

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF THE UTILITY)	
COMMISSION OF THE CITY OF LONDON)	CASE NO.
REVISING ISTS WHOLESAL WASTEWATER)	2022-00126
SERVICE RATES)	<i>ELECTRONICALLY</i>
		<i>FILED</i>

**RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION TO THE CITY OF LONDON**

Comes now, by and through counsel, the London Utility Commission for its Response to Commission Staff's Second Request for Information to the City of London.

Request 1: Refer to London's response to Commission Staff's First Request for Information (Staff's First Request), Item 3a.

a.) Explain whether the HWY 192 Pump Station expansion project and the Wastewater Treatment Plant Expansion (WWTP) project will be completed concurrently or at different times.

Response: It's possible for both projects to be completed concurrently, however, project funding will determine both construction schedules. Both projects are presently needed, however, the WWTP expansion project has already been submitted to the Division of Water's State Revolving Funds *Call for Projects*. This project was submitted in November of 2021 and LUC is currently awaiting the completion of DOW's scoring and selection process to determine if a loan invitation will be awarded. The HWY 192 Pump Station expansion project schedule, although badly needed, will initially depend on the approval of the wholesale rate increase. If approved, LUC would fund this project in house using

the additional capital generated by the wholesale rate increase, however, if not approved the project will need to be postponed until the funding can be secured via KIA loan or grant funding. If both the rate increase and KIA loan are approved, the construction schedules for both projects could be concurrent.

b.) Provide the construction start date, construction completion date, and source(s) of funding for each project.

Response: The Wastewater Treatment Plant Expansion project, if approved, was originally scheduled to begin construction in July 2022 with a completion date of May 2023. With delays in the review process at State offices, LUC is awaiting DOW and KIA's approval/denial to establish an updated construction schedule. Once approval has been secured, LUC will begin work immediately to complete all required administrative work and move forward with bidding and construction activities. The WWTP project will be funded by a KIA SRF Fund A Loan. The HWY 192 Pump Station expansion project has not been assigned a project schedule at this time and is contingent upon PSC's wholesale rate determination. If the wholesale rate is approved, the project will be submitted to the DOW for review/approval and LUC will complete all necessary work to move toward construction. This project will be funded through local funds (London Utility Commission operating funds).

c.) For anticipated loans for each project, provide a copy of the loan agreement or commitment, an estimate of principal forgiveness and or grant amount associated with each loan, estimate date of first principal and interest payment, terms of loans, and proposed amortization schedule from lender(s).

Response: Neither project has received a loan agreement, conditional commitment letter or been approved for grant funding at this time.

Request 2: Refer to London's response to Staff's First Request, Item 3a which references the city of London Ordinance 2009-06.

a.) Provide a copy of the ordinance, which was not attached as noted in the response.

Response: Please find attached City of London Ordinance 2009-06.

b.) Explain if the ordinance has been modified to exclude the non-cash expense components of Pension and Other Post-Employment Benefits (OPEB) reporting from rate calculations.

Response: I cannot find any evidence that Ordinance 2009-06 has been modified to exclude the non-cash expense components of Pension and Other Post-Employment Benefits reporting from rate calculations. The London Utility Commission participates in the Kentucky CERS retirement program and does not provide separate/additional pensions or post-employment benefits.

Request 3: Refer to London's response to Staff's First Request, Item 3b.

a.) Confirm that London does not allocate any costs between the Sewer Division and Water Division. If this cannot be confirmed, provide details of all cost components that are allocated (versus directly charged) between "Operating Expenses – Water" (financial statement page 28) and "Operating Expenses – Sewer" (financial statement page 29) and the rationale for the allocation method. Include account description, amount, and allocation methodology (for example, we noted that General and Administrative depreciation is allocated fifty percent to each of Water and Sewer).

Response: The London Utility Commission separates operational expenses for water and sewer divisions. All expenses are coded to the department in which the expense was created (Water treatment facility, Water intake facility, wastewater treatment facility, distribution, collections and administrative), and then assigned to various components within each department. This allows each expense to individually be tracked and monitored. To better illustrate this separation of water/sewer expenses, please find attached LUC's *Budgeted Chart of Accounts* and attached spreadsheets titled *Sewer Expenses* and *Water Expenses*, that show the monthly separation of these accounts. The only shared costs for water and sewer divisions are for work that apply to administrative categories that impact both water and sewer operations. This includes Vehicle expenses for service trucks/equipment used for maintenance of water and sewer infrastructure, billing software, Commissioner expenses, software support, meter reading, customer records and collection, and office supplies. All of these expenses impact water and sewer and therefore costs are split evenly among these accounts.

Request 4: Refer to London's response to Staff's First Request, Item 1, which included audited financial statements for the years ended June 30, 2020, and 2021.

- a.) Provide the requested data in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response: Please see attached excel spreadsheets titled *Financials – 6.30.20 and Financials – 6.30-21*.

- b.) Provide a reconciliation of the change in net pension liability (liability plus deferred inflows of resources minus deferred outflows of resources) from 2020 to 2021, the

expenses recognized for the year ended December 31, 2021, and the contributions that were made during the year ended December 31, 2021. Provide cross references to each item as reported in the audited financial statements and footnotes. The analysis should provide the excess expense for 2021.

Response: LUC has reached out to our accounting firm to provide an accurate response to this request; however, we have not received a response in time to submit by the July 11 deadline. Once this information is made available it will be submitted to PSC Staff.

Request 5: Refer to London's Tariff Filing submitted on April 21, 2022, at 14. Additionally refer to London's response to Staff's First Request, Item 2, which included an attachment entitled "LUC Annual Cost Calculations.xls" in Excel spreadsheet format. London's original tariff filing proposed a rate of \$4.40 per thousand gallons. The "LUC Annual Cost Calculation.xlsx" Excel spreadsheet included a calculation of \$3.99 per thousand gallons which references London's Ordinance No. 2009-06 and \$4.57 per thousand gallons which referenced the fiscal year 2021 expenses. Provide cost support for the 2021 Sewer Expenses of \$3,844,425, 2022 Sewer Expenses of \$3,844,425, the Projected Annual Cost for the WWTP expansion project of \$647,700, and the HWY 192 Pump Station Project Annual Cost of \$29,191.25.

Response: Cost support of the 2021 Sewer Expenses can be found on page 29, titled *Schedule of Operating Expenses – Sewer For the Year Ended June 30, 2021* of the 2021 Financial Audit (PDF) included as an attachment. The Sewer Expenses for 2022 were replicated from 2021 data. 2022 Estimates are still being accrued and have not been affirmed through an independent financial audit, therefore, LUC mirrored the expenses of 2021 as a forecast (placeholder) for expected 2022 expenses. This was noted in the first response to the Staff. Due to historic increases of materials, labor, energy and fuel, LUC

anticipates the total 2022 expenses to be much higher than 2021. Regarding cost support for the WWTP expansion project of \$647,700 and the HWY 192 Pump Station Project Annual cost of \$29,191.25. The WWTP expansion project amount of \$647,700 is the estimated annual debt service expense of a 20-year term SRF loan and was calculated using the following: Total estimated project cost of \$12,954,000 / 20 year standard term (SRF Loan) = Annual debt service (not including interest) \$647,000. The calculation performed for the HWY 192 Pump station project expense was based on the following: Total cost of project / 20-year term (SRF Standard repayment terms) = annual debt service of \$29,191.25. I have included the engineering cost estimates for both projects titled *192 Pump Station Upgrade Cost Estimate & WWTP Cost Estimate* that represent these totals.

Respectfully submitted,

/s/ Larry G. Bryson
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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document is being filed electronically to the Commission on this date and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

Original:
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

This the 11th day of July, 2022.

/s/ Larry G. Bryson _____
LARRY G. BRYSON