

North Shelby Water Company
Case No. 2022-00317
Commission Staff's First Request for Information

Witnesses: David Hedges #1-2, #4-6, #9-14, #17-18
Robert K. Miller #3, #7-8, #15-16

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 ledger in Excel format for the years ended December 31, 2020, and December 31, 2021, and the year to date for 2022.
Response: See file 1a_General_Ledger
 - b. The trial balance in Excel format for the years ended December 31, 2020, and December 31, 2021, and the year to date for 2022.
Response: See file 1b_Trial Balance
 - c. Certificates of insurance and invoices for General Liability, Workers' Compensation, Automobile and property and casualty for 2021 and 2022.
Response: See file 1c_Insurance_Policies
 - d. Description of all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for the calendar years 2020 and 2021, and the year to date for 2022.
**Response: See files 1d_Employee_Benefits
 1d_Bonus**
 - e. Copy of the most recent invoice for 2022 for each employee benefit described above.
Response: See file 1e_Employee_Benefits_Invoices
2. Using a table format, provide an Excel document that describes job titles, hours worked, pay rates, total wages paid, and total FICA cost for each North Shelby Water employee in 2020 and 2021, and for the Proforma calculation. Include the date the employee was hired and, if applicable, the employee's termination date. If a position is recently vacated but the intent is to fill it note the vacancy and the amount

of time that it has been vacant. A column that includes total wages by employee (regular wages and overtime) and total for all employees should be provided.

**Response: See files 2_2020_Payroll
2_2021_Payroll**

3. Using the table described in Item 2, list each employee benefit, the employee's contribution, the employer's premium contribution, and the both the percentage and adjustment based on Bureau of Labor Statistics (BLS) contribution rates. For the health insurance benefit provided to each employee designate the coverage type (i.e., single, family, couple, or parent plus). If benefits other than medical insurance are provided, include a total column for the cost of all benefits excluding the BLS adjustment.

Response: See file 3_Medical_Benefits

4. Provide the minutes from North Shelby Water's Board of Directors meetings for the calendar years 2020, 2021, and 2022.

**Response: See files 4_Minutes_2020
4_Minutes_2021
4_Minutes_2022**

5. Provide a document listing the names of all North Shelby Water's Directors for each calendar year from 2020 to 2022, 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.). If not included in the minutes, provide the documentation that authorizes each director, their term, and current compensation.

**Response: See file 5_Commissioners_Compensation
5_Commissioners_FICA**

6. Provide documentation for any training that each director attended during 2021 and year to date 2022.

Response: North Shelby Water Directors have not attended training during 2021 and year to date 2022.

7. Refer to North Shelby Water's Application, Attachment 4, Schedule of Adjusted Operations and Revenue Requirements and References. Also refer to North Shelby Water's 2021 Annual Report.
 - a. Provide the workpapers that support each pro forma adjustment described in the Schedule of Adjusted Operations References in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response: See file 7_Rate_Study_2021 Tab SAO Columns I and L

- b. Provide a reconciliation, in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected, of the test year Total Operating Expenses of \$3,486,124 reported in the Schedule of Adjusted Operations to Utility Operating Expenses of \$3,615,792 as reported on page 20 of the 2021 Annual Report, Comparative Operating Statement.

Response: The Total Operating Expenses reported in the Schedule of Adjusted Operations was \$3,486,124. The Utility Operating Expenses reported on page 20 of the 2021 Annual Report Comparative Operating Statement was also \$3,486,124.

See file 7_Page_20_from_2021_PSC_Annual_Report

- c. Designate where interest income of \$13,965 that is reported on page 20 of the 2021 Annual Report is reported in either the Schedule of Adjusted Operations or the Revenue Requirements Schedule.

Response: Interest Income of \$13,965 was erroneously not included in the Schedule of Adjusted Operations or the Revenue Requirements Schedule submitted with the ARF Application, but has been included in the Revenue Requirements Schedule with this Response.

See File 7_Rate_Study_2021 Tab Revenue Requirements Cells C7 and C21

- d. For Reference Item B in the Schedule of Adjusted Operations, Salaries and Wages, provide a breakdown of the \$111,637 adjustment to the test year between (1) amount attributable to annualization of 2021 vacancies, (2) new hires after December 31, 2021, and (3) wage rate increases.

Response: The payroll analysis provided for 2021 contained values only; when the analysis was updated to compute the totals, we found that the payroll analysis was overstated by \$2,326 or 0.39%. As a result, the adjustment should be \$109,310. This has been updated in the payroll analysis and the rate study.

**See files: 2_Payroll_2021
7_Rate_Study_2021**

The vacancies were not annualized and there were no new hires after December 2021. The consultant was unable to reconcile back to the amount of Salaries and Wages-Employees reported in the 2021 Annual Report and therefore cannot compute the individual wage increases.

- e. State the average percentage amount of wage rate increases that is included in Reference Item B in the Schedule of Adjusted Operations, Salaries and Wages.

Response: The consultant was unable to reconcile back to the amount of Salaries and Wages-Employees reported in the 2021 Annual Report and therefore cannot compute the individual wage increases. However, the following calculation is offered:

2021 Gross Payroll excluding board members	\$590,584
Pro Forma Salaries and Wages	<u>\$603,647</u>
Wage Increase	\$ 13,063
Wage Percent Increase	2.21%

8. Refer to North Shelby Water’s Application, Table A, Depreciation Expense Adjustments. Also refer to North Shelby Water 2021 Annual Report. Provide a reconciliation of the difference between total assets of \$26,782,363 reported in Table A and total assets of \$28,303,611 reported on pages 16 and 27 of the annual report. Provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: The difference between the total assets reported in the annual report and the total assets reported in Application A Depreciation Expense Adjustments is attributable to removal of value of assets that have been fully depreciated for the purpose of computing the depreciation adjustment.

**See file 8_Depreciation_Schedule_2021_Modified_for_Rate_Study
Tab Reconciliation**

9. Provide the number of gallons of water purchased, the cost of purchases, and the average cost of purchases for each supplier by month and in total for the years ended December 31, 2020, and December 31, 2021, and the year to date for 2022.

**Response: See files 9_Water_Purchases_2020
9_Water_Purchases_2021-2022**

10. Provide the number of gallons of water sold by month year to date for 2022.

Response: See file 10_Gallons_Sold_2022

11. Refer to the Kentucky Public Service Commission Tariffs Library, North Shelby Water Company Contracts.

- a. Confirm that the Second Joint Operation Contract Amendment which was executed on September 17, 2019, with U.S. 60 Water District is the most recently executed amendment.

Response: The Second Joint Operations Contract Amendment is the most recently executed amendment.

b. State whether any amendments to the contract are anticipated during the remainder of 2022.

Response: There are no plans for any changes made to that Contract for 2022.

12. Provide the number of occurrences for which late fees were assessed during the calendar years 2017, 2018, 2019, 2020, and 2021, and the year to date in 2022.

Response:	Year	Occurrences
	2017	24
	2018	23
	2019	22
	2020	5
	2021	17
	2022	21

13. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that were assessed during the calendar years 2017, 2018, 2019, 2020, and 2021.

Response:

See file: 13_Nonrecurring_Charges_Occurences_and_Collections

North Shelby Water changed billing systems in mid-2019 and is unable to retrieve the requested data prior to that time.

Also, as a result of the new billing system, North Shelby Water no longer needs the following Non-Recurring Charges in their tariff:

- ✓ **Inspection of Service Line after working hours**
- ✓ **Meter Reading Recheck Charge**
- ✓ **Service Investigation Charge after working hours**
- ✓ **Meter Investigation Charge**
- ✓ **Meter Investigation Charge after working hours**

North Shelby Water requests that these items be removed from their tariff going forward.

14. Provide an updated cost justification sheet for each nonrecurring charge listed in North Shelby Water's tariff.

Response: See file: 14_Nonrecurring_Charge_Cost_Justification

15. a. State the last time North Shelby Water performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.

Response: It appears that North Shelby has not performed a COSS in the last 20 or more years. The most recent rate study was performed in 2009.

- b. Explain whether North Shelby Water considered filing a COSS with the current rate application and the reasoning for not filing one.

Response: North Shelby Water did not consider filing a COSS with the current rate application. There have been no material changes to their system that would create the need for a new COSS to be prepared.

- c. Explain whether any material changes to North Shelby 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 the North Shelby Water system that would create the need for a new COSS to be prepared.

- d. If there have been no material changes to North Shelby Water's system, explain when North Shelby Water anticipates completing a new COSS.

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

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

Response: North Shelby Water was unable to locate a copy of the most recent COSS study spreadsheets.

16. Refer to North Shelby 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 16a_Usage_Breakdown_By_Units_2021

- b. Provide a list of applicable adjustments made to the billing analysis and include an explanation of each adjustment.

Response: See file 16b_Adjustments_2021

17. a. Provide the date that North Shelby Water’s billing cycle begins with the reading of the meters.

Response: Cycle 1 monthly reads occur approximately during the 20th-23rd. Cycle 2 monthly reads occur approximately during the 23rd-25th.

b. State if the date that the billing cycle begins is the date that would be best stated as the effective date of any Order the Commission issues concerning rates in this case.

Response: Yes.

18. Refer to North Shelby Water’s response to Commission Staff’s First Request for Information Item 7(b). North Shelby Water stated that the total expense reported in the Schedule of Adjusted operations of \$3,486,124 was also the amount reported on page 20 of the 2021 Annual Report Comparative Operating Statement. A snapshot of page 20 of North Shelby Water’s amended 2021 annual report filing, which was filed on August 18, 2022, which reflects total operating expenses of \$3,615,792 is below. Commission Staff requests North Shelby to provide a reconciliation, in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected, of the test year Total Operating Expenses of \$3,486,124 reported in the Schedule of Adjusted Operations to the amount reported in the amended filing.

35400 North Shelby Water Company 01/01/2021 - 12/31/2021

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
UTILITY OPERATING INCOME		
Operating Revenues (400)	\$3,557,066.00	\$3,780,352.00
Operating Expenses (401)	\$2,696,907.00	\$2,814,286.00
Depreciation Expenses (403)	\$705,943.00	\$747,182.00
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408.10-408.13)	\$50,315.00	\$54,324.00
Utility Operating Expenses	\$3,453,165.00	\$3,615,792.00
Utility Operating Income	\$103,901.00	\$164,560.00

Response: The amended annual report reflects \$129,668 of adjusting journal entries prepared by the auditors following submission of the original annual report and composed of these expenses:

Pension and OPEB Expenses	\$129,045
Other Miscellaneous Expense Accruals	\$ 623
Total	\$129,668