

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
SOUTH 641 WATER DISTRICT WATER DIVISION)	2023-00050

RESPONSE OF SOUTH 641 WATER DISTRICT
TO THE COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION DATED MARCH 9, 2023

**South 641 Water District
Case No. 2023-00050
Commission Staff's First Request for Information**

Witnesses: Ricky Walls #1-2, 4, 6-7, 9-12, 15
Robert K. Miller #3, 5, 8, 13-14

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:

Response: The accounting software used by South 641 District is unable to produce a general ledger or trial balance in MS Excel format; the files are produced in PDF format. Also, the accounting software is unable to produce separate general ledgers and trial balances for the water and sewer divisions; the files are combined with water accounts using a suffix of 0100 and sewer accounts using a suffix of 0200. Accounts using suffix of 0000 are split into water and sewer according to PSC direction following case 2015-00278.

a. The general ledger in Excel spreadsheet format for the years ended December 31, 2020; December 31, 2021; December 31, 2022; and the year to date for 2023.

Response: See files **1a_2020_General_Ledger**
 1a_2021_General_Ledger
 1a_2022_General_Ledger
 1a_2023_General_Ledger_YTD

b. The trial balance in Excel spreadsheet format for the years ended December 31, 2020; December 31, 2021; December 31, 2022; and the year to date for 2023.

Response: See files **1b_2020_Trial_Balance**
 1b_2021_Trial_Balance
 1b_2022_Trial_Balance
 1b_2023_Trial_Balance_YTD

c. Certificates of insurance and invoices for general liability, workers' compensation, automobile, and property and casualty for 2021, 2022, and 2023.

Response: See files **1c_Insurance_Certificates_2020-2021**
 1c_Insurance_Certificates_2021-2022
 1c_Insurance_Certificates_2022-2023

d. Confirm that no benefits were paid to South 641 District employees. If benefits were paid to South 641 District employees, provide a description of all employee benefits, other than

salaries and wages, paid to, or on behalf of, each employee for the calendar years 2021 and 2022, and the year to date for 2023.

Response: See file 3_Benefits_and_Contributions

e. Copy of the most recent invoice for 2023 for each employee benefit described above.

Response: See file 1e_Benefits_Invoices

f. Provide a document listing the names of all South 641 District's board members for each calendar year 2020, 2021, 2022, and 2023 and state, individually, each board member, their term (beginning and ending), and current annual compensation.

Response: See file 1f_Board_Members

The names listed are the board members for 2020-2023. Board members receive no compensation.

g. Provide appointing documents that specify salaries of board members.

Response: Board members receive no compensation.

h. Provide training records for each Board member for 2020, 2021, and 2022.

Response: South 641 District commissioners are not paid a salary. Each of the Commissioners has received the twelve hours of instruction for newly appointed commissioners. However, South 641 District has interpreted KRS 76.020 so that a board member who is not paid is not required to participate in the ongoing training opportunities.

2. Using a table format, provide an Excel document that states the number of positions, describes job titles, hours worked, pay rates, total wages paid, and total FICA cost for each South 641 District employee in 2021, 2022, and for the pro forma 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 file 2_Job_Titles_and_FICA

3. If benefits were paid to South 641 District employees, using the table described in Item 2, list each employee benefit, the employee's contribution, the employer's premium contribution, and 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_Benefits_and_Contributions

4. Provide the minutes from South 641 District's board of directors' meetings for the calendar years 2020, 2021, 2022, and year to date 2023.

Response: See file 4_Minutes

5. Refer to Application, Attachment 4, Schedule of Adjusted Operations and Revenue Requirements and References. 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. Provide support for adjustments C and D not in the form of a price index.

Response: See file 5_Rate_Study Tab SAOW

Adjustments C and D were based upon actual price changes and were not in the form of a price index.

6. Refer to Application, Attachment 4, Schedule of Adjusted Operations and Revenue Requirements and References adjustment B. Provide a detailed description of the changes in personnel since 2020.

Response:

2020

Administrator: Amy Fadden (PT)

Office: Kari Averill (PT)

Office: Barbara Paschall (PT)

Operator: Hank Stanfield (FT)

2021

Administrator: Amy Fadden (PT)

Office: Kari Averill (PT)

Office: Barbara Paschall (PT)

Operator: Hank Stanfield (FT)

Apprentice Operator: Erik Jewell (FT)

2022

Administrator: Amy Fadden (PT)

Office: Kari Averill (PT)

Office: Barbara Paschall (PT)

Office: Lisa Kell (PT)

Office Manager: Cindy Towery (PT)

Operator: Hank Stanfield (FT)

Apprentice Operator: Erik Jewell (FT)

2023

Administrator: Amy Fadden (PT)

Office: Kari Averill (PT)

**Office Manager: Cindy Towery (PT)
Operator: Hank Stanfield (FT)
Apprentice Operator: Erik Jewell (FT) last day 2/20/2023**

We hope to fill the Apprentice Operator position again and will be needing to have about \$14/hour allocated for the starting wage, which will increase as they complete training as provided by the KWRA Apprentice Program. Finding someone to successfully fill the position is quite a conundrum.

7. 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, December 31, 2021, December 31, 2022, and the year to date for 2023. Provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: See file 7_Water_Purchased

8. Provide a detailed fixed assets list in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response: See file 8_2021_Water_Depreciation_Schedule
8_2021_Sewer_Depreciation_Schedule**

9. Provide the number of gallons of water sold by month year to date for 2023. Provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: See file 9_Water_Sold

10. Provide the number of occurrences and the dollar amount for late fees that were assessed during the calendar years 2017, 2018, 2019, 2020, 2021, 2022, and the year to date in 2023.

Response: The billing software used by South 641 District is unable to provide the number of occurrences for late fees that were assessed. Following are the dollar amounts for late fees that were assessed:

2017	\$3,784.87
2018	\$4,244.20
2019	\$3,635.00
2020	\$ 697.29
2021	\$3,028.95
2022	\$3,513.29

11. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the 2021 test year.

Response: The billing software used by South 641 District is unable to provide the number of occurrences for nonrecurring charges that were assessed. Following are the dollar amounts for late fees that were assessed:

Water Initial Connection and Re-Connection Fees:

2017	\$ 791.97
2018	\$1,074.59
2019	\$ 870.80
2020	\$ 391.86
2021	\$ 819.01
2022	\$ 610.31

Water Return Check Fees:

2017	\$ 46.65
2018	\$ 93.30
2019	\$ 108.85
2020	\$ 127.51
2021	\$ 15.55
2022	\$ 31.10

12. a. Provide the date that South 641 District's billing cycle begins (meter read date).

Response: Meter Reading is performed on the last day of each month while Billing is performed on the seventh of each month.

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.

Response: The first day of each month would be best stated as the effective date of any Order the Commission issues concerning rates in this case.

13. State the last time South 641 District performed a cost of service study (COSS) to review the appropriateness of its current rates and rate design.

Response: South 641 District last submitted a rate application in 2015 as considered in 2015-00278. However, it appears that the District has not performed a COSS in the last 20 or more years.

a. Explain whether South 641 District considered filing a COSS with the current rate application and the reasoning for not filing one.

Response: South 641 District did not consider filing a COSS with the current rate application because there have been no material changes to the District's system that would create the need for a new COSS to be prepared.

b. Explain whether any material changes to South 641 District'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 District's system that would create the need for a new COSS to be prepared.

c. If there have been no material changes to South 641 District's system, explain when South 641 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 the most recent COSS that has been performed for South 641 District's system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: South 641 District is unable to locate a copy of the most recent COSS.

14. Refer to Application, Attachment 4, Schedule of Adjusted Operations and Attachment 5, the Billing Analysis.

a. Explain the notations on these exhibits that the billing software and the analysis is suspect.

Response: The consultant did not consider the billing software to be suspect for the purpose of computing bills for customers; instead, the software is considered suspect for the purpose of producing the Water Usage Analysis Report. Data from the Water Usage Analysis Reports was entered into the Current Billing Analysis spreadsheet and produced an amount of water sales that was 16.6% less than the actual amount of water sales for the test year. After careful consideration, the consultant determined that the report was unusable for creating a valid Current or Proposed Billing Analysis.

b. Explain the methodology used to verify the accuracy of the proposed rates in the application.

Response: First, the consultant verified that the rates authorized by the existing tariff were the rates used by the billing software to compute water bills. Second, the consultant verified that a small sample of water bills produced by the billing software were computed correctly. Third, the consultant verified that the proposed rates reflect a 45.30% increase over the existing tariff rates.

c. Explain how South 641 District is assured that this billing software is charging the customer the proper charge and how South 641 District is sure that the revenue being collected is appropriate for each customer.

Response: First, the consultant verified that the rates authorized by the existing tariff were the rates used by the billing software to compute water bills. Second, the consultant verified that a small sample of water bills produced by the billing software were computed correctly. Third, consultant verified that for a small sample of

customer accounts, the amounts billed to customers is the same is as the amounts collected from customers.

d. Explain why the consultant did not produce his own billing analysis document using the data provided by the billing software.

Response: South 641 District is unable to produce usage data in Excel format as requested.

e. Provide the usage data in Excel Spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: The billing analysis data provided by South 641 District is attached.

**See files: 14e_2021_TN_Water_Commercial_Rate_Analysis
14e_2021_TN_Water_Residential_Rate_Analysis
14e_2021_Water_Commercial_Rate_Analysis
14e_2021_Water_Residential_Rate_Analysis
14e_2021_Water_Tax_Exempt_Rate_Analysis**

15. Refer to Application, Attachment 4, Schedule of Adjusted Operations. Provide a detailed itemization of the revenues that are included in the Other Water Revenue of \$3,916.

Response: The Other Water Revenue of \$3,916 was made up of:

Return Check Fee	\$ 25.00
Service Fee Revenue	\$ 881.21
Penalty Revenue	\$3,009.98

These numbers came from the Trial Balance at the time of generating the reports earlier in 2022; however, it was discovered after submitting the 2021 PSC reports there were some minor errors and the these were corrected in our system. These differences were in the Return Check Fee – the fee was not split correctly between water and sewer: \$15.55 is the correct number for the Return Check Fee Revenue for Water.

Additionally, it was discovered fees that were paid in 2022 for Service Revenue in the amount of \$62.20 were incorrectly applied to 2021. After the PSC report was filed, we discovered this error and our 2021 Trial Balance is correct: \$819.01 is the correct amount for Service Fee Revenue.

Penalty Revenue is correct at \$3,009.98. The number \$3,028.95 is from our History Billing report and the difference between the Penalty Revenue and this can be explained, if needed.

The correct amounts for Other Water Revenue are:

Return Check Fee	\$ 15.05
Service Fee Revenue	\$ 819.01
Penalty Revenue	\$3,009.98