger. Separately state the amounts expensed to install each new meter during the test year.
  - e. Provide revised cost justification sheets to support any changes to the Meter Connection/Tap-on Fee.

**Response: See file 6\_Customer\_Tap\_Information**

7. Provide the number of occurrences for which late fees were assessed during the test year.

**Response:**

<u>Month</u>	<u>Occurrences</u>	<u>Late Fee Total Charge</u>
January	282	\$1,824.35
February	240	\$1,291.38

8. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the calendar years 2018, 2019, 2020, and 2021.

**Response: See file**

**8\_Non\_Recurring\_Charges\_2018-2021\_Collections\_and\_Occurences**

9. Provide an updated cost justification sheet for all nonrecurring charges listed in Lake Village Water's tariff.

**Response: See files** 6\_Connection\_Turn\_on\_Charge\_Justification  
 6\_Customer\_Request\_Disconnect\_Charge\_Justification  
 6\_Field\_Collection\_Charge\_Justification  
 6\_Reconnection\_Charge\_Justification  
 6\_Meter\_Test\_Charge\_Justification

## 6\_Returned\_Check\_Charge\_Justification

10. Provide an overview of any actions planned or taken by Lake Village Water to reduce its water loss, including any water loss reduction plan.

**Response:** The Association continually strives to reduce the non-revenue water volume by conducting continual leak detection through a series of daily processes, as well as planned infrastructure improvement projects. The distribution system is separated into six hydraulic zones, each served by a master meter from the City of Danville or the City of Harrodsburg. Of the master meters, three are on SCADA and continually provide water flow data, while three are read daily at the beginning of each day. The flow totals are calculated to obtain the previous 24 hour usage for each hydraulic zone. Staff have become accustomed to the normal flow volumes for the zones and immediately can determine whether leak detection is necessary to look for a service line or main line leak. Higher than normal flow volumes within a particular zone will immediately make leak detection a priority for staff. Once the cause of the increased flow has been found and repaired, the usage is monitored to ensure that the daily flow returns to normal.

On a monthly basis and immediately after customer meters are read, the non-revenue water volume is calculated for each hydraulic zone by calculating the total volume of water sold within each zone and subtracting the sold volume from the total volume purchased using the daily water volumes obtained by staff. The usage date range corresponds to the billing period date range. Since late 2019 this process has allowed the Association to identify which zones are consistently contributing to an increase in the non-revenue water percentage and allowed for staff to determine where the most intense leak detection efforts should occur. Through this process, the Association was able to reduce the nonrevenue water percentage by 3% from 2020 to 2021, with a goal to achieve the same outcome or better for 2022. The Association has determined over the past two years of constant leak detection that there are two common trends within the distribution system, aged infrastructure and the vast majority of the leaks are service lines, not main line leaks or ruptures. Service line leaks contribute immensely to the non-revenue water volume and are also more difficult to locate. Staff will start at the master meter within the hydraulic zone where leak detection is occurring and work to isolate sections of the zone by valving off certain areas and utilizing listening equipment to determine whether staff should proceed through certain sections meter by meter with listening equipment. This process has been very productive, but the process never stops. The Association, for the first time, added a fourth full time maintenance staff member to the team to have at least one staff member and often a second staff member devoting daily work time to leak detection within the distribution system. The expense associated with non-revenue water can be paid to our producers or it can be invested in a full time employee that aids the Association in achieving an acceptable non-revenue water volume percentage.



In addition to the day to day processes that have been implemented to reduce the non-revenue water volume, a series of capital improvements projects are planned for the next several years. In April 2019, Strand Associates presented an engineering report that included the Association's known infrastructure needs at the time. Utilizing the report, the Board of Directors, management, and staff prioritized the improvements and developed project profiles for areas of high priority. The Contract 14 Distribution System Improvement Project profile was developed and will replace approximately ten miles of aged infrastructure within the distribution system. The project scope consists of the replacement of infrastructure that was constructed in the 1970's and has contributed to the non-revenue water volume for years. The Association also developed the Contract 15 Distribution System Improvement Project that will address the same need, aged infrastructure. The project scope includes the replacement of approximately ten miles of infrastructure in various areas of the distribution system. Once the Contract 14 project progresses and Contract 15 project enters the planning phase, the remaining infrastructure needs identified in the report as well as current needs at the time will be prioritized with project profiles developed.

11. Refer to the Application, Attachment 4, Schedule of Adjusted Operations, test-year Depreciation expense \$311,352. Provide a copy of Lake Village Water 2020 Depreciation Schedule in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that supports its test-year depreciation expense.

**Response: See file 11\_Depreciation\_Schedule**

12. Refer to the Application, Attachment 8, Outstanding Debt Instruments and Attachment 9, Amortization Schedules. For each debt issuance that is still active; provide the case number in which the Commission authorized Lake Village Water to issue the debt.

<b>Response:</b>	<b>2015 Loan</b>	<b>2014-00445</b>
	<b>2017 Loan</b>	<b>2016-00153</b>
	<b>2021 Loan</b>	<b>2021-00020</b>

13. Refer to Lake Village Water's Application, Attachment 5, 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 3\_Rate\_Study ExBA tab**

- b. Provide the source of the 2020 usage data presented in the Billing Analysis, and state whether any adjustments were made to the data.

**Response: See file 13\_Billing\_Analysis**

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

**Response: See File 13\_Billing\_Adjustments**