

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC APPLICATION OF BATH COUNTY WATER
DISTRICT FOR A RATE ADJUSTMENT) CASE NO. 2022-00404
PURSUANT TO 807 KAR 5:076)**

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

Bath County Water District submits its Response to the Commission Staff's First Request for Information.

Date: February 10, 2023

Respectfully submitted,



Sarah Price
Co-Manager
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Salt Lick KY 40371
606-683-9917
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VERIFICATION

STATE OF KENTUCKY)
)
COUNTY OF WOODFORD)

The undersigned, Holly Nicholas, being duly sworn, deposes and states that she is the Consultant to the Bath County Water District and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained herein are true and correct to the best of her information, knowledge, and belief.

Holly Nicholas
Holly Nicholas

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8th day of February 2023.

MARK SCOTT STEPHENS
NOTARY PUBLIC
STATE AT LARGE
KENTUCKY
COMMISSION # KYNP64424
MY COMMISSION EXPIRES February 1 2027

Mark Scott Stephens (SEAL)
Notary Public

My Commission Expires 02/01/2027

Notary ID: KYNP64424

ATTACHMENT 1

BATH COUNTY WATER DISTRICT

RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION CASE NO. 2022-00404

Question No. 1

Responding Witness: Sarah Price

Q.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 (at an individual transaction level), including audit adjustments, in Excel format for the years ended December 31, 2020, 2021, and year to date 2022. Individual month files should not be provided.
 - b. The trial balance, including audit adjustments, in Excel format for the years ended December 31, 2020, 2021, and year to date 2022. Individual month files should not be provided.
 - c. Provide certificates of insurance and all invoices for General Liability, Workers' Compensation, Automobile and property and casualty for 2021 and 2022.
 - d. Provide a description (specify life, health, dental, medical, vision, supplemental, retirement, flex spending, etc) of all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for the calendar years 2020, 2021, and year to date 2022. State the amount of each benefit that employees are required to contribute.
 - e. Provide a copy of one invoice for 2022 for each employee benefit described above.
 - f. Provide a detailed fixed asset listing in Excel format.
 - g. Provide the minutes from Bath District's Board of Commissioners meetings for the calendar years 2020, 2021, and 2022.
 - h. State whether water district commissions received any benefits other than salary, and if so, identify those benefits.
 - i. Provide training records for each commissioner for 2020, 2021, and 2022.
- a. Excel spreadsheets of the general ledger for 2021 and 2022 are uploaded to Case file. The District changed accounting programs at the end of 2022 and only two years of data was kept so year 2020 is no longer available.
- b. Excel spreadsheets of the trial balance for 2021 and 2022 are uploaded to Case file. The District changed accounting programs at the end of 2022 and only two years of data was kept so year 2020 is no longer available.
- c. Insurance Certificates are uploaded to Case File.

- d. Employee benefits paid 100 percent by the District are: health, vision, flex spending, retirement, and a \$15,000 life insurance policy for each employee. Benefits paid 100 percent by the employees who chose to take the benefits are: Supplemental (Aflac), short and long term disability. All of these benefits were available to employees in 2020, 2021, and 2022.
- e. Invoices for health, retirement, and life insurance benefits are uploaded to the Case file.
- f. The PDF file listing its fixed assets was converted to an Excel file. The resulting file's format is not exactly like the PDF file.
- g. Minutes for Board meetings for 2020, 2021, and 2022 are uploaded to Case file.
- h. Water District Commissioners only receive a salary.
- i. Training for the one new Board member during the years listed by the PSC Request is uploaded to the Case file.

ATTACHMENT 2

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 2

Responding Witness: Holly Nicholas

Q.2. Refer to the Application, Exhibit C, Schedule of Adjusted Operations and Revenue Requirements and References. Provide the workpapers that support each proforma adjustments described in the References in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

A.2.

Excel spreadsheets developed during the rate application preparation are uploaded to the Case file. There is one Excel file with 5 separate worksheets within it.

ATTACHMENT 3

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 3

Responding Witness: Holly Nicholas and Sarah Price

Q.3. Refer to the Application, Exhibit C1, Salary Changes 2021-2022. Refer also to the December 2021 General Ledger filed with the application in the PDF titled "GL_12.21.pdf." A cross walk of the information provided is below.

	Test Year	Increase/Decrease	Pro Forma
Regular	\$363,397	\$(6,742)	\$356,655
OT	9,193	445	9,637
Incentive Pay	\$10,361	(10,361)	0
Sub Total	382,951	(16,659)	366,292
Capitalized Labor	(12,768)	12,768	0
Total	\$370,183	(3,891)	\$366,292

- a. Describe the nature of the incentive pay of \$10,361 and provide the authority for its issuance (i.e., written personnel policy, commission minutes, etc.)
- b. State whether incentive pay should have been included in the Pro Forma amount.
- c. Explain why an assumption about capitalized labor was not incorporated into the Pro Forma amount.

A.3.

- a. For the \$100, \$400, and \$500 incentive pay, there is no written policy. However, it is approved by the Board when preparing the budget. This works as follows: each employee (excluding the co-managers) will be evaluated in the month of their hire date. If their evaluation meets a certain point criterion, then they will receive a \$100 incentive payment. Then in November, when the budget is being discussed, the Board will vote to either pass the incentive payment of \$400 to each employee (excluding co-managers) or not. The co-managers do not receive a \$100 incentive payment throughout the year; therefore, the Board votes to either pass or fail the incentive payment of \$500 for the co-managers in November. The idea is so that each employee has the opportunity to receive \$500 per year as an incentive payment. The only time they would not receive the full \$500 is if they Board does not pass the incentive payment in the November meeting or if they do not meet the point requirement in their evaluation. Lastly, if an employee has not been with the District for the majority of the year, then the Board may decide on a

different amount to pay as an incentive payment based on their time and performance. The District is taking steps to formally add the incentive pay to its personnel policies.

- b. The incentive pay should have been included in the Pro Forma amount; this was an oversight on my part.
- c. It did not occur to me that I should break out the capitalized labor. For Alternative Rate Filings, the most recent PSC Annual Report is the basis and the salary listed in the report isn't broken out between capitalized and non-capital labor. But in retrospect I should have separated out the labor as it was listed separately in the general ledger.

ATTACHMENT 4

BATH COUNTY WATER DISTRICT

RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION CASE NO. 2022-00404

Question No. 4

Responding Witness: Holly Nicholas

Q.4. Refer to the Application, Exhibit C3, Health Insurance/Retirement 2021-2022. Refer also to the December 2021 General Ledger filed with the application in the PDF titled GL_12.21.pdf." A cross walk of the information provided is below:

	Test (refer to general ledger)	Change	BLS Adjustment ()	Pro Forma
Life	\$1,749	\$ -		\$1,749
HRA FEBCO	23,946	18,054		42,000
Health	\$122,568	(6,638)	(57,388)	58,542
Retirement	96,608	(4,821)		91,787
Total	\$244,871	\$6,595	\$(57,388)	\$194,078

- a. Explain the difference between the reported general ledger HRA FEBCO amount of \$23,946 and the amount reported in Exhibit C3 on page 11 of \$47,600.
- b. The change in retirement of \$4,821 is not self-evident from the information provided in Exhibit C3. Provide documentation that walks the test year pension to the Pro Forma.
- c. State the County Employees' Retirement System (CERS) contribution percentage that is being used to calculate the Pro Forma Retirement cost.

A.4.

- a. This was a misunderstanding on my part. The District provided the information which was the "budgeted" amount for the FEBCO. The amount listed in the general ledger is different because it is the actual expense. Not all employees used their available amount.
- b. In 2021 the District per records they provided paid \$96,607.85 into the CERS. In 2022, they paid \$49,061.54 for the first six months, then \$42,725.76 for the second six months of 2022. The CERS adjust the percentage in the middle of the year; for 2022 the percentage declined plus the District had a retirement of one staff person in the first half of the year, so the total amount paid into CERS for 2022 was \$4,820.55 less than the amount paid in 2021. $\$91,787.30 (49,061.54 + 42,725.76)$ paid in 2022 less $\$96,607.85$ paid in 2021 = $(\$4,820.55)$.
- c. Effective 7/1/21 – 6/30/2022 = 26.95%
Effective 7/1/22 – 6/30/2023 = 26.79%

ATTACHMENT 5

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 5

Responding Witness: Holly Nicholas

Q.5. Refer to the Kentucky Infrastructure Authority (KIA) Infrastructure Revolving Loan Fund Conditional Commitment Letter (B22-003) filed as Exhibit G3 to the application. Provide attachments "A" and "B" that are referred to in the Conditional Commitment Letter.

A.5. Complete Conditional Commitment Letter is uploaded to Case File.

ATTACHMENT 6

BATH COUNTY WATER DISTRICT

RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION CASE NO. 2022-00404

Question No. 6

Responding Witness: Holly Nicholas

Q.6. Refer to the application, Exhibit C4, Purchased Water Adjustments 2021-2022 and to the general ledgers in aggregate.

- a. The information provided states water purchases for Year 2021 were entirely from Morehead and Mt. Sterling. However, the general ledger reflects water purchases from Frenchburg and Owingsville totaling \$47,633.40 (table below). Explain the discrepancy and state whether purchase information should be modified.**

Account 610-001

Month	MUPB	Frenchburg	Mt Sterling	Owingsville	Total
Jan	68,139.74	257.66	4,503.08	3,873.50	76,773.98
Feb	64,382.91	262.19	4,421.36	4,355.40	73,421.86
Mar	81,944.51	297.71	5,579.30	4,035.15	91,856.67
Apr	74,547.72	458.17	4,530.39	3,519.70	83,055.98
May	71,281.16	782.04	5,235.07	3,519.70	80,817.97
Jun	78,828.70	1,241.55	5,694.21	3,385.20	89,149.66
Jul	78,760.12	799.13	6,636.48	3,765.33	89,961.06
Aug	78,441.12	259.52	5,816.86	3,922.62	88,440.12
Sep	77,627.67	288.36	5,834.96	3,216.42	86,967.41
Oct	80,546.52	245.11	5,119.43	2,709.24	88,620.30
Nov	53,636.72	230.96	5,850.10	2,863.32	62,581.10
Dec	81,133.48	395.43	5,826.10	2,949.99	90,305.00
Total	\$889,270	\$5,518	\$65,047	\$42,116	1,001,951

- b. Explain why water purchases "At Previous Rate" of \$1,030,121.06 in Exhibit C4 do not tie to full year water purchases of \$1,001,951.11 as reported in the general ledger and provide updated information as appropriate.**

A.6.

- a. The purchased water data used in the application was provided by the District. They overlooked the fact that they did purchase water from Frenchburg and Owingsville in addition to Morehead and Mt. Sterling. I did not pick up there being purchases from Frenchburg and Owingsville when looking at the general ledger. Bath Water sells water to Frenchburg and Owingsville; then purchases a small amount of water back from the two**

cities to serve District customers on the far side of Frenchburg and Owingsville. The PSC Annual Report only lists purchases from Morehead and Mt. Sterling. The District provided data that showed how much was purchased from these two suppliers in 2021 and it matched the PSC report.

The data listed by the PSC staff should be used in the application since it was on oversight on my part of not recognizing the entries in the general ledger were for water purchased and not just water sold.

A spreadsheet is uploaded with this filing that shows the amounts billed by all four suppliers for 2021 – matching the general ledger. Also, the table shows the gallons purchased from each supplier. If the amount of water purchased in 2021 is bought at the current rates it would result in the District incurring an additional \$60,230.72 in purchased water expense. The purchased water information is hereby modified as outlined in the Excel spreadsheet.

- b. The cost of water purchased shown in Exhibit C4 under the Column “At Previous Rate” was calculated on the amount of water purchased times the rate in effect prior to the approved 2022 purchase water adjustments. The difference between this amount and the general ledger is most likely due to me not realizing at the time of completing the ARF there had been a purchase water adjustment application filed and approved by the Commission in 2021. I calculated the water purchased using one rate from Morehead when I should have calculated water purchased from Morehead from January through April 15, 2021, at one rate and the balance of the year purchased from Morehead at the revised rate. The omission of the other two suppliers also makes the difference shown in Exhibit C4 not correct.

ATTACHMENT 7

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 7

Responding Witness: Sarah Price

Q.7. Provide the number of gallons of water purchased, the cost of purchases and the average cost of purchases for each supplier and in total for year to date 2022.

A.7.

An Excel file showing the water purchased in gallons and cost from each supplier for 2022 is uploaded to the Case File.

ATTACHMENT 8

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 8

Responding Witness: Sarah Price

Q.8. Provide the number of gallons of water sold year to date 2022.

A.8

Total gallons sold in 2022 = 430,420,0104

ATTACHMENT 9

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 9

Responding Witness: Sarah Price

Q.9. Provide the number of occurrences and the dollar amount for late fees that were assessed during the calendar years 2017, 2018, 2019, 2020, 2021, and year to date 2022.

A.9.

LATE FEES		
Year	No. Occurrences	Amount
2017	9,849	\$37,284.96
2018	2,564	\$9,824.45
2019	9,461	\$35,733.07
2020	1,503	\$5,254.13
2021	7,724	\$29,330.44
2022	8,984	\$34,454.91

ATTACHMENT 10

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 10

Responding Witness: Sarah Price

Q.10. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the calendar years 2017, 2018, 2019, 2020, 2021, and 2022.

A.10.

RETURN CHECK FEES		
Year	No. Occurrences	Amount
2017	53	\$1,060
2018	20	\$400
2019	51	\$1,020
2020	30	\$560
2021	33	\$640
2022	39	\$751.16

SERVICE CHARGES		
Year	No. Occurrences	Amount
2017	1,178	\$23,170
2018	309	\$6,120
2019	1,016	\$20,380
2020	464	\$9,290
2021	940	\$18,820
2022	962	\$19,270

ATTACHMENT 11

BATH COUNTY WATER DISTRICT

RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION CASE NO. 2022-00404

Question No. 11

Responding Witness: Holly Nicholas

Q.11. Provide an updated cost justification sheet for each nonrecurring charge listed in Bath District's tariff.

A.11

Updated cost justification sheets have been uploaded to the case file. Cost justifications have been submitted for:

1. Connection/reconnection, field collection, and meter re-read
2. Service call, service line inspection
3. Meter Test
4. Tap Fee

The District will no longer charge for returned checks as the Bank they utilize has informed them that they will no longer charge the District a fee for a returned check.

ATTACHMENT 12

BATH COUNTY WATER DISTRICT

**RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION
CASE NO. 2022-00404**

Question No. 12

Responding Witness: Sarah Price

- Q.12. a. Provide the date that Bath District's billing cycle begins (meter read date).**
- b. State whether 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.**

A.12.

- a. Meter reading cycle begins on/about the 10th of the month and is completed within approximately 2-3 days. Bills are prepared after that and mailed by the last working day of each month.
- b. It would be acceptable for the effective date of any order of the Commission to be on/about the 10th of the month.

ATTACHMENT 13

BATH COUNTY WATER DISTRICT

RESPONSE TO COMMISSIONS STAFF'S FIRST REQUEST FOR INFORMATION CASE NO. 2022-00404

Question No. 13

Responding Witness: Holly Nicholas

Q.13.

- a. State the last time Bath District performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.**
- b. Explain whether Bath District considered filing a COSS with the current rate application and the reasoning for not filing one.**
- c. Explain whether any material changes to Bath District's system would cause a new COSS to be prepared since the last time it has completed one.**
- d. If there has been no material changes to the Bath District's system, explain when Bath District anticipates completing a new COSS.**
- e. Provide a copy of the most recent COSS that has been performed for Bath District's system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.**

A.13.

- a. The District has not ever had a cost of service study completed to the best of the knowledge of current District staff and Board of Commissioners.**
- b. The District did not consider filing a COSS with the current rate application.**
- c. There have been no changes to the District's system that would warrant a COSS; it is a rural water district with majority residential customers.**
- d. Since the District does not anticipate any material changes to its system that would require a cost of service study; one is not planned for the foreseeable future.**
- e. No COSS has been done for the District therefore, there are no study and spreadsheets to submit.**