

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

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF	)	CASE NO.
SOUTHERN WATER & SEWER DISTRICT	)	2022-00099

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RESPONSE OF SOUTHERN WATER & SEWER DISTRICT  
TO THE COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION DATED MAY 10, 2022

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

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF ) CASE NO.  
SOUTHERN WATER & SEWER DISTRICT ) 2022-00099

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**VERIFICATION OF PAULA BURKE**


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COMMONWEALTH OF KENTUCKY )  
COUNTY OF Floyd )

Paula Burke, Office Manager of Southern Water & Sewer District, states that she 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 her knowledge, information, and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
Paula Burke

The foregoing Verification was signed, acknowledged, and sworn to before me this 8<sup>th</sup> day of June 2022, by Paula Burke.

  
\_\_\_\_\_  
Commission expiration: 4-23-2025



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

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ALTERNATIVE RATE ADJUSTMENT FILING OF ) CASE NO.  
SOUTHERN WATER & SEWER DISTRICT ) 2022-00099

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**VERIFICATION OF JEFF REED**

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COMMONWEALTH OF KENTUCKY )  
COUNTY OF Floyd )

Jeff Reed, Michael Spears CPA on behalf of Southern Water & Sewer District, 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.

Jeff Reed *Jeff Reed*  
Jeff Reed

The foregoing Verification was signed, acknowledged, and sworn to before me this 9th day of June 2022, by Jeff Reed.

*Paul Bunker*  
Commission expiration: 5/3/25



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

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF )	CASE NO.
SOUTHERN WATER & SEWER DISTRICT )	2022-00099

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**VERIFICATION OF RANDY CONLEY**

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COMMONWEALTH OF KENTUCKY )  
COUNTY OF Floyd )

Randy Conley, Manager of Southern Water & Sewer District, 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.

  
\_\_\_\_\_  
Randy Conley

The foregoing Verification was signed, acknowledged, and sworn to before me this 8th day of June 2022, by Randy Conley.

  
\_\_\_\_\_

Commission expiration: 5/3/2025

**Southern Water & Sewer District**  
**Case No. 2022-00099**  
**Commission Staff's First Request for Information**

**Witnesses:** Paula Burke (Items 1.c – g, 1.j, 1.l – m, 3.a – c, 6, 7, 8, 9 and 10)  
Jeff Reed (Items 1.a, 1.b, 1.h, 1.i, 1.k, 2, 3.d, 3.e, and 4.a(1))  
Alan Vilines (Items 4, 5)  
Randy Conley (Item 4.a(2) and 11)

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

a. Southern District's general ledger for the calendar years 2020, 2021, and 2022 to date;

**Response:** See files SWS1 1.a-General Ledger 2020  
SWS1 1.a-General Ledger 2021  
SWS1 1.a-General Ledger 2022 thru April

b. Southern District's trial balance for the calendar years 2020, 2021, and 2022 to date;

**Response:** See files SWS1 1.b-Trial Balance 2020  
SWS1 1.b-Trial Balance 2021  
SWS1 1.b-Trial Balance 2022 thru April

c. General Liability Certificates of Insurance and copies of invoices for 2021 and the current period;

**Response:** See file SWS1 1.c-Insurance Information

d. A document detailing the names, job titles, job description, and pay rates for each Southern District employee on December 31, 2019, December 31, 2020, December 31, 2021, and for those currently employed;

**Response:** See file SWS1 1.d-Employee List

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

**Response:** The District pays 100% of employees' life insurance policy with \$25,000 coverage. Health insurance is paid according to each individual employee's choice as follows:

- Single Plan – employee pays \$25/pay period & the District pays the rest
- Employee + 1 – employee pays \$50/pay period & District pays the rest
- Family plan – employee pays \$75/pay period & the District pays the rest
- Pay periods are every 2 weeks

Retirement Plan – the District matches up to 3% of employee contributions.

f. Minutes from Southern District’s commissioner meetings for the calendar years 2020, 2021, and 2022 to date;

**Response:** See files SWS1 1.f-2020 Board Minutes  
SWS1 1.f-2021 Board Minutes  
SWS1 1.f-2022 Board Minutes

g. 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 behalf of, each director during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.);

**Response:** See file SWS1 1.g-Commissioner Comp

h. A copy of Southern District’s audited financial statements for years 2020 and 2021;

**Response:** See file SWS1 1.h-2020 Audit Report  
The 2021 audit is not completed at this time.

i. An Accounts receivable aging in total dollars as of December 31, 2019, 2020, 2021, and April 30, 2022;

**Response:** See file SWS1 1.i-Accounts Receivable

j. A description of management’s efforts to collect delinquent accounts receivable;

**Response:** See file SWS1 1.j-Delinquent Accounts

k. An Accounts payable aging by supplier as of December 31, 2020, 2021, and April 30, 2022, with payables related to capital expenditures that will be funded from approved debt sources, debt, or authorized grants designated as such;

**Response:** See file SWS1 1.k-Accounts Payable

l. The monthly water purchase invoices from each of Southern District’s wholesale suppliers for 2021 and 2022 to date; and

**Response:** See files SWS1 1.I-Pikeville Invoices  
SWS1 1.I-Prestonsburg Invoices

m. The total gallons, by month, that Southern District pumped for the calendar year 2022 to date.

**Response:**

	<u>Gals. Pumped</u>
January 2022	52,950,000
February 2022	45,830,000
March 2022	49,881,000
April 2022	45,270,000

2. Provide a copy of the Adjusted Trial Balance showing unaudited account balances, audit adjustments, and audited balances for the calendar years ended 2020 and 2021 in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

**Response:** See Item 1.b

3. Refer to Southern District's Application, Attachment 8, Outstanding Debt Instruments, pages 142 through 146. The loan documentation on the referenced pages appears to refer to a modification agreement between Southern District and Citizens Bank of Kentucky, executed on December 2, 2021.

a. Provide the original promissory note, and any subsequent modifications to the note not already included in the Application in this case.

**Response:** See file SWS1 3.a-Loan Agreements

b. State the original principal and the original use of the funds acquired when the loan was originally entered.

**Response:** The original principal balance was \$125,984 for 5 trucks.

c. State the current principal balance on the loan.

**Response:** The balance on 5/18/22 was \$37,063.01.

d. Confirm the Citizen's National Banknotes that are listed on pages 40 and 43 in Southern District's 2021 annual report filed with the Commission, indicating principal balances of \$24,535 and \$22,421, respectively, are referencing the same banknote referenced in the modification agreement filed with Southern District's Application. If this cannot be confirmed, provide the original promissory note and any subsequent modifications to the note referenced in Southern District's 2021 annual report.



**Response:** Regarding the Note Payable to Citizen's National Bank, the total loan balance as of 12-31-2021 was \$46,956. Of that total the current portion due within the next year is \$22,421 which is reported on page 43 of that Annual Report. The Long Term portion of the Note was \$24,535 which is reported on page 40 of the Annual Report for a total loan balance \$46,956.

e. If the response to Item 3.d. of this request can be confirmed, reconcile the discrepancy between the principal balance listed on the modification agreement filed with the Application and the two balances reported on Southern District's 2021 annual report.

**Response:** See 3.d above.

4. Refer to Southern District's, Attachment 4, Statement of Adjusted Operations, References. Provide the workpapers used to generate each of the pro forma adjustments in the References page in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response:** See file SWS1 4-Adjustments

a. Refer to Adjustment A, which refers to the Current Billing Analysis.

(1) Describe the underlying reason(s) that metered sales reflect a reduction of \$194,628 (net of \$3,946 reclassification to Sales for Resale) (approximately 5.6 percent of the Proforma Metered Sales total) from the test-year amount.

**Response:** The Code Summary (from billing records) is what actually went thru the meters as evidenced by the meter readings. This total would only agree with the Trial Balance amount if all of the charges per the Code Summary were collected during the month. That isn't going to happen so we have to make adjustments to the revenues for accounts receivable. The Revenues per the Trial Balance is after adjustments for Accounts Receivable as the District is on an Accrual Basis of accounting. There could also be a difference because of payments from payment plans and agreements on past due bills.

(2) Explain why gallons sold of 267,621,370 (excluding wholesale) is less than gallons sold (excluding wholesale) of 281,055,000 (approximately 5.0 percent less) that is reported in Southern District's 2021 Annual Report, Water Statistics, for Southern District.

**Response:** The United Systems software was originally not separating the residential, commercial, and wholesale customers' usage. We figured out this mistake and started correcting the numbers in October of 2021. The total wholesale sales for January through September were 13,311,000 gallons. This is the difference in the two sets of numbers. We revised a new set of water loss reports after finding the mistake.

5. Explain whether Southern District considered filing a cost of service study with the current rate application that would focus on whether a revenue neutral rate design change would be necessary.

**Response:** Southern did not consider filing a cost of service study.

6. Provide the number of new meter tap-ons installed by meter size for 2021 and dollar amounts billed for any meter size larger than 1 inch.

**Response:** There were 32 new 5/8 x 3/4" meters installed in 2021. No larger meters were installed.

a. State whether the Southern District 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.

**Response:** Southern District does not keep a record of the dollar amounts of labor and materials used to install new customer taps.

b. Separately state the amounts expensed to install each new meter during the test year.

**Response:** See 6.a above.

c. Provide revised cost justification sheets to support any changes to the Meter Connection/Tap-on Fee.

**Response:** The District does not wish to change the tap fees at this time.

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

**Response:** There were 14,116 late fee occurrences in 2021.

8. Provide a list of the annual dollar amounts of late payment penalties assessed by year for the calendar years ended December 31, 2017, 2018, 2019, 2020, 2021, and year to date ended April 30, 2022.

**Response:**

	<u>Total Late Fees</u>
2017	62,014.44
2018	56,765.10
2019	68,978.73
2020	13,870.39
2021	83,002.76
thru 5/25/22	38,577.02

9. Provide the total dollar amount collected for each nonrecurring charge listed on Sheet 5, Section D, of Southern District's tariff and the number of occurrences for each nonrecurring charge that was assessed during the test year. If a specific nonrecurring charge had no occurrences for the test year, include this information in the response.

**Response:** See file SWS1 9-Nonrecurring Charges

10. Provide a current, updated cost justification sheet for all nonrecurring charges listed in Southern District's tariff.

**Response:** See files 10-2022 After Hours  
10-2022 Charges  
10-2022 Meter Test  
10-2022 Return Payment  
10-Labor Rates  
10-Return Check from Bank

11. Provide an overview of any actions planned or taken by Southern District to reduce its water loss, including any water loss reduction plan.

**Response:** See file SWS1 11-Water Loss Reduction Actions