

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
BLACK MOUNTAIN UTILITY DISTRICT)	2022-00275

RESPONSE OF BLACK MOUNTAIN UTILITY DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED OCTOBER 28, 2022

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF) CASE NO.
BLACK MOUNTAIN UTILITY DISTRICT) 2022-00275

VERIFICATION OF GRANT COOPER

COMMONWEALTH OF KENTUCKY)
COUNTY OF Harlan)

Grant Cooper, Manager of Black Mountain Utility 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.


Grant Cooper

The foregoing Verification was signed, acknowledged and sworn to before me this 14 day of December, 2022, by Grant Cooper.

Johnny Shidmore # ID 6 23463
Commission expiration: May 17, 2023

COMMONWEALTH OF KENTUCKY

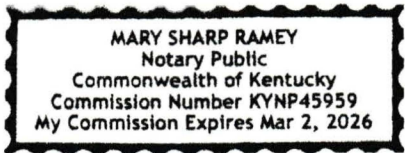
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF) CASE NO.
BLACK MOUNTAIN UTILITY DISTRICT) 2022-00275

VERIFICATION OF ROBERT K. MILLER

COMMONWEALTH OF KENTUCKY)
COUNTY OF JEFFERSON)



Robert K. Miller, Kentucky Rural Water Association on behalf of Black Mountain Utility 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.

Robert K. Miller

The foregoing Verification was signed, acknowledged and sworn to before me this 14 day of December, 2022, by Robert K. Miller.

Commission expiration: March 2, 2026

Black Mountain Utility District
Case No. 2022-00275
Commission Staff's Second Request for Information

Witnesses: Grant Cooper #1a-c, 1e-h, 3-6, 7a-g, 8-11, 13, 15
Robert K. Miller #1d, 2, 12, 14

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

a. Provide copies of the most recent invoices for each of General Liability, Workers' Compensation, Automobile and property and casualty insurance. Designate the time frame for which the invoice represents (i.e. month, quarter, year).

Response: See file 1a_Insurance_Invoices

b. Provide a copy of the most recent invoice for each employee benefit.

Response: See file 1b_Benefits_Invoices

c. Provide the number of paid hours of overtime for each employee in 2020, 2021, and year to date 2022.

Response: See file 1c_Overtime_Hours

d. Provide a reconciliation of pay by employee to Pro Forma wages of \$273,554 (before adjustment for tap fee labor of \$1,860). Include work hours, calculations of straight time earnings, calculations overtime premium, and any other projected sources of compensation.

**Response: See files 1d_Rate_Study Tab Wages
 1d_Salaries_and_Wages**

e. Provide an accounts payable aging, by supplier, for 2020 and 2021.

Response: Black Mountain District is unable to produce this information.

f. Provide a current list of leased assets including description, contract date, contract length (in months), and payment amount.

Response: Black Mountain District is unable to produce this information.

g. Provide training records for each commissioner for 2020, 2021, and 2022.

Response: Black Mountain District replaced all of its commissioners during the past two years:

**Jeff North filled the unexpired term of Ralph Tuner December 1, 2021.
Shawn Miller filled the unexpired term of Raymond Cox December 1, 2020.
Chad Brock filled the unexpired term of Charles Hyde January 11 2023.
Bill Clem filled the unexpired term of Robert Simpson March 20, 2022.
Dewayne filled the unexpired term of Steve Sargent February 16, 2023.
Brandon Shepherd filled the unexpired term of Jeff North December 1, 2021.**

None of the current commissioners have yet received any training. Also, training records for previous commissioners could not be located.

h. Provide a schedule of actual versus required depreciation / maintenance reserves by loan number for each debt component as of December 31, 2021. Include the general ledger account numbers in which the funds are classified and state the reasons for any shortfalls in the required amounts. Provide documentation from the lender if Black Mountain District has been granted permission to utilize any of the reserve funds.

Response: Black Mountain District is unable to produce this information.

2. Refer to Black Mountain District's Application, Exhibit C, Schedule of Adjusted Operations and Revenue Requirements and References. Also refer to Black Mountain District's 2021 Annual Report.

a. Provide the workpapers that support each pro forma adjustment described in the References in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response: See files 1d_Rate_Study Tab Depreciation
 2_Depreciation_2020 Tab Rate Study**

b. Confirm that grant revenue of \$152,927 discussed in Reference Item "A" is considered a recurring item in the Pro Forma and provide the justification for its continued receipt.

Response: Black Mountain District believes that the grant revenue of \$152,927 was mistakenly included as a recurring item and should be removed. See file 1d_Rate_Study Tab SAO

3. Refer to the Water Statistics pages of the Annual Reports that were filed by Black Mountain District with the PSC for the years 2017 through 2021.

a. Describe management's efforts to reduce water loss throughout the period. Include a discussion of capital projects that have been initiated as well as planned water loss reduction efforts, including anticipated funding sources, for the next five years 2023 through 2027. For planned actions, include reference to minutes of commissioner meeting discussions for each item.

Response: See file 3a_Water_Loss_Efforts

b. Provide a summary analysis of customer meters that includes quantity of radio read meters, quantity of manual read meters, age ranges of meters, number of meters replaced each year from 2017 through 2022, meter testing history (quantity and results) for 2017 through 2022, and planned replacement schedule.

Response: See file 3b_Meters

4. Provide the following with respect to capital assets in general.

a. Capital spending by project for each year beginning with 2017 through year-to-date 2022. Include description, dollar amount, completion status, and expected result of project. Lump tap fees as one item for each year. Include leased assets and designate as such.

Response: Black Mountain District is unable to produce this information.

b. List of vehicle or equipment disposals, net book value of each item, and sale proceeds of each item.

Response: See file 4b_Vehicle_Disposal

c. Capital spending plans project for 2023 through 2025. Include description, dollar amount, anticipated funding sources, and expected result of each project.

Response: Black Mountain District hasn't talked about projects going into 2023-2025 as of yet; we are focusing on the water loss and financials getting under control.

5. Provide copies of all financial and management reports that were presented to the Commissioners for the two most recent Commissioner meetings.

Response: See file 5_Recent_Reports

6. Provide the following information with respect to grants received or awarded by Black Mountain District from 2017 through 2022, including pass through grants from the Fiscal Court.

a. List each grant (designate received or pending receipt and date). Include source of grant, amount, designated purpose, and status of completion for the underlying project.

Response: A FEMA Grant received 10-12-2018 of \$8,306.93 was for flooding in the Evarts area for a washed-out water line and has been completed.

A FEMA Grant received 10-12-2019 of \$66,630.00 was for the mountain sliding off and water line going with it and has been completed.

A Harlan Fiscal Court Grant received 4-20-2021 of \$100,000.00 was used to buy meters and to update radio reading software and computers in the office.

7. Refer to Black Mountain District's response to Staff's First Request for Information (Staff's First Request), Item 1a, Trial Balance 2020, sheet name "Tie to PSC Report".

a. Provide supporting journal entry including detailed explanation for credit adjustment to revenue of \$100,000 that is identified as "3 To adjust equity accounts". State why adjustment is not carried forward to adjusted balance column.

Response: Black Mountain District is unable to produce this information.

b. Confirm that \$152,927 reported in account 4075, Surcharge Income, represents a grant receipt (referenced as item "A" in the Schedule of Adjusted Operations) and is not the total of surcharges that are billed to "Division 1" customers at \$4.26 per month as authorized in Black Mountain District's tariff that was effective 11/9/2015.

Response: Black Mountain District is unable to produce this information.

c. Accounts 4030 and 4031 refer to sewer revenues and are excluded from the Adjusted Balance for total revenues. State whether wastewater treatment expenditures are excluded from total operating expenses of \$2,232,365. If trial balance amounts have been adjusted for wastewater treatment expenditures, provide the amounts and line items affected in the trial balance.

Response: Black Mountain District is unable to produce this information.

d. Provide a schedule of trial balance account numbers, descriptions, and amounts based on the December 31, 2020 balances, distributed between water and sewer in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: Black Mountain District is unable to produce this information.

e. Provide a description and backup for expenses totaling \$5,692 that are reported in acct 5017, Employee Retirement Expense.

Response: Black Mountain District is unable to produce this information.

f. Provide supporting journal entry including detailed explanation for credit adjustment to other expense account 6000 for \$30,663.

Response: Black Mountain District is unable to produce this information.

g. Provide a description of the items charged to each of the accounts below. State whether an expense is paid on a fixed amount each month or if any expenditures are for annual support or maintenance contracts. Provide copies of invoices for the three largest expenses for each account listed.

Account	Description	2020 Amount
5016	EMPLOYEE UNIFORMS	\$ 18,529
5054	Repairs:Computer Repairs	\$ 16,748
5056	Repairs:Equipment Repairs	\$ 30,395
5058	Repairs:VEH. MAINT	\$ 15,111

Response: See files
7g_Uniforms
7g_Computer_Repairs
7g_Equipment_Repairs
7g_Vehicle_Maintenance

8. Refer to Black Mountain District's Supplemental Responses to Staff's First Request, Item 1i, 2020 Aged Receivables and 2021 Aged Receivables.

a. Provide a reconciliation of the December 31, 2020 aged receivables of \$591,809.80 to the adjusted trial balance. Provide each account number, description and amount that is included in the trial balance amount.

Response: Black Mountain District is unable to produce this information.

9. Refer to Black Mountain District's Supplemental Responses to Staff's First Request, Item 1i, 2020 Aged Receivables and 2021 Aged Receivables. Also, refer to Black Mountain District's response to Staff's First Request, Item 1f, Board Minutes. An aged receivable amount is reported for "rash" and there are various Commission minutes references are made to old garbage/trash bills.

a. State the reasons for the existence of old garbage bills that Black Mountain District is trying to pay off.

Response: Black Mountain District had to use the garbage money to operate and it got behind three months under the old board, accountant and management.

b. Provide a copy of the contract under which Black Mountain District is authorized to bill its customers for garbage service.

Response: Black Mountain District is unable to produce this information.

c. Provide a copy of an invoice or other supporting documentation for the most recent month of garbage service billings.

Response: See file 9c_Garbage_Invoice

d. State whether Black Mountain District has any legal liability to the Harlan County Fiscal Court for unpaid garbage bills.

Response: Black Mountain District is unable to produce this information.

e. Describe the recourses that Black Mountain District or Harlan County Fiscal Court have for a customer's failure to timely pay for garbage removal services.

Response: See file 9e_Solid_Waste_Regulation

f. Provide the dates and amounts of payments that were made for garbage bills from the surcharge account as approved at the January 11, 2022 commission meeting (refer to minutes).

Response: Black Mountain District is unable to produce this information.

10. Refer to Black Mountain District's response to Staff's First Request, Item 2, Adjusted Trial Balance (for 2021). Provide trial balance inclusive of account numbers.

Response: Black Mountain District is unable to produce this information.

11. Refer to Black Mountain District's response to Staff's First Request, Item 1j, Water Purchase Invoices. Identify missing or obstructed invoices for each supplier and resubmit as soon as possible. Invoices were missing for each supplier and information on page 9 of 64 was obstructed by a Post It note.

**Response: See files 11_City_of_Evarts
11_Harlan_Municipal_Water_Works**

11_Pineville_Utility_Commission

12. Refer to Application, Attachment #1, Black Mountain District Customer Notice and Attachment #3, Current and Proposed Rates.
- a. State why the proposed water loss reduction surcharge is different for Division 1 (\$3.65 per bill) and Division 2 (\$7.91 per bill) customers.

Response: The proposed water loss reduction surcharge is different for Division 1 and Division 2 in order to restore equity between the two divisions which were previously separate utilities. Division 1 represents all of Black Mountain's service territory that was not acquired through its merger with Green Hills Water District. Division 2 represents all of Black Mountain's service territory that was served by Green Hills Water District immediately prior to the merger of Green Hills Water District and Black Mountain Utility District.

Division 1 rates include a monthly surcharge of \$4.26 per month per connection established by PSC Order 2015-00088 to be assessed only to the retail customers receiving water service within the portion of Black Mountain's service territory that existed prior to its merger with Green Hills. However, Division 2 has significantly higher water loss than Division 1 and Black Mountain District commissioners believe that it would be unfair to charge the customers of Division 1 the same water loss reduction surcharge as customers of Division 2.

- b. State the number of customers in Division 1 and provide the calculation of the debt surcharge that is applicable to the customers.

Response: There are 2,919 customers in Division 1 and 228 customers in Division 2. The calculation of the debt surcharge that is application to the customer of Division 1 is described in PSC Order 2015-00088.

See file 12_2015-00088.

13. Refer to Black Mountain District's Updated Supplemental Response to Staff's First Request, Item 7, Table B, Debt Service Schedule, and refer to the Application, Attachment 8, at page 184 through 188 of the PDF.
- a. State the purpose of the original note dated June 16, 2015, with Bank of Harlan.

Response: See file 13a_Board_Minutes_April_2015

b. Provide copies of each loan renewal subsequent to the original loan, which was issued on June 16, 2015. Loan documents submitted with the application and response to Staff's First Request are listed below.

Description	Loan Date	Maturity	Balance
Bank of Harlan	06-16-15	06-16-16	150,000.00
Monticello Banking Company	07-01-20	09-01-22	107,624.43
Monticello Banking Company	07-01-20	10-01-23	101,196.54

Response: Black Mountain District is unable to produce this information.

c. If renewal documents are not available for any period between June 16, 2016, and July 1, 2020, provide an explanation for the lapse.

Response: Black Mountain District is unable to produce this information.

14. Refer to the Application, Attachment #5, Current Billing Analysis, and Attachment #6, Proposed Billing Analysis. Provide both the current and proposed billing analysis in Excel format with all formulas, rows, and columns fully accessible and unprotected.

Response: See file 1d_Rate_Study Tabs ExBA and PrBA

15. Refer to Black Mountain District's response to Staff's First Request, Item 6, Nonrecurring Charge Cost Justifications. Black Mountain District indicated a transportation charge of \$2 for all of its nonrecurring charges. Provide support for the proposed \$2 transportation expense.

Response: The \$2.00 in transportation is for fuel to the customers to get the meter.