

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

**In the Matter of: 2ND RESPONSE TO KY PSC 2ND REQUEST FOR DATA AND
INFORMATION AS TO APPLICATION OF THE HARRISON COUNTY WATER
ASSOCIATION, INC.
REQUEST FOR AN ALTERNATIVE RATE ADJUSTMENT**

CASE NUMBER 2023-0154

***FILED ELECTRONICALLY
807 KAR 5:001***

Comes now the Harrison County Water Association, Inc., by and through their president of the board of directors, Mr. J. Frank Marsh, and the manager, Nathan Fields, for which they both verify in their respective capacities on behalf of Harrison County Water Association, Inc., as stated, regarding the information by their signatures hereto and who verify the information herein by their signatures, with assistance of counsel, Mr. Jesse P. Melcher, Esq., and hereby provides and/or responds, to the second requests of information and documents, from Kentucky Public Service Commission for the above alternative rate adjustment case, as follows:

1. Refer to the Application, Exhibit 4, General Ledger for 2022 (GL). Also refer to Harrison Water's response to Commission Staff's First Request for Information (Staff's First Request), Item 24.

- a. Provide the account numbers in the GL that represent the \$14,038 stated in the Statement of Adjusted Operations.

RESPONSE: THE AMOUNT OF \$14,038.00 IN THE STATEMENT OF ADJUSTED OPERATIONS IS INCORRECT. THE CORRECT AMOUNT OF INTEREST ONLY IS \$11,548.00, AS FOUND IN GL ACCT # 7030; AND ANTENNAE INCOME OF \$250.00 A MONTH, \$3,000.00 YEARLY, ANTENNAE INCOME, IS FOUND IN GL ACCOUNT 6200.30.

PLEASE SEE ATTACHED EXHIBITS "1A", WHICH SHOW THE ENTRIES IN THE QUICKBOOKS USED BY THE OFFICE CLERK'S TO ENTER THE ANTENNAE INCOME AMOUNTS, WHICH ARE IN GL ACCT. 6200-30, MISCELLANEOUS OTHER AND ONLY SHOW ANTENNAE INCOME, AND INTEREST INCOME IN GL ACCT 7030.

THE TOTAL NUMBER OF INTEREST (\$11,548) + ANTENNAE INCOME (\$3,000) SHOULD HAVE BEEN \$14,548.00

- b. Provide a detailed itemization of the charges that are included in the GL account from Item 1a.

RESPONSE: THE AMOUNT OF 14,038.00 IS INCORRECT. THE YEARLY INTEREST FOR 2022 WAS \$11,548, AS REPORTED IN GL ACCOUNT #7030, WHICH HAS ONLY INTEREST INCOME.

HCWA ALSO RECEIVED ANTENNAE INCOME OF \$3,000.00 FOR THE YEAR OF 2022; HCWA RECEIVES \$25.00 A TOWER FOR ALL TEN TOWERS, I.E. \$250.00 A MONTH OR 3,000.00 A YEAR, AS IDENTIFIED IN GL ACCOUNT 6200.30.

- c. Provide a detailed itemization of the charges that are included in the category titled in the SAO - Other Operating Revenues and that total the amount of \$14,038.

RESPONSE: THE AMOUNT OF 14,038.00 IS INCORRECT, AS STATED IN A-B ABOVE.

THE APPLICATION COMBINED THE INTEREST INCOME OF \$11,548.00 AND THE INCORRECT YEARLY ANTENNAE INCOME OF \$2,500.00, SHOULD HAVE BEEN \$3,000.00 FOR AN INCORRECT TOTAL OF \$14,038. WHICH, THE COMBINED TOTAL, SHOULD HAVE BEEN \$14,548.00.

- d. Provide a reconciliation of the amounts provided in 1a from the General Ledger with the amount in the SAO for Other Operating Revenues.

RESPONSE: THE YEARLY INTEREST INCOME FOR 2022 WAS \$11,548, AS REPORTED IN GL ACCOUNT #7030.

HCWA ALSO RECEIVED ANTENNAE INCOME OF \$3,000.00 FOR THE YEAR OF 2022, AS IDENTIFIED IN GL ACCOUNT AND 6200-30. THE GL ACCT 6200-30, HAD SEVERAL MISCELLANEOUS RECEIPTS PLACED IN THAT ACCOUNT, AND AN AUDIT ADJUSTMENT WAS MADE; HOWEVER, ONLY THE \$ 3,000.00 OF ANTENNAE MONEY WAS INCOME.

THE APPLICATION COMBINED THE INTEREST INCOME OF \$11,548.00, (GL ACCT 7030), AND THE INCORRECT YEARLY ANTENNAE INCOME (GL ACCT 6200-30) OF \$2,500.00, (SHOULD HAVE BEEN \$3,000.00) FOR AN INCORRECT TOTAL OF \$14,038. WHEREIN THE COMBINED TOTAL, SHOULD HAVE BEEN \$14,548.00.

2. Refer to the Application, Exhibit 5, Usage and Revenue Tables for Present and Proposed Rates (Billing Analysis). Also refer to Harrison Water's response to Staff's First Request, Item 21.

- a. Provide these tables in Excel Spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE: SEE ATTACHED EXCEL SHEET, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBIT "2", KY PSC 2ND REQUEST.

- b. Provide a list of applicable billing adjustments made to the Usage and Revenue Tables for Present and Proposed Rates (Billing Analysis) and include an explanation of each adjustment.

RESPONSE: SEE ATTACHED EXCEL SHEET, WHICH SHOWS THE ADJUSTMENTS MADE, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBIT "2", KY PSC 2ND REQUEST.

THE ONLY ADJUSTMENTS MADE WERE THE PROPOSED NEW RATES BEING MULTIPLIED BY THE BILLS FOR THE METER CLASSES FOR THE MNIMINAL BILL CLASSIFICATIONS, AND NEW RATES BEING MULTIPLIED BY THE WATER HISTORICAL WATER USAGE FOR THAT CLASS OF USERS. THOSE CALCULATIONS ARE STATED ON THE EXCEL SHEET.

3. Provide updated cost justification information tap fees listed in Harrison Water's tariff.

RESPONSE: SEE ATTACHED, WHICH IS FULLY INCORPORATED HEREIN, IN THE KY PSC COST JUSTIFICATON FORMS, IDENTIFIED AS EXHIBIT "3", KY PSC 2ND REQUEST.

HCWA DISCOURAGES ANY NEW $\frac{3}{4}$ AND $1 \frac{1}{2}$ INCH METERS, AND THOSE METERS ARE INSTALLED AT COST, WHICH ARE ATTACHED, WITH THE COST JUSTIFICATIONS FOR METERS $\frac{3}{4}$ X $\frac{5}{8}$, 1 INCH AND 2 INCH METERS.

THE COST JUSTIFICATIONS EXCEED THE TARIFF APPROVED TAP ON FEES, HOWEVER, IN ANTICIPATION OF ADJSUTMENTS TO NON-RECURRING CHARGES AND/OR TAP ON FEES IN THIS RATE CASE; WHEREIN, THE KY PSC APPROVED AMOUNTS FOR BOTH TAP ON FEES AND NON-RECURRING CHARGES HEREIN, WILL BE PUT INTO A NEWLY REVISED TARIFF AWAITING FINAL BOARD APPROVAL, AND WILL BE SUBMITTED TO KY PSC FOR APPROVAL OF THE NEW TARIFF (BY TARIFF FILING APPROVAL) AND NEW RATE SHEETS AS APPROVED IN THIS RATE CASE.

4. Refer to Harrison Water’s response to Staff’s First Request item 1a, Excel(1a)-2022_Trial_Bal.xlsx, Account 7030 Interest Income Exhibit 6. Also refer to the application, Exhibit_6_Rev_Req_Calc-Debt_Cov_Method.pdf, Revenue Requirement Calculation – Debt Coverage Method table. Reconcile or confirm whether Interest Income is \$14.038 as recorded in the Application or \$11,548 as in the 2022 Trial Balance.

RESPONSE: THE CORRECT AMOUNT OF RECEIVED INTEREST INCOME FOR 2022 WAS \$11,548.00; SEE GL ACCOUNT # 7030.

5. Refer to the Application, Exhibit 4a, Exhibit_4a-ARF_Supplementation_to_Schedule_of_Adjustments.pdf, at 8. The schedule of adjusted operations proposes to amortize \$45,000 in rate case expense over a three-year period. Provide the following information concerning the costs for the preparation of this case:

a. A detailed schedule of expenses for this rate case incurred to date and General Ledger account charged for the following categories in Excel spreadsheet format with all formulas, columns, and rows unprotected and accessible:

- (1) Accounting;
- (2) Engineering;
- (3) Legal;
- (4) Consultants; and
- (5) Other Expenses (Identify separately).

RESPONSE: Incurred Services to Date:

Totals through July 30, 2023

1) Accounting;	\$1,762.50
2) Engineering;	\$12,264.04
3) Legal;	\$14,450.00
4) Consultants; and	\$0.00
5) Other Expenses (Identify separately).	\$10,791.31
Advertising	
TOTALS THOROUGH 7-31-23	\$39,267.85

Paid Services to Date:

1) Accounting;	\$0.00
2) Engineering;	GL Acct # 1010-30
a)	\$4,714.29, check # 09871 date 3-22-23 (invoice date 3-13-23);
b)	\$2,775.78, check # 50029 date 5-15-23 (invoice date 4-13-23)
c)	\$1,654.84, check # 50131 date 6-8-23 (invoice date 5-11-23)
d)	\$2,379.99, check # 50194 date 7-3-23 (invoice date 7-3-23)
	Total Paid to Date \$11,524.90
3) Legal;	\$0.00 (Invoice of \$11,400.00, not provided until July 19, 2023)
4) Consultants;	\$0.00
5) Other Expenses (Identify separately). (GL Acct # 6500)	
a)	Bourbon Citizen \$3,024.00 paid 6-8-23; check # 50129
b)	Falmouth Outlook \$2,373.03 paid 6-8-23; check # 50128
c)	Carlisle Mercury \$1,536.00 paid 5-10-23, check # 50127
d)	Cynthiana Democrat \$1,617.00 paid 6-8-23, check # 50126
e)	Georgetown News \$2,240.28 paid 6-8-23, check # 50125
	TOTAL OTHER EXPENSES \$10,790.31

TOTAL EXPENSES PAID TO DATE: \$11,524.90 + \$10,790.31 = \$22,315.21

b. For each category identified in Item 5.a., the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of contracts or other documentation that support charges incurred in the preparation of this case. Identify any costs incurred for this case that occurred during the test year.

RESPONSE: PLEASE SEE ATTACHED INVOICES FROM A) STRAND ENGINEERING, INC., B) LYNCH AND LYNCH CPA'S, PLLC, C) JESSE MELCHER LAW OFFICE, AND) THE NEWSPAPERS FOR ADVERTISING COSTS, RELATIVE TO SERVICES PERFORMED THOROUGH JULY 30, 2023 FOR THE INFORMATION REGARDING ITEMIZATION OF SERVICES, i.e. dates, hours, services, rates. ALL OF THE INFORMATION AS TO CHECK NUMBER IF PAID, AND THE GL ACCOUNT FOR WHICH THE EXPENSE WAS PLACED ARE IN THE ANSWER ABOVE TO NUMERICAL PARAGARAPH 5(a).

HCWA HAS NO WRITTEN CONTRACTS FOR SERVICES PROVIDED FOR THE RATE ADJUSTMENT.

ONLY STRAND (EXCEPT FOR INVOICE # 0199676, \$739.14) AND THE ADVERTISING COSTS HAVE BEEN PAID TO DATE.

THE COSTS FOR ENGINEERING ARE IN GL ACCT # 1010-30, AND \$11,524.90, HAS BEEN PAID TO DATE.

THE COSTS FOR LEGAL SERVICES AND ACCOUNTING HAVE NOT BEEN PAID TO DATE. THE GL ACCOUNT FOR ACCOUNTING IS 6100; THE GL ACCOUNT FOR LEGAL SERVICES IS 6110.

c. An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in Item 5.a., with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.

RESPONSE: HCWA in discussion of rate adjustment proceedings, hired Strand to perform a Cost of Service Study, which was quoted as contract estimate of \$20,000.000 to be worked on as billed at normal billing rates; Legal Counsel determined that approximately 100 hours at \$150.00 an hour would be required to perform and complete the filings for HCWA to KY PSC and statutory and legal requirements as it relates to the alternative rate adjustment, which estimate was related to the Board at a regular Board Meeting, and Legal Counsel approximated \$7,500.00 for advertising at three (3) weeks in five newspapers (i.e five counties), and estimated approximately \$2,500.00 for accounting services related to the rate adjustment at the accounts normal billing rate of \$150.00 an hour, for a rough estimate of \$45,000.00 for all costs associated with the rate adjustment.

THE ESTIMATES ARE STATED AS FOLLOWS:

1) Accounting;	\$2,500.00
Estimated at hour rate of \$150.00 @ 17 hours	
2) Engineering;	\$20,000.00
Estimated by their contract	
3) Legal;	\$15,000.00
Estimated at 150 an hour at 100 hours	
4) Consultants; and	\$0.00
5) Other Expenses (Identify separately). (advertising)	\$7,500.00
Estimated to be @ \$1500 per paper x 5 papers	
TOTAL ESTIMATED CHARGES	\$45,000.00

d. Provide monthly updates of the actual costs incurred in conjunction with this rate case, reported in the manner requested in Items 5.a. and 5.b., and a cumulative total of cost incurred to date for each category. Updates will be due when the utility files its monthly financial statements with the Commission, through the month of the public hearing.

RESPONSE: THE INVOICES INCURRED THROUGH JULY 30, 2023 ARE PROVIDED IN EXHIBIT "5B" FOR ALL PROVIDERS AND/OR CONTRACTORS PROVIDING SERVICES FOR THE COST OF SERVICE STUDY. (I.E. LYNCH AND LYNCH (accounting); STRAND (Engineering/COSS), AND JESSE MELCHER LAW OFFICE, PLLC. (Legal), AND THE FIVE NEWSPAPERS FOR ADVERTISING.

HCWA WILL MAKE A MONTHLY UPDATE FILING OF THESE COSTS IN THIS CASE, BUT STATES AS A WATER UTILITY, IT IS NOT REQUIRED TO FILE A NORMAL MONTHLY FINANCIAL STATEMENT REPORT TO KY PSC, ONLY AN ANNUAL REPORT DUE BY MARCH 30, OF EACH YEAR.

6. Refer to the Application, Exhibit 4a, Exhibit_4a-ARF_Supplementation_to_Schedule_of_Adjustments.pdf, at 6, Item 8. Provide the most recent invoice for water testing.

RESPONSE: SEE ATTACHED, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBIT "6", KY PSC 2ND REQUEST.

7. Refer to Harrison Water’s response to Staff’s First Request item 1h, provide in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible a copy of the workpapers. Harrison Water previously provided a narrative explanation for the adjustments; provide the actual workpapers, in excel format, showing the calculations used to determine the proposed adjustments.

RESPONSE: SEE ATTACHED, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBIT “7”, KY PSC 2ND REQUEST

8. Refer to Harrison Water’s response to Staff’s First Request, Item 1a, Excel(1a)-2022_Trial_Bal-xlsx, account 6055 Employee Benefits. Also refer to the Application, Exhibit 4a, Exhibit_4a-ARF_Supplementation_to_Schedule_of_Adjustments.pdf. Reconcile or confirm whether Employee Pensions and benefits is \$223,832 as recorded in the application or \$224,280 as in the 2022 Trial Balance.

RESPONSE: THE CORRECT NUMBER IS \$223,832.00.

224,280.00 – 223,832.00 = \$448.00; THIS DIFFERENCE REFLECTS AN AUDITING ADJUSTING ENTRY WHICH WAS NOT RECORDED IN THE HARRISON COUNTY WATER COMPANY QUICKBOOKS BECAUSE IT WAS PART OF THE ENTRY THAT WOULD CHANGE THE WAGES. HARRISON COUNTY WATER USES THE QUICKBOOKS SOFTWARE TO PRODUCE W-2’S AND ALL PAYROLL TAX RETURNS. THEY DID NOT WANT TO CHANGE ANY OF THE ACTUAL W-2 WAGE NUMBERS AND THEREFORE DID NOT MAKE THAT ADJUSTING ENTRY.

9. Refer to Harrison Water’s response to Staff’s First Request, Item 4b. Also refer to Harrison District’s response to Staff’s First Request item 1a, Excel-(1a) 2022_Trial_Bal-xlsx. Provide the Trial Balance accounts used to determine the \$77,659 (audit category of office and supplies).

RESPONSE: THE \$77,659.00 FOR OFFICE SUPPLIES WAS IS A CULMINATION OF THE FOLLOWING ACCOUNTS:

Trial Balance accounts used for \$77,659 Office and Supplies

• 6060-10 Postage (Includes Billing)	\$48,363
• 6060-20 Office Supplies & Exp	14,321
• 6160-30 Office	3,150
• 6200-60 Continuing Education & travel	6,105
• 6200-90 Dues Registration & Subs	<u>5,720</u>
	\$77,659

10. Refer to Harrison Water's response to Staff's First Request, Item 12. Exhibit_12_BGE.xlsx, and Exhibit12_-KU.xlsx. Provide the per Kwh cost for the test year for both vendors for the test year.

RESPONSE: The Kwh rate for BGE for all accounts is \$0.0846300 per kwh; and the Kwh rate for all KU accounts is 0.11869 per kwh.

11. Refer to Harrison Water's response to Staff's First Request, Item 13.

a. Provide a complete list of all surcharges and pass through taxes added to the purchased power bills.

RESPONSE: SEE ATTACHED, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBT "11A", KY PSC 2ND REQUEST.

b. Provide a copy of the most recent invoice from each water supplier to Harrison Water.

RESPONSE: SEE ATTACHED, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBT "11B", KY PSC 2ND REQUEST.

12. Refer to Harrison Water's response to Staff's First Request, Item, 14. Provide a copy of all water testing services invoices for the test year.

RESPONSE: SEE ATTACHED, WHICH IS FULLY INCORPORATED HEREIN, IN THE REQUESTED FORMAT AND PROGRAM; IDENTIFIED AS EXHIBT "12", KY PSC 2ND REQUEST.

13. Refer to Harrison Water's response to Staff's First Request, Item 20, the Excel File provided in response to this request is not a cost-of-service study.

a. Provide the most recent cost-of- service study as outlined above that has been performed for Harrison Water.

RESPONSE: PLEASE SEE ATTACHED EXHIBIT "13", COST OF SERVICE STUDY FROM STRAND ASSOCIATIES, INC, DATED.

b. If no cost-of-service study has been recently performed state when Harrison Water may perform a cost-of-service study in the future.

RESPONSE: HCWA BELIEVES THE UPDATED COSS PROVIDED TO IT BY STRAND ASSOCIATES, INC., IS COMPLETE AS OF THE INFORMATION ON HAND. THE COSS DOES NOT INCLUDE RECENT MAINTENANCE EXPENSES PROVIDED TO HCWA AS TO REHABILITATION OF THREE (3) STEEL TOWERS. HCWA FILED A REQUEST FOR A CPCN AND/OR FINANCE ORDER AND/OR DECLARATORY ORDER STATING CPCN AND/OR FINANCE ORDER ARE NOT NECESSARY; SEE CASE NO. 2023-00257.

IF KY PSC DESIRES ADDITIONAL DATA IN FOR A COST OF SERVICE STUDY HEREIN; IF KY PSC IDENTIFIES WHAT ADDITIONAL ANALYSIS IS DESIRED, HCWA WILL ASK STRAND TO COMPLY WITH IMMEDIATELY.

14. Refer to Harrison Water's current tariff dated April 27, 2000, Section I, Rules and Regulations, Item 3, page 5 (Sheet 4).

a. Provide the date that Harrison Water's billing cycle begins (meter read date).

RESPONSE: IT TAKES HCWA APPROXIMATELY THREE DAYS TO READ ALL 6,000 PLUS METERS, AND THE METER READING CYCLE BEGINS ON OR NEAR THE 12TH AND ENDS ON OR NEAR THE 15TH, OR AS CLOSE THERETO, TAKING INTO CONSIDERATION, HOLIDAYS AND WEEKENDS.

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 BILLING CYCLE IS THROUGH THE 15TH OF THE PREVIOUS MONTH OF THE BILL BEING RECEIVED FOR THE FIRST TIME.

15. Refer to ARF Form 1, Items 16(a)-(c). Also refer to the Application, Exhibits 9(a)-(b), which contain federal tax returns for 2021 and 2022. Provide a copy of the Kentucky tax returns filed in 2021 and 2022 by Harrison Water.

RESPONSE: HCWA as a non-profit 501(c) recognized entity by the Internal Revenue Service is only required to file a Federal form 990, which has been provided. HCWA is not required and does not file a state return. See. KRS. 141.040(1)(a)(6).

CERTIFICATION

We, J. Frank Marsh, President/Board Chairman, and Nathan Fields, Manager, for the Harrison County Water Association, Inc., hereby certify that we have read over the foregoing responses to the Kentucky Public Service Commission 2nd request for information, and that all averments and statements herein are true and accurate to the best of our knowledge and belief.

Nathan Fields
NATHAN FIELDS, MANAGER
J. Frank Marsh
J. FRANK MARSH, PRESIDENT/BOARD CHAIRMAN

We, Tracy Brinkmeyer (print name) and Heather Russell (print name) as two witnesses, state that Nathan Fields, and J. Frank Marsh, did in our presence execute their signatures, and affirm and acknowledge that both have read the responses in their entirety, and that all answers and averments stated herein, are true and accurate to the best of our knowledge and belief, concerning KY PSC, 2nd request for information as to a rate adjustment request, this the _____ day of July, 2023.

Tracy M Brinkmeyer
WITNESS # 1 (Print Name) Tracy M Brinkmeyer
Heather Russell
WITNESS # 2 (Print Name) Heather Russell

COMMONWEALTH OF KENTUCKY
COUNTY OF Harrison

I, JESSE P. MELCHER, being a Notary Public in the State of Kentucky at Large, do hereby state that J. Frank Marsh, President of the Harrison County Water Association, Inc. and Nathan Fields, manager, who are both personally known to me, have signed, sworn, and acknowledged before me this the 2nd day of August, 2023

Jesse P. Melcher
NOTARY PUBLIC, STATE OF KY AT LARGE
7-15-2027
MY COMMISSION EXPIRES:
NOTARY ID: 0240064030

Respectfully submitted,

s/ MR. JESSE P. MELCHER, ESQ.

HARRISON COUNTY WATER ASSOCIATION, INC.

ATTORNEY

JESSE MELCHER LAW OFFICE, PLLC

MR. JESSE P. MELCHER, ESQ.

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