

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
SOUTH 641 WATER DISTRICT SEWER DIVISION)	2023-00051

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. 2023-00051
Commission Staff's First Request for Information**

Witnesses: Ricky Walls #1-2, 5, 7-10, 13
Robert K. Miller #3-4, 6, 11-12

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. 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 spreadsheet 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. 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 a PDF of the BLS report on which Item 3 is based.

Response: The BLS Report on which the ARF Application and Item 3 were based was published in March 2019.

See file 4_BLS_Medical_Insurance

However, South 641 District acknowledges that BLS has since published new data in September 2022.

See file 4_Updated_BLS_Medical_Insurance

5. 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

6. 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, D, and E not in the form of a price index.

Response: See file 5_Rate_Study Tab SAOs

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

7. 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 2022.

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	\$3,304.67
2018	\$3,316.59
2019	\$2,989.71
2020	\$ 577.36
2021	\$2,636.52
2022:	\$2,897.37

8. 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 nonrecurring that were assessed:

Sewer Initial Connection and Re-Connection Fees:

2017	\$ 537.98
2018	\$ 782.54
2019	\$ 529.20
2020	\$ 246.05
2021	\$ 505.99
2022	\$ 376.97

Sewer Return Check Fees:

2017	\$ 28.35
2018	\$ 56.70
2019	\$ 66.15
2020	\$ 77.49
2021	\$ 9.45
2022	\$ 18.90

9. a. Provide the date that South 641 District Sewer Division'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.

10. Refer to the cost justification filed with the application. Included there is a Sewer Service Line Inspection Charge.

a. Explain if this is to be a new charge to be included in the Sewer Nonrecurring Charges.

Response: No, this is not intended to be a new charge included in the sewer nonrecurring charges. South 641 District requests to rescind this cost justification in the application as it was filled out in error and should have only been included for water services.

b. Explain why this charge was not included in the customer notice.

Response: This charge was not included in the Customer Notice because it was submitted in error. South 641 District requests to rescind this cost justification in the application as it was filled out in error and should have only been included for water services.

11. State the last time South 641 District Sewer Division 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 Sewer Division 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 Sewer Division'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 Sewer Division's system, explain when South 641 District Sewer Division's 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 Sewer Division's system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

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

12. Refer to Application, Attachment 4, Schedule of Adjusted Operations and Attachment 5, 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 Report was entered into the Current Billing Analysis spreadsheet and produced an amount of sewer sales that was 10.3% less than the actual amount of sewer 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 77.49% increase over the existing tariff rates.

c. Explain why the billing software usages are calculated in hundreds of gallons and not thousands of gallons.

Response: The billing software usages are calculated in thousands of gallons.

d. Explain how South 641 District Sewer Division is assured that this billing software is charging the customer the proper charge and how South 641 District Sewer Division 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.

e. 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.

f. 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 file: 12f_2021_Rate_Analysis_21_KY_Res_Sewer
12f_2021_Rate_Analysis_22_KY_Comm_Sewer
12f_2021_TN_Sewer_Commercial_Rate_Analysis
12f_2021_TN_Sewer_Residential_Rate_Analysis
12f_2021_Sewer_Tax_Exempt_Rate_Analysis**

13. Refer to Application, Attachment 4, Schedule of Adjusted Operations. Provide a detailed itemization of the revenues that are included in the Other Operating Revenues of \$3,163.

Response: The Other Water Revenue of \$3,163.49 was made up of:
Return Check Fee \$ 0.00

Service Fee Revenue	\$ 543.79
Penalty Revenue	\$2,619.70

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 these were corrected in our system. These differences were in the Return Check Fee – the fee was not split correctly between water and sewer: \$9.45 is the correct number for the Return Check Fee Revenue for Sewer.

Additionally, it was discovered fees that were paid in 2022 for Service Revenue in the amount of \$37.80 were incorrectly applied to 2021. After the PSC report was filed, we discovered this error and our 2021 Trial Balance is correct: \$505.99 is the correct amount for Service Fee Revenue.

Penalty Revenue is correct at \$2,619.70. The number \$2,636.52 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	\$ 9.45
Service Fee Revenue	\$ 505.99
Penalty Revenue	\$2,619.70