

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
LETCHER COUNTY WATER & SEWER DISTRICT)	2022-00431



RESPONSE OF LETCHER COUNTY WATER & SEWER DISTRICT
TO THE COMMISSION STAFF'S INITIAL REQUEST FOR
INFORMATION DATED FEBRUARY 16, 2023

Letcher County Water & Sewer District
Case No. 2022-00431
Commission Staff's First Request for Information

Witnesses: Mark Lewis (1-9, 11-21)
David Foster (10)

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 calendar year 2021 general ledger for Letcher District's water division.

Response: See file - 1a_LCWSD-_General_Ledger_2021

b. The calendar year 2021 general ledger for Letcher District's sewer division.

Response: Letcher District does not maintain separate financial records for its sewer operations. Additionally, the Millstone Sewer System is a small decentralized non-traditional WWTP in the Millstone area of Letcher County. The WWTP is a peat moss system and currently provides service to approximately 5 households in the area with the remaining customers homes being destroyed by flood waters. The facility was also destroyed during the recent flood event on July 28, 2022 and the District is going to decommission the facility.

c. The Adjusted Trial Balance for Letcher District's water division showing unaudited account balances, audit adjustments, and audited balances for the calendar year ended 2021 in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: See file - 1c_LCWSD_wtb_&_adjustments_2021

*Of note, Letcher Districts auditor did not complete their audit in time for the Annual Report filing deadline of March 31, 2021 with the Kentucky Public Service Commission. As a result, Letcher District had a local CPA file the Annual Report based on unaudited financial records in order to meet the filing deadline. At the time of the filing of the rate case, Letcher's auditor had still not completed the audit. It has been since been completed and at the time of this data response Letcher's auditor has informed the district that it anticipates updating the Annual Report on file with the commission no later than the end of the week of 3/20/23 – 3/24/23.

d. The Adjusted Trial Balance for Letcher District's sewer division showing unaudited account balances, audit adjustments, and audited balances for the calendar year ended 2021 in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: See response to 1b.

2. Using a table format provide the names, job titles, job description, and pay rates for each Letcher District employee on December 31, 2020, December 31, 2021, December 31, 2022, and for those currently employed in 2023. Include the date the employee was hired and if applicable the employee's termination date. Provide the requested tables in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response: See file - 2_LCWSD_Staffing_Records

3. Using a table format, provide the regular hours, overtime hours, and other hours (identify) for each employee identified in Letcher District's response to item 1 .d. for the calendar years 2020, 2021, and 2022. Provide the requested table in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response: See response to 1b.

4. Provide a description of all employee benefits, other than salaries and wages, paid to, or on behalf of, each employee for the calendar years 2020, 2021, and 2022.

Response: Letcher District provides Health Insurance, Retirement (CERS) through the city of Whitesburg, Life Insurance, FEBCO card, and an HRA account.

5. For each employee benefit listed in Letcher District's response to Item 4., provide the total monthly premium per employee for each benefit, the employer premium contribution, and the employee premium contribution.

Response: See file - 5a_LCWSD_Benefits_2020
5a_LCWSD_Benefits_2021
5a_LCWSD_Benefits_2022

6. For each employee listed in Item 2 above, describe how Letcher District allocated their payroll and payroll overhead charges between the sewer and water divisions in calendar year 2021. This response shall include a detailed explanation of all

allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

Response: See response to 1b. As a result, Letcher District did not allocate charges between the water and wastewater operations.

7. a. List all joint or shared costs that Letcher District incurred during the Fiscal Years 2021 and 2022. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

Response: Letcher District does not track this in their financial records. See response to 1b.

b. Describe the procedures Letcher District uses to allocate joint and shared costs between its divisions.

Response: Letcher District does not have any allocation procedures. See response to 1b.

8. Provide all internal memorandums, policy statements, correspondence, and documents related to Letcher District's allocations of joint and shared costs.

Response: No such documents exist.

9. a. Provide the minutes from Letcher District's Board of Commissioners meetings for the calendar years 2020, 2021, 2022, and 2023.

Response: See file - 9a_LCWSD_Board_Minutes_2020
9a_LCWSD_Board_Minutes_2021
9a_LCWSD_Board_Minutes_2022
9a_LCWSD_Board_Minutes_2023

b. Provide a document listing the names of all of Letcher District's Commissioners for each calendar year 2020, 2021, 2022, and 2023, and state, individually, the total amount of each benefit paid to, or on the behalf of, each Commissioner during each year (ie., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.).

Response: See file - 9b_LCWSD_Board_Members

c. Provide the Fiscal Court minutes approving each commissioner's appointment and compensation.

Response: At the time of this filing, Letcher District has not been able to locate the Fiscal Court minutes. Letcher District will continue to try and locate those documents and will file them when/if found.

10. Refer to Letcher District's Application, Attachment 4, Schedule of Adjusted Operations – Water Utility, References, and Adjustment Calculations. Provide the workpapers that support the pro forma adjustments described in the References page of Attachment 4 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response: See file - 10_LCWSD_Adjustments

11. Letcher District explained in Case No. 2020-00037, that it purchases water from the following wholesale water suppliers: Knott County Water and sewer District; the city of Whitesburg; and the city of Jenkins.

a. For each identified wholesale water supplier, provide legible copies of Letcher District's purchased water invoices for the 16-month period from November 1, 2020, through February 28, 2022.

Response: See files - 11a_LCWSD_City_of_Jenkins_Water_Bills
11a_LCWSD_Knott_County_Water_Bills
11a_LCWSD_Knott_County_Water_Bills_(2)
11a_LCWSD_Perry_County_Water_Bills
11a_LCWSD_Whitesburg_Water_Bills

b. For each identified wholesale water supplier provide a table in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible the information requested in the table format below using the invoices provided by Letcher District in its response to item 11.a.

Response: See files - 11b_LCWSD_JENKINS_UTLITIES
11b_LCWSD_KNOTT_CO_1663
11b_LCWSD_KNOTT_CO_4159
11b_LCWSD_PERRY_COUNTY_WATER_SEWER
11b_LCWSD_WHITESBURG_DRY_FORK
11b_LCWSD_WHITESBURG_LITTLE_COWAN
11b_LCWSD_WHITESBURG_SANDLICK

12. Provide an overview of any actions planned or taken by Letcher District to reduce its water loss, including any water loss reduction plan.

Response: See file - 12_LCWSD_Water_Loss_Surcharge

13. Refer to Letcher District's Application, Attachment 4, Adjustment Calculations, Adjustment Reference D and E. Given that Letcher District has a corrected test-year water loss of 24.98 percent, explain why it did not request that the Commission authorize it to collect a water loss reduction surcharge.

Response: See response to 12.

14. State when Letcher District last conducted a cost of service study (COSS) to review the appropriateness of its current rates and rate design.

Response: Letcher District is unsure when the last time a Cost Of Service Study was performed.

a. Explain whether Letcher District considered filing a COSS with the current rate application and the reasoning for not filing one.

Response: Letcher District did not consider filing a COSS with the application because there have been no material changes to the District's system requiring the need for a new COSS.

b. Explain whether any material changes to Letcher District's system would cause a new COSS to be prepared since the last time it has completed one.

Response: See 14a.

c. If there have been no material changes to Letcher District's system, explain when Letcher District anticipates completing a new COSS.

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

d. Provide a copy of Letcher District's most recent COSS in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: No COSS exists.

15. a. Identify the number of new connections (meters) that Letcher District installed in calendar years 2021 and 2022.

Response: See file - 15a_LCWSD_New_Connections

b. Identify the amount of tap-on fees Letcher District collected in calendar years 2021 and 2022.

Response: See file - 15b_LCWSD_Tap_Fee_Collected

c. Identify the account where Letcher District recorded its tap-on fees.

Response: All payments are deposited into their revenue account.

d. State whether Letcher District keeps a record of the dollar amounts of labor and materials used to install new customer taps. If so, state the amount of labor expense and materials expense for the test year and where it is located in the general ledger. Separately, state the amounts expensed to install each new meter during the test year.

Response: Letcher District does not keep these records.

e. Provide revised cost justification sheets to support any changes to Letcher District's Meter Connection Tap-on Fee(s).

Response: Letcher District will complete these and file them at a later date.

16. Provide the number of occurrences for which late fees were assessed during the calendar years 2019, 2020, 2021, and 2022.

Response: 2019 – (12)
2020 – (2)
2021 – (12)
2022 – (12)

17. 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 2019, 2020, 2021, and 2022.

Response: See file - 17_LCWSD_NonRecurring_Charge

18. Provide an updated cost justification sheet for all nonrecurring charges listed in Letcher District's tariff.

Response: Letcher District will complete these and file them at a later date.

19. Refer to the Application, Attachment 7, 2020 Depreciation Schedule that reports calendar year 2020 depreciation expense of \$831,961. Provide a copy of Letcher District's 2021 depreciation Schedule in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that supports its reported test-year depreciation expense.

Response: See file - 19_LCWSD_Depreciation

20. Refer to the Application, Attachment 8, Outstanding Debt Instrument Promissory Note, and Letcher District's Amortization Schedules submitted on January 17, 2023. For each debt issuance that is still active; provide the case number in which the Commission authorized Letcher District to issue the debt.

Response: Letcher District is unsure, at the time of this filing, what the case numbers were in which the debts were authorized. Letcher will file its response once it has determined the case numbers.

21. Refer to Letcher District's Application, Attachment 6, Billing Analysis, Current and Proposed Rates.

a. Provide the billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response: See file - 21a_LCWSD_Billing_Analysis

b. Provide the source of the 2021 usage data presented in the Billing Analysis, and state whether any adjustments were made to the data.

Response: See file - 21b_LCWSD_Billing_Data_2021

Letcher District had problems with some of their meters periodically registering negative gallons. In instances where that occurred Letcher removed those numbers from the billing analysis.

c. Provide a list of any adjustments made to the data and include an explanation of each adjustment.

Response: See 12b.