

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF) CASE NO. 2022-00336
MCCREARY COUNTY WATER DISTRICT)

RESPONSE OF MCCREARY COUNTY WATER DISTRICT
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

FILED: November 18, 2022

MCCREARY COUNTY WATER DISTRICT

**Response to Commission Staff's First Request for Information
Case No. 2022-00336**

Question No. 1

Responding Witness: Stephen Whitaker

- Q-1. Refer to the proposed tariff filed into the Tariff Filing System and attached to the Commission Order entered on October 4, 2022 establishing this case (Proposed Tariff), PSC Ky No. 4, Original Sheet 3, Nonrecurring Charges. Explain why the Returned Check Charge is listed as \$8.05 instead of \$8.50, which was the amount approved by the Commission in the July 27, 2022 Order in Case No. 2021-003012**
- A-1. The listing of \$8.05 is a typographical error. The correct amount is \$8.50. McCreary County Water District apologizes for the error.

MCCREARY COUNTY WATER DISTRICT

Response to Commission Staff's First Request for Information Case No. 2022-00336

Question No. 2

Responding Witness: Stephen Whitaker

Q-2. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 9, Terms and Conditions of Billing and Payment, 4(i).

- a. Explain why the District provides a night depository box.**
- b. Explain why the payments placed into this night depository are not credited to the customer account until the next day and not credited to the previous day's receipts.**
- c. If a termination notice has been issued, explain why a payment placed into the night depository is not credited to the previous day's receipts.**

A-2. a. A night depository box is provided for the customer's convenience. The depository box allows customers who prefer to deliver their payment directly to the District's office but are unable to visit during business hours to do so. Some McCreary County Water District customers for various reasons are unable to take advantage of other forms of payment, for example, payment by credit card or check or bank draft or prefer not to make their payment by mail. Please note that several water utilities have provide night deposit boxes for customer payments. *See, e.g.,* Estill County Water District No. 1, PSC KY No. 4, Original Sheet No. 6; Hardin County Water District No. 1, PSC KY No. 1, First Revision Sheet No. 4; Hyden-Leslie County Water District, PSC KY No. 6, Original Sheet No. 4; LaRue County Water District No. 1, PSC KY. No. 3, Original Sheet 13.

b. The Board of Commissioners determined that payments not received before the end of the business day should not be credited to that day's receipts. Please note that other water utilities have adopted similar rules. *See, e.g.,* Estill County Water District No. 1, PSC KY No. 4, Original Sheet No. 6; Hardin County Water District No. 1, PSC KY No. 1, First Revision Sheet No. 4; Hyden-Leslie County Water District, PSC KY No. 6, Original Sheet No. 4. In *Hyden-Leslie County Water District*, Case No. 2021-00071 (Ky. PSC Aug. 4, 2021), the Public Service Commission found that such a rule was reasonable. *See also Deborah B. Schmidt and John R. Schmidt v. Union Light, Heat and Power Co.*, Case No. 2004-00454 (Ky. PSC Oct. 14, 2005). So long as customers are aware of the rule and how a utility records the payment, the matter is one of management discretion.

c. For customers issued a termination notice, a payment placed into the night depository box **is credited to the previous day's receipts.** McCreary County

Water District generally will not terminate service on the final payment date on the termination notice but will terminate service on the next business day after the final payment date. Prior to beginning terminations of service, McCreary County Water District office personnel will review night depository payments for payments from customers subject to a disconnect notice and will remove from the termination schedule any customer who has made the required payment the previous evening.

MCCREARY COUNTY WATER DISTRICT

Response to Commission Staff's First Request for Information Case No. 2022-00336

Question No. 3

Responding Witness: Stephen Whitaker

Q-3. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 33, Water Main Extensions, 15(b).

- a. Explain what McCreary District is seeking with the introduction of this policy to the main extension provision of the tariff.**
- b. Explain the time limitation of 90 days to have the fee credited to the cost of connection or main extension.**

A-3. a. Currently a cost estimate for a water main extension is provided at no charge. The proposed policy is intended to discourage requests for estimates from persons who are not seriously considering a water main extension by requiring those requesting the estimate to pay the costs incurred to prepare the estimate. It is also intended to protect ratepayers from subsidizing the cost of non-serious requests for estimates. McCreary County Water District expends a significant number of manhours to prepare an estimate. To prepare an estimate, a meeting between a waterline crew and the applicant must be scheduled. The waterline crew visits the site of the proposed extension with the application and determines from the applicant where a water meter to serve the application should be placed. The crew must locate the position of closest water line and measure the distance from that location to the desired metering point. This information is then provided to office staff to prepare the estimate, which is then reviewed by the District Superintendent. District personnel must then present and explain the estimate to the applicant.

Since McCreary County Water District presently serves approximately 95 percent of McCreary County, most of the requested estimates involve the District's outlying areas, which require significantly time and effort to locate water mains and determine the cost of an extension. Most requests for a cost estimate do not result in a request for extension. Requiring the party requesting an estimate to pay the costs to prepare the estimate is expected to reduce the number of requests from those not seriously considering an extension. The policy should not discourage those who are seriously interested in requesting an extension as any paid costs will be credited to the cost of the water main extension.

- b. McCreary District believes 90 days is adequate time for a prospective applicant to review the estimate and determine whether it will apply for a water main extension.

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**Response to Commission Staff's First Request for Information
Case No. 2022-00336**

Question No. 4

Responding Witness: Stephen Whitaker

- Q-4. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 16, Discontinuance and Reconnection of Service, 9(4)(d).**
- a. Explain what type of additions to the property or fixtures to be supplied or additional use to be made of water must be reported to the District under this provision.**
 - b. In regards to compliance with 807 KAR 5:006, Section 15(1), explain which condition failure to report additions to property or fixtures to be supplied or additional use to be made of water would fall under.**
- A-4.
- a. The construction of additional residences or housing units is an example of the additions that proposed rule seeks to address.
 - b. 807 KAR 5:006, Section 15(1)(a)(1), which provides that “[a] utility may terminate service for a customer’s failure to comply with applicable tariffed rules or 807 KAR Chapter 5 pertaining to that service.”

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Question No. 5

Responding Witness: Stephen Whitaker

Q-5. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 30, Rights and Responsibilities, 14(c)(4)(h). Explain in detail the meaning and inclusion of the policy in the tariff.

A-5. Please note that the provision is found in McCreary County Water District's current filed tariff and has been a provision in McCreary County Water District's tariff since the Public Service Commission permitted it to become effective on April 1, 1987. It is also found in the currently filed tariffs of several other water utilities. *See, e.g.,* Butler County Water System, Inc., PSC KY No. 2, Original Sheet No. 15; Laurel County Water District No. 2, Fifth Revised Sheet No. 11; Simpson County Water District, PSC KY No. 2, Original Sheet No. 19; Todd County Water District, Sheet No. 11.

The tariff provision is intended to protect utility facilities from unexpected or unanticipated demands that could damage those facilities. It requires the customer to advise the District of any significant increases in demand that may adversely affect the District's facilities. This provision allows the District to make any necessary changes to its facilities to meet the customer's increased demands. Increased water demand may adversely affect water flow and damage water mains. Moreover, a large increase in demand may have service implications for the District's sewer operations. Increased water flow is likely to result in increased customer wastewater flows that potentially may exceed the capacity of McCreary County Water District's pumping stations.

MCCREARY COUNTY WATER DISTRICT

**Response to Commission Staff's First Request for Information
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Question No. 6

Responding Witness: Stephen Whitaker

Q-6. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 30, Rights and Responsibilities, 14(c)(4)(i). Explain in detail the meaning and inclusion of the policy in the tariff.

A-6. The provision is intended to protect McCreary County Water District from liability to the residential customer for damage to the underground facilities, such as septic systems and underground geothermal units, owned by an applicant or customer that are located on the applicant/customer's property and that the customer fails to properly identify and mark. This provision does not extend to facilities that are owned by other utilities.

MCCREARY COUNTY WATER DISTRICT

**Response to Commission Staff's First Request for Information
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Question No. 7

Responding Witness: Stephen Whitaker

- Q-7. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 34, Leak Adjustments, 1g(a)–(h).**
- a. Explain why a customer must request a leak adjustment prior to payment of the bill for which the leak adjustment is sought.**
 - b. Explain why plastic pipe for repair of underground water service lines must be certified to withstand a working pressure of 200 pounds per square inch or greater and be CTS pipe.**
 - c. Explain why the use of radiator clamps, King Nipples or equivalent will not be accepted.**
 - d. Explain why an adjustment may only cover a maximum of two billing periods.**
 - e. Explain why a customer remains responsible for the full amount of the bill pending review of the leak adjustment request and why a customer's service will be discontinued for non-payment if not paid in full**
- 7.
- a. In light of the Public Service Commission's Order of September 27, 2022 in Case No. 2022-00313, McCreary County Water District proposes to eliminate the requirement that a customer must apply for a leak adjustment prior to payment for which the bill is sought.
 - b. While providing the leak adjustment as a courtesy to its customers, McCreary County Water District wishes to ensure that materials used to perform repairs are adequate to prevent future leaks and avoid additional requests for leak adjustments. After reviewing the proposed provision, it proposes to revise the rule to read: "Plastic pipe for repair of underground water service lines must be CTS or IPS pipe." It further proposes to delete the sentence referring to the use of radiator clamps, King Nipples or equivalent.
 - c. See response to Question 7b.
 - d. A leak adjustment is provided as a courtesy to the customer who suffers a significant leak that is difficult to detect. McCreary County Water District believes that two billing periods should allow a customer reasonably sufficient time to discover abnormally high water usage and to take measures to repair the leak. Limiting the adjustment to two billing periods is consistent with the practice of

other Public Service Commission-regulated water utilities that permit leak adjustments.

- e. In light of the Public Service Commission's Order of September 27, 2022 in Case No. 2022-00313, McCreary County Water District proposes to amend Section 16g of the proposed tariff to read:

A Customer remains responsible for the full amount of bill pending review of the Customer's request. Discontinuance of service for nonpayment of the full amount of the bill, however, shall not be made until review of the request is completed, a final decision on the request is issued, a bill reflecting the review's results has been issued and the Customer has had an opportunity to pay that bill in accordance with the terms of the District's Rules and Regulations. No late payment fee shall be assessed against the Customer for nonpayment of the amount unless the Customer fails to pay the amount owed on the bill reflecting the results of the final decision.

While the customer remains responsible for the unadjusted bill, full payment of the bill is not required nor is the customer subjected to any consequences for nonpayment until a final adverse decision on his or her application. The policy is consistent with existing law. KRS 278.160(2) requires a utility charge a customer the rate established in a utility's filed rate schedules for service provided. McCreary County Water District must bill the customer for the volume of water provided. The obligation to pay the billed charges related to the delivery of the full volume of water does not terminate upon the customer's application for a leak adjustment. It continues until McCreary County Water District has reviewed the application and made a final determination that the requirements in its tariff for an adjustment have been satisfied.

The policy's provisions are fully consistent with 807 KAR 5:006, Section 11(6). They prohibit any discontinuance of or interference with the customer's service until a final adverse determination is made on the customer's application. Once that determination is made, a bill reflecting that determination is issued. At that point, there is no longer a billing dispute. If the customer fails to pay the bill, McCreary County Water District may terminate the customer's service upon proper notice.

MCCREARY COUNTY WATER DISTRICT

**Response to Commission Staff's First Request for Information
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Question No. 8

Responding Witness: Stephen Whitaker

Q-8. Refer to the Proposed Tariff, PSC Ky No. 4, Original Sheet 36, Bill Format, 18(a).

- a. Explain whether the billing format contains the date the bill is issued.**
- b. Provide the location on the billing format the date the bill is issued is located.**
- c. Explain whether the billing format contains the class of service.**
- d. Provide the location on the billing format the class of service is located.**

- A-8.
- a. The current billing format does not contain the date of issuance. McCreary County Water District is revising its billing format to include the date of issuance and will file a copy of the revised format with the Public Service Commission when it is completed.
 - b. See response to Question 8a
 - c. The billing format does not contain a class of service. Water service rates are not based upon defined customer classification. Except for seven customers who are specifically identified in McCreary County Water District's tariff, all customers are billed in accordance with the same rate schedule.
 - d. See response to Question 8c.

MCCREARY COUNTY WATER DISTRICT

Response to Commission Staff's First Request for Information Case No. 2022-00336

Question No. 9

Responding Witness: Stephen Whitaker

Q-9. Refer to the Proposed Nonrecurring Charge Cost Justification.

- a. For each Cost Justification sheet that has a charge that lists Clerical and Office Expense, Supplies of \$5.00, provide a detail explanation of the items included in this charge.**
- b. For each Cost Justification sheet that has a charge that lists Miscellaneous Expense, Transportation of \$7.50, provide a detail explanation of the items included in this charge, and provide any calculation or assumptions made to develop the amount for this charge.**
- c. For each Cost Justification sheet that is for an After Hour charge and has a charge that lists Field Expense, Labor of \$41.25, provide a detailed explanation of the items included in this charge, and provide any calculation or assumptions made to develop the amount for this charge.**

- A-9. a. In Case No. 2021-00301, the Public Service Commission at the recommendation of Commission Staff made several revisions to McCreary County Water District's charges for non-recurring services. Among the charges revised were the District's meter re-read charge, meter test charge and reconnect charge. Commission Staff recommended reductions in those charges to remove all labor costs. In preparing the cost justification for all new nonrecurring services listed in the proposed tariff, the District assumed the same costs to provide those services as those that Commission Staff used to determine the current charge for the meter re-read charge, meter test charge and reconnect charge.

McCreary County District has reviewed its procedures and its records regarding the past non-recurring charges and had found no clerical office expense, other than labor, involved in the provision of those services. The clerical cost of \$5.00 should be removed.

- b. See response to Question 9a regarding how the proposed charges were originally determined.

Based upon the location of McCreary County Water District's water treatment facility and its related buildings, it estimates that the round-trip distance to the farthest locations from those facilities to provide any nonrecurring service would be 40 miles. Assuming that the average round-trip travel distance would be one-

half of that distance, twenty (20) miles should be used to calculate the transportation expense. Using the current Internal Revenue Service mileage rate of \$0.625 per mile, the transportation cost should be \$12.50.

- c. See response to Question 9a regarding how the proposed charges were originally determined.

The calculations for labor cost are shown below. McCreary County Water District has not included the cost of health, dental or life insurance. It assumes that these costs would be included only in regular pay as an employee would receive those benefits even if he or she did not perform any overtime work. Workers Compensation percentage was determined by dividing the adjusted test period cost of such insurance by adjusted test period wages as determined in Case No. 2021-00301.

<u>Employee Position</u>	<u>Hourly Wage</u>	<u>Average Hourly Labor Cost</u>	<u>Average Overtime Hourly Labor Cost</u>
Distribution Controller	\$26.68		
Distribution Line Foreman	\$25.00		
Distribution Line Foreman	\$20.00		
Distribution Lineman	\$18.00		
Distribution Lineman	\$19.00		
Distribution Lineman	\$15.00		
Distribution Lineman	\$15.00		
Distribution Lineman	\$14.00		
Distribution Lineman	\$15.00		
Distribution Lineman	\$15.00		
Total		\$18.27	\$27.40
Employee Benefit Costs	Percent of Wages		
Workers Comp	1.20		
FICA Taxes	6.20		
Medicare	1.45		
Retirement	24.60		
Utility Responsibility	33.45	\$ 6.11	\$ 9.17
Total Average Hour Cost		\$24.62	\$36.57