

**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 SECOND REQUEST FOR  
INFORMATION DATED APRIL 3, 2023

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

**Witnesses:** Mark Lewis (9.a, b, & c, 10)  
David Foster (1, 2, 3, 4, 5, 6, 7, 8, 9.d, e)

1. Refer to Letcher District's response to Commission Staff's First request for Information (Staff's First Request) filed on March 20, 2023, Item 1.a, Excel Workbook: 1a\_LCWSD\_General\_Ledger\_2021.xlsx. For each operating expense account listed in the table below, provide a schedule that includes the following: a detailed description of each account entry that exceeds \$1,000; identify whether any of the expenditure has been capitalized; and provide copies of all invoices or work orders related to that expenditure.

a.	Account 620.50 – Materials and Supplies	\$48,035
b.	Account 632.00 – Contract Labor	\$53,512

**Response:** None of the expenses listed in Materials and Supplies \$48,035 or Contract Labor \$53,512 were capitalized.

2. Refer to Letcher District's responses to Staff's First Request, Item 1.c, Excel Workbook: 1c\_LCWSD\_wtb\_adjustments\_2021.xlsx and to the revised 2021 Annual Report filed March 23, 2023 (Revised 2021 Annual Report), pages 50-51. Provide a schedule in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that reconciles the Operating Expense account totals listed in the 2021 trial balance column "P&L" to the amounts that are listed in the revised 2021 Annual Report. Include a detailed explanation for each difference noted in Letcher District's reconciliation schedule.

**Response:** See file: LCWSD\_WTB\_to\_PSC\_reconciliation\_2021

3. Refer to Letcher District's response to Staff's First Request, Item 1.c, Excel Workbook: 1c\_LCWSD\_wtb\_adjustments\_2021.xlsx and to the Revised 2021 Annual Report, pages 50-51. Provide a schedule in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible that lists the accounts listed in the 2021 trial balance column "P&L" that were combined to arrive at the miscellaneous expense total listed in the revised 2021 Annual Report of \$110,222.

**Response:** The amount listed for miscellaneous expense in question is \$110,222. This amount does not tie to the revised PSC report of \$13,055.

4. Refer to Letcher District's response to Staff's First request, Item 1.c, Excel Workbook: 1c\_LCWSD\_wtb\_adjustments\_2021.xlsx and to the Revised 2021 Annual Report, pages 50-51. Provide a detailed explanation as to why the revised 2021 Annual Report expense accounts totals equal the 2021 Trial Balance totals in column "12/31/2021 Dr(cr)" and not the totals listed in column "P&L."

a. Account No. 604.00 – Pensions and Benefits	\$	125,324
b. Account No. 610.00 – Purchased Water	\$	786,357
c. Account No. 635.00 – Water Quality Monitoring	\$	4,669

**Response:** The amounts listed are prior to the adjusting journal entries.

5. Refer to Letcher District's Application, Attachment 5, Revenue Requirement Calculation – Debt Coverage Method and to the revised 2021 Annual Report, page 20.

a. In its Revenue Requirement calculation, Letcher District used Nonutility Income of \$71,396. However, the revised 2021 Annual Report lists in Account No. 421 – Nonutility Income of \$425,623. Provide a detailed explanation for the discrepancy between the two numbers.

**Response:** In its Revenue Requirement calculation, Letcher District used the amount of \$71,396 for Nonutility Income instead of the \$425,623 in the unrevised Annual Report on file with the PSC. The amounts that make up the \$71,396 are shown in Letcher's response to the Commissions First Data Request, question 10, in file "10\_LCWSD\_Adjustments", Sheet labeled "Adj. A&B". As pointed out in Letcher's response to Question 1 in Staff's First Request for Information, the original Annual Report that was filed with the Commission was filed by a local accountant in Letcher County. When the accountant was contacted about obtaining workpapers reconciling the amounts in the Annual Report on file he informed Letcher District that those records were destroyed in the floods that occurred in Eastern Kentucky in July, 2022.

Additionally, Letcher District's auditor added, that they showed Nonutility Income to be \$116,614, which is composed of \$23,281 Tap fees, \$35,281 Late Fees and \$58,272 Other Misc. Income.

b. Provide an itemized list of the items that were recorded in the Nonutility Income of \$71,396.

**Response:** See answer to 5.a. above.

c. Provide an itemized list of the items that were recorded in the Nonutility Income of \$425,623.

**Response:** See answer to 5.a. above.

6. Refer to the Application, Attachment 4, Schedule of Adjusted Operations – Water Utility and to the revised 2021 Annual Report, pages 20 and 50-51.

a. Provide a revised Attachment 4, Schedule of Adjusted Operations – Water Utility in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible using the revised Operating Revenues and Operating Expenses contained in the revised 2021 Annual Report.

**Response:** At the time of this filing, the updated Annual Report is not showing on the PSC’s website. Letcher District has reached out to its Auditor to see if they can provide a copy of the updated Annual Report. Once Letcher District is able to obtain a copy of the updated report, they will file the response to this question, and subsequent questions, in the case file.

b. Provide a schedule in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible comparing the revised Operating Revenues and Operating Expenses provided in Letcher District’s response to Item 1.a. above to the original Exhibit 4, Schedule of Adjusted Operations – Water Utility.

**Response:** See response to 6.a.

7. Refer to Letcher District’s Application, Attachment 5, Revenue Requirement Calculation – Debt Coverage Method. Provide a revised Attachment 5, Revenue Requirement Calculation – Debt Coverage, Attachment 4, Schedule of Adjusted Operations – Water Utility, in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible revised Operating Revenues and Operating Expenses provided in Letcher District’s response to item 1.a. above.

**Response:** See response to 6.a.

8. The last Report of Audited Financial Statements (Audit) submitted by Letcher District to the Commission was for the calendar year 2019. Provide copies of Letcher District’s Audits for calendar years 2020 and 2021

**Response:** See files: 8\_LCWSD\_2020\_Audit  
8\_LCWSD\_2021\_Audit

9. Refer to Letcher District’s responses to Staff’s First Request, Item 1.b. In its response Letcher District states that it is going to decommission the facility that is currently providing sewer service to five households in the Milestone area of Letcher County.

a. Provide the date Letcher intends to decommission the Milestone sewer facility.

**Response:** Within 12 months of receipt of anticipated FEMA funding.

b. Explain how the five customers in the Milestone service territory will receive sewer service after the plant has been decommissioned.

**Response:** Individual septic systems or community septic system or connect to City of Neon sewer System.

c. Provide the date Letcher District will file its application with the Commission requesting authorization pursuant to KRS 278.020(6) to abandon its sewer plant.

**Response:** The district intends to maintain the existing septic tanks thru regular pumping thus eliminating any potential overflows until anticipated FEMA funding is received. Letcher District will file its application when that occurs.

d. Refer to the Application, Attachment 4, Schedule of Adjusted Operations – Water Utility. Confirm that the operating revenues and expenses reported by the water division do not include any revenues or expenses incurred to operate the sewer division.

**Response:** Letcher District does not maintain separate financial records for the water and sewer operations.

e. If Letcher District's response to item 10.d above is no, identify the specific revenue and expense that was incurred to operate the sewer division.

**Response:** See response to 9.d.

10. Refer to Letcher District's Responses to Staff's First request, Item 18. Provide a date when Letcher District anticipates filing updated cost justification sheets for all of its nonrecurring charges. If Letcher District cannot provide this information in the responses to this information request explain why it cannot.

**Response:** See attached files: 10\_LCWSD\_Nonrecurring  
10\_LCWSD\_Meter\_Connection