

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
UNION COUNTY WATER DISTRICT)	2022-00160

RESPONSE OF UNION COUNTY WATER DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED AUGUST 29, 2022

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

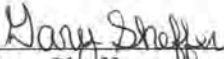
In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
UNION COUNTY WATER DISTRICT)	2022-00160

VERIFICATION OF GARY SHEFFER


COMMONWEALTH OF KENTUCKY)
)
COUNTY OF _____ UNION _____)

Gary Sheffer, Manager of Union County Water 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.



Gary Sheffer

The foregoing Verification was signed, acknowledged and sworn to before me this 16 day of September, 2022, by Gary Sheffer.



Commission expiration: 2/19/23

Union County Water District
Case No. 2022-00160
Commission Staff's Second Request for Information

Witnesses: Gary Sheffer #1-2, #3b-5, and #7-15
 Robert K. Miller #3a and #6

1. Refer to the amended ARF Application, Attachment 4, Schedule of Adjusted Operations. Provide a detailed breakdown for the \$105,401 Miscellaneous Service Revenues.

Response: See file 1 Miscellaneous Service Revenues

2. Refer to Union District's Responses to Commission Staff's First Request for Information filed August 4, 2022 (Staff's First Request), Item 1.a., Excel Workbook: 1a_2021_General_Ledger.xlsx. For each expenditure listed in the table below, provide the following: a detailed description of the expenditure; identify whether any of the -3- Case No. 2022-00160 expenditure has been capitalized; and provide copies of all invoices or work orders related to that expenditure.

Account No. and Title	Date	Vendor	Amount
620.53 · Office Supplies/General	12/30/2021	Visa	\$ 1,954.84
620.54 · Office Supp/Computer Supp	05/31/2021	Visa	1,547.58
620.54 · Office Supp/Computer Supp	08/31/2021	Sheffer, Gary S	1,914.45
620.61 · Maint of Mains	01/29/2021	G&C SUPPLIES	1,081.60
620.61 · Maint of Mains	07/14/2021	G&C SUPPLIES	4,918.33
620.62 · Maint of Meters	02/27/2021	MOSS MCGRAW	1,560.00
620.62 · Maint of Meters	05/28/2021	MOSS MCGRAW	1,460.00
620.62 · Maint of Meters	06/29/2021	MOSS MCGRAW	1,560.00
620.62 · Maint of Meters	09/29/2021	MOSS MCGRAW	1,685.00
620.62 · Maint of Meters	12/30/2021	MOSS MCGRAW	1,767.00
620.65 · Maint of Pump Stations	06/03/2021	TAPP COMMUNICATIONS Inc.	2,441.00
620.65 · Maint of Pump Stations	11/10/2021	ELECTRIC MOTORS	1,185.80
620.66 · Maintenance	10/20/2021	Henshaw's Services	3,330.00
620.66 · Maintenance	11/17/2021	MORGANFIELD HOME CENTER	4,618.06
620.66 · Maintenance	11/19/2021	Window Shopping	1,500.00
620.66 · Maintenance	11/19/2021	Max's Custom Completion	2,400.00

Response: See files 2 Detail of Expenses
2 Invoices

3. Refer to the Annual Report of Union County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2021 (2021 Annual Report) at 15, Refer to Union District's Responses to Staff's First Request, Item 1.i, Excel Workbook: 1i_Board_Member_Benefits_and_Premiums.xlsx and refer to Union District's Responses to Staff's First Request, Item 1.a., Excel Workbook: 1a_2021_General_Ledger.xlsx.; Account 603, Commissioners Salary.

- a. Provide a detailed explanation as to why the annual Commissioner salaries of \$3,400 per Commissioner were not included in Union District's Excel Workbook provided in its response to Item 1.i.

Response: The Commissioner salaries of \$3,600 per Commissioner were included in Union District's Excel Workbook provided in its response to Item 1.i submitted on August 4, 2022. See file 1i_Board_Member_Names_and_Pay.xlsx.

- b. Provide the Fiscal Court minutes approving each commissioner's appointment to Union District's Board of Commissioners (Board) and approving the annual Board Members salaries.

Response: See file 3 Fiscal Court and Board Minutes

Attached are the Union County Fiscal Court appointments and meeting minutes for the following board members:

**Gerald Hunter, former Chairman, term expired June 30, 2022.
(Appointment: Attachment 3b1) (Minutes: Attachment 3b2)**

**Andrew Arnold, current Chairman, term expires June 30, 2024.
(Appointment: Attachment 3b3) (Minutes: Attachment 3b4)**

**Joyce Greenwell, current Secretary, term expires June 30, 2025.
(Appointment: Attachment 3b5) (Minutes: Attachment 3b6)**

**Stephen Loxley, current Member, term expires June 30, 2026.
(Appointment: Attachment 3b7) (Minutes: Attachment 3b8)**

Sean Sheffer, current non-voting Member, with no term limit, was appointed by previous UC Judge Executive, Jody Jenkins, and former UC Water District Superintendent, Dickie Berry. There are no records indicating this appointment was brought before the Fiscal Court. Sean Sheffer has been a non-voting member of the Water Board since 2013.

Union County Fiscal Court minutes from April 9, 1996, (Attachment 3b9), stating board member salaries of \$3,600 per year, are also attached.

- c. Provide the date Union District began providing health insurance benefits to the members of its Board.

Response: We are unable to obtain this date definitively, although our search has led us to believe this benefit began in July 1991. Please see the explanation in "E" below for more information.

- d. Provide the Fiscal Court minutes approving the payment of each Board member's health insurance benefit by Union District

Response: We have been unable to locate any documents regarding where this matter was approved by the Fiscal Court.

- e. Provide the minutes from any Union District Board meetings where the issue of providing health insurance benefits to Board members was discussed.

Response: See file 3 Fiscal Court and Board Minutes

We have been unable to locate any minutes where providing health insurance was brought before and/or approved by the Board. In digging through storage boxes from our own attic, as well as the UCWD Attorney's office, we were able to find the following documentation that does help shed some light regarding a timeframe:

Board Minutes dated July 9, 1996, paragraph 3: *"A representative of John Deere HealthCare appeared at the meeting and stated that KACo had adopted the John Deere HealthCare Program. There would be a five (5%) percent rate increase for the Commissioners with the same coverage. He reported that if a Commissioner were not reappointed, the group coverage can be continued for a period of nine (9) months, with the individual paying his own premium."*
(Attachment 3e1)

Since these minutes indicated that KACo was the previous provider, we continued our search to find when KACo began to appear on the "Approved Bill List" from previous Board Meetings:

**Board Minutes dated July 9, 1991, "List of Paid Bills From June 12 – July 9"
Item number 11 lists KACo Employee Health Trust in the amount of \$1,281.87.
(Attachment 3e2)**

There is no mention of the Health Insurance in the minutes for that meeting or any prior meetings that we could find. The expense did start appearing on the expense page monthly thereafter. The board minutes from the July 9, 1991 Board Meeting where that expense first began have also been attached. (Attachment 3e3)

4. Refer to Union District's Responses to Staff's First Request, Item 1.h. The minutes of Union District's Board meetings for the calendar year ended December 31, 2021. At the Board meeting on August 10, 2021, there is a reference to a discussion regarding the purchase of a building for \$50,000.

- a. Provide a detailed explanation as to why the discussion to purchase the building was not included in the Board minutes.

Response: Per Steve Arnett, UCWD Attorney, who keeps the minutes for UCWD Board Meetings: "There was a short discussion which involved Gary Sheffer relaying that the Union County Judge Executive wants this sale to take place and that it would be economically feasible to purchase rather than rent this building."

- b. Identify the building that Union District ultimately purchased.

Response: The building purchased by the Union County Water District is located at, 409 North Court Street in Morganfield, KY. This is the same building UCWD has operated out of for many years and rented from the Union County Fiscal Court.

- c. Identify the owner of the building that Union District purchased and state whether the building's owner is related by birth, marriage, or business association past or present to any members of Union District's Board.

Response: The building was owned by Union County Fiscal Court. Union County Water District had been paying rent to the Union County Fiscal Court for several years and it made more financial sense to purchase the property when the opportunity arose rather than continue to pay rent. There are no familial relationships between the Union County Fiscal Court and the Union County Water District. See file 4c Building Deed

5. Refer to Union District's Responses to Staff's First Request, Item 1.h, the minutes from Union District's Board of Commissioner meetings for the calendar year ended December 31, 2021, and to Item 11. At the Board meeting on August 10, 2021, there was a motion to borrow \$75,000 from "UCB" to finance the purchase of the building and fund any improvements.

- a. Confirm that the UCB Loan the Board approved at its August 10, 2021 meeting is the same loan identified in Attachment 8 of the application.

Response: Yes, the loan identified in Attachment 8 in the ARF Application Package is the same loan approved by the board at the August 10, 2021 Board meeting in the amount of \$75,000 from United Community Bank (UCB).

- b. If the Board was aware that the building it was agreeing to purchase required improvements, then explain why it did not require the previous owner to make the building improvements before the Board purchased the building.

Response: Both the Union County Water District and the Union County Fiscal Court were aware the building was in need of repairs and updates. Because both

parties were aware of this, the building was priced accordingly.

- c. Provide an itemized list of the building improvements that were funded with the UCB loan. In the itemized list include a detailed description of each improvement listed, the cost of each improvement, and a copy of the supporting invoice(s) or receipts.

**Response: See files 5c Building Improvements
5c Invoices for Renovations**

- d. Explain whether Union District applied for a Certificate of Public Convenience and Necessity (CPCN) for the building purchase. If so, provide the Case No. and date of approval.

Response: Union County Water District did not apply for a CPCN.

- e. If the response to Item 5.d. above is no, provide a detailed explanation as to why Union District did not request a CPCN for the building purchase.

Response: Union County Water District regretfully and unknowingly did not apply for a CPCN for the building purchase. The Board was unaware of the PSC’s requirement to file for said document. This was not done with blatant disregard. The Board wishes to keep Union County Water District in compliance and has the utmost respect for the PSC and their regulations.

- 6. Refer to Union District’s Responses to Staff’s First Request, Item 1.h, Excel Workbook: 3a_Rate_Study_2021_PUBLIC.pdf; Tab: Water Loss.

- a. Provide in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible a schedule where Union District recalculates its excess water-loss adjustment using the city of Morganfield’s current wholesale water rate of \$2.6924 per 1,000 gallons, that was effective on January 1, 2022.

Response: See file 3a Rate Study 2021 PUBLIC Tab Water Loss

Water Loss in Thousand Gallons	68,567
Percentage in excess of amount allowable in rates	<u>15%</u>
Excess Water Loss in Thousand Gallons	10,285
City of Morganfield's current wholesale rate	<u>\$2.6924</u>
Value of Excess Water Loss at Morganfield rate	\$27,691

- b. Include in the Excel spreadsheet provided in Union District’s response to Item 6.a. above, the impact the recalculation has on Union District’s requested water loss surcharge.

Response: See file 3a Rate Study 2021 PUBLIC Tab Water Loss

Costs Subject to Water Loss Adjustment	Adjustment
Purchased Water	\$27,691
Purchased Power	\$ 3,618
Chemicals	<u>\$ 0</u>
Total	\$31,309

Computation of Water Loss Surcharge	
Total Adjustment	\$31,309
/ Number of Bills	<u>37,898</u>
Monthly Surcharge Amount	\$0.83

7. Refer to Union District's Response to Staff's First Request, Item 6e. Provide a current, updated cost justification sheet with all costs for Tap Fees.

Response: See file 7 Tap Fee Justification

8. Refer to Union District's Response to Staff's First Request, Item 7. Also refer to Union District's 2021 Annual Report, page 49. Union District states that their 2021 late fees totaled \$19,168.68. In Union District's 2021 Annual Report, the late fees total \$19,012. Reconcile the discrepancy between the late fees listed in Union District's Response and what was reported on the 2021 Annual Report.

Response: The correct amount is \$19,012.
See file 8 Penalties

9. Refer to Union District's Response to Staff's First Request, Item 8 regarding the self-read meters.
- a. In the current tariff on file with the Commission is Union District's policy regarding the monitoring of customer usage. Explain whether Union District's policy is still the same. If it is not the same, provide the revised policy.

Response: The policy is still the same.

- b. Explain whether Union District has evaluated whether to continue the policy on self-read meters.

Response: Union County Water District has inquired about electronic/auto read meters. The cost to upgrade to the electronic meters would be substantial and in turn result in much higher water rates being passed on to our customers to cover

said expense. Union County Water District doesn't have adequate staff to physically read each meter connected to our service on a monthly basis and maintain daily operations. Currently there are three (3) outside maintenance employees on staff. We would have to hire more people to solely read meters, also meaning a large rate increase to cover the additional salaries. After evaluating both scenarios, it is not justifiable for Union County Water District to change the self-read policy at this time.

10. Refer to Union District's Response to Staff's First Request, Item 8, Reconnection Charges and Returned Payment Charges. Explain the \$2 connect fee charge.

Response: Union County Water District uses NexbillPay as our electronic payment processor. The \$2 fee is charged to Union County Water District by NexBillPay when a payment made electronically by a customer is later reversed. That \$2 fee is then passed on to the customer.

11. Refer to Union District's Response to Staff's First Request, Item 8, Meter Read Charges. Explain why the number of occurrences has increased 34 percent between 2018 and 2021.

Response: Union County Water District has a customer, self-read policy. The number of meters read charges is based solely on whether or not the customer submits their meter reading in accordance to our policy.

12. Refer to Union District's Response to Staff's First Request, Item 9. Confirm that the charge estimates reflect current expenses. If not, update with current expenses.

Response: See files

- 12 Meter Read Charge Cost Justification**
- 12 Meter Test Charge Cost Justification**
- 12 Re-connection Charge Cost Justification**
- 12 Returned Payment Fee Cost Justification**

13. Refer to Union District's Response to Staff's First Request, Item 9, the Meter Read Charge.

- a. Explain whether a new pen and notepad is expensed each time.

Response: A new pen and paper are not expensed each time. Every month a 'Meter Read Audit Report' is generated and printed. This several page report indicates the accounts that do not have meter reads in for said month. The meter readers in turn use these reports for both property addresses and to document the meter records.

- b. Provide support for the \$3.07 transportation cost.

Response: This estimated cost was based on a cost justification that was prepared by the previous Superintendent. A new 'Nonrecurring Charge Cost Justification' sheet has been prepared and attached to question 12. The new cost justification uses the IRS standard mileage rate for businesses based on an average 20 mile trip. Union County is a broad county, therefore I calculated the average mileage based on our closest point and our furthest point.

- c. Provide support for the \$7.70 estimate for wear on the truck.

Response: This estimated cost was based on a cost justification that was prepared by the previous Superintendent. A new 'Nonrecurring Charge Cost Justification' sheet has been prepared and attached to question 12. The new cost justification uses the IRS standard mileage rate for businesses based on an average 20 mile trip. Union County is a broad county, therefore I calculated the average mileage based on our closest point and our furthest point.

- 14. Refer to Union District's Response to Staff's First Request, Item 9, the Returned Payment Fee.

- a. Provide support for the \$4 in supplies.

Response: We have attached a new Justification page only showing a 'Clerical Expense'. This 'Clerical Expense' covers our office reaching out to the customer by phone and/or mail. Office staff must make manual adjustments in both our Utility Billing System and QuickBooks. Once the returned payment has been rectified, a separate deposit is made and the manual adjustments have to be reversed and credit applied back to the customer's account. If we were to turn our Returned Payments over to the Union County Attorney's office, they charge \$100 in fees to the customer. The UC Attorney keeps \$50 of that fee and \$50 is given to the merchant whom received the returned payment (in the case, Union County Water District). We like to handle our returned payments in our office to keep the customer from being out the additional expense if it were to be turned over to our County Attorney.

**See file 14 Returned Payment Fee Cost Justification
14 County Attorney Notice**

- b. Confirm that the bank does not charge Union District a fee for a customer's returned check. If this cannot be confirmed, provide documentation supporting the bank charge.

Response: Our bank does not charge us a fee for a customer's returned check. Our credit card processor, NexBillPay, does charge Union County Water District a \$2

fee for any returned payment made by credit or debit card. The \$2 fee is further explained in Question #10.

15. In the current tariff on file with the Commission is Union District's Amendments to Rules and Regulations.
- a. Refer to Item 2, which states the following: "There shall be a reconnecting charge in the amount of \$15.00 for any party desiring to resume service with the Union County Water District." The rates and charges on the tariff sheet for reconnection is \$25. Explain the difference between the charges.

Response: In regard to both questions a. and b. stated above, Union County Water District was unaware that an Amendment to Rules and Regulations needed to be updated to coincide with the revised tariffs. The current copy on file with the PSC is dated 1992, therefore stating outdated charges for services. Union County Water District has prepared and attached a new draft tariff page titled "Amendments to Rules and Regulations". In this draft amendment, Item 1 has been updated to reflect the initial service connection charge of \$1,100.00. Item 2 has been updated to reflect the re-connecting charge of \$25.00, and Item 7 has been updated to the correct meter read charge of \$30.

See file 15a Draft Amendments to Rules and Regulations

- b. Refer to Item 7, which states that if an employee of the Water District must read a customer's meter, there will be a charge of \$20. The rates and charges on the tariff sheet for a meter read charge is \$30. Explain the difference between the conflicting amounts charged for reading meters.

Response: See Response to 15a above.