

DISTRIBUTION LIST

RE:

**1st RESPONSE TO KY PSC REQUEST FOR DATA AND INFORMATION FOR
HARRISON COUNTY WATER ASSOCIATION, INC.'S,
APPLICATION FOR AN ALTERNATIVE RATE ADJUSTMENT**

CASE NUMBER 2023-0154

**KENTUCKY PUBLIC SERVICE COMMISSION (KYPSC)
FRANKFORT, KENTUCKY 40601
*Filed electronically, 807 KAR 5:001***

**HCWA, Inc.
Attn: Mr. Nathan Fields
P.O. Box 215
Cynthiana, Kentucky 41031**

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Attn: Mr. Jesse P. Melcher, Esq.
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: 1st RESPONSE TO KY PSC REQUEST FOR DATA AND INFORMATION FOR APPLICATION OF THE HARRISON COUNTY WATER ASSOCIATION, INC. REQUEST FOR AN ALTERNATIVE RATE ADJUSTMENT

CASE NUMBER 2023-0154

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, Mr. 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, with assistance of counsel, Mr. Jesse P. Melcher, Esq., and hereby provides and/or responds, to the first requests of information and documents, from Kentucky Public Service Commission for the above alternative rate adjustment case.

INFORMATION HARRISON COUNTY WATER ASSOCIATION, INC., PROVIDES TO KY PSC, FOR TRANSPARENCY AS TO SOME OF THE RAISED NON-CORRELATION QUESTIONS TO HARRISON COUNTY WATER ASSOCIATION, INC., AND ITS RESPONSES HEREIN.

Harrison County Water Association, Inc., had prior to a time late in 2021, utilized a CPA for over 28 years for all financial aspects of its books and for billing. This relationship dwindled during COVID, and some time in Fall of 2021, Harrison County Water Association, Inc, contracted the services of Lynch & Lynch, CPA's, PLLC, to set up Harrison County Water Association's, Inc., books, on an in house software system. Further, Harrison County Water Association, Inc., transitioned one of its office employees to office manager, to handle day to day bookkeeping, utilizing Ampstun's utility software.

Additionally, Harrison County Water Association, Inc.'s manager, Mr. Mark Patrick, passed away unexpectedly in March 2022, causing an interim manager from within to assume duties until a new manager could be hired. The new manager and current manager, Mr. Nathan Fields, began in September 2022.

The unanticipated departures of key employees and/or contractors for Harrison County Water Association, Inc., necessitated transitional moves, new hires, and learning curves of the newly implemented billing and utility software program, and newness of employment duties. All of this has created some misapplication of expenses and/or income to the applicable accounts and/or category, intended by the currently used Ampstun software and/or Uniform System of Accounts of A/B Utilities, utilized by KY

PSC. Lynch & Lynch CPA'S, PLLC, has attempted to catch and/or rectify all entry errors by adjusted accounting entries to reflect the most accurate application of the expense and/or income to the correct accounting account and/or category.

Harrison County Water Association, Inc., cannot produce a report which shows unaudited and/or unadjusted trial balances, without taking the existing data of adjusted audit entries, and removing those entries in their entirety and then running trial balances. Harrison County Water Association, Inc. utilizes QuickBooks making entries provided by the Ampstun Utility Software to generate its general ledgers and trial balances, in excel format as requested in KY PSC 1st data request to Harrison County Water Association, Inc. RFH, PLLC, whom Harrison County Water Association, Inc., utilizes to perform its audits, prepares the adjusted entries and gives audited financial statements for which the Harrison County Water Association, Inc., and its Board of Directors are heavily reliant.

The application used the RFH, PLLC, audited numbers, which are primarily from Page 4 of the Audit report date March 30, 2023, for its numbers in the rate adjustment application. *See. attachment to initial application, Audit_Report_12-31-22_and_(2021).pdf.* Harrison County Water Association, Inc., relies heavily upon its auditor, RFH, PLLC, for assurance of the financial numbers as presented to it yearly by the auditors and the audit for 2022, as referenced herein, as well as RFH, PLLC's input of that data into the KY PSC annual report.

Additionally, Harrison County Water Association, increased its weekly work schedule from 35 hours in 2022 to 40 hours beginning January 1, 2023, and increased wages for all hourly employees (everyone except manager), which started October 1, 2022; and the new work hour schedule beginning in 2023 combined with the newly adjusted pay rate per hour; all of which increased total payroll due to the increased hours worked and new pay rate.

RESPONSES TO REQUESTS FOR INFORMATION:

1. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, rows and columns unprotected and fully accessible:

- a. The general ledger for the calendar years 2022 and 2023 to date; and the trial balance for the calendar years 2022 and 2023 to date.

RESPONSE: This request is being submitted with this filing, in the formatting and program requested. It is believed, that the requested information has been provided in fully accessible, unprotected mode, for all formulas, rows and columns; however, if KY PSC has any difficulty accessing the information as requested and believed to have been submitted, the information can be put on C.D.'s to be delivered in person to KY PSC, at its Frankfort location. *See attached filed documents with applicable labeling.*

- b. Adjusted Trial Balances showing unaudited account balances, audit adjustments, and audited balances for the calendar years 2022 and 2023 to date.

RESPONSE: The requested information regarding the audit adjustments are in the response, attachments and/or exhibits for 1a.

The contracted accounting firm of Lynch and Lynch, CPA's, LLC, objects to providing the unaudited adjusted trial balances for 2022 and 2023, as it would jeopardize the integrity of the financial numbers by creating confusion and/or misrepresentation, as adjusted entries would have to be deleted to make the unadjusted balances.

An explanation as to the audited adjustments were prepared and made by Lynch & Lynch, CPA's, PLLC, and are being provided to KY PSC with this response. *See attached filed document with applicable labeling.*

- c. Minutes from the Harrison County Water Commissioner meetings for the calendar years 2022 and 2023 to date.

RESPONSE: SEE EXHIBIT 1c, for copies of all minutes for January 2022 to December 2022, and the annual meeting for 2022; and the minutes from January 2023 to May 30, 2023, including the annual meeting minutes.

- d. A document listing the, job titles, hours worked, job description, and pay rates for reach employee during the test year and for those currently employed for the test year and year up to date 2023. Names of employees should be excluded.

RESPONSE: SEE EXHIBIT 6, for listing of all job titles, hours worked and job description and pay rates for each employee (withholding employee names),

one list for calendar year 2022, and another list for January 1, 2023 to May 30, 2023.

- e. Provide a copy of the most recent invoice received for all insurance policies provided to employees (i.e. health, dental, vision, life, disability, etc.).

RESPONSE: SEE ATTACHED EXHIBIT 1e, for the most recent health invoice and invoice for worker's compensation. HCWA does not provide nor pay for dental, vision, life and/or disability for any employees. HCWA only provides health insurance to its employees (not board of directors) and a matching 3% (matching the contribution of the employee, not to exceed 3% of salary) as its retirement IRA plan.

- f. A list that describes all employee benefits, other than salaries and wages, paid to, or on behalf of, each position for each of the previous two years. Names of employees should be excluded.

RESPONSE: The only benefits besides a health plan and a matching IRA, as stated previously herein, is the employer matching contribution for Social Security and Medicaid, and obviously worker's compensation. SEE EXHIBIT 6, for the requested information regarding employee benefits for 2022.

Beginning in 2022, HCWA begin paying for uniforms for the employees, total cost for the year of 2022 was \$1939.00.

- g. A document listing the name of all commissioners for each of the two previous years, and state, individually, the total amount of each benefit paid to, or on the behalf of, each commissioner during each year (i.e. wages, health insurance premiums, life insurance premiums, FICA taxes, etc.).

RESPONSE: SEE EXHIBIT 1g, for the requested information regarding names of all board of directors for the previous two (2) years, and the amounts paid for each for each of the last two (2) years.

The board of directors are only paid wages. No Board of Director receives any benefits, such as life or health insurance and/or retirement benefits.

For purposes of clarification, Harrison County Water Association, Inc. ("HCWA") is an association, managed by its board of directors (as opposed to commissioners in a water district), composed of voted members of the association at the annual meeting of the expiring board of member(s) term.

- h. Provide all workpapers that support each pro forma adjustment described in the statement of adjusted operations References.

RESPONSE: SEE ATTACHED DOCUMENTS ATTACHED WITH EXHBIT 1h, as references and clarifications of its composition of numbers and/or justifications for the pro-forma adjustments. Also, see initial application filing on May 11, 2022, an attachment filed as supplementation of scheduled adjusted operations and expenses, goes through each category on that form and how those numbers were derived.

HCWA based all of its test year expenses and income from the audit of RFH, PLLC. See. *Audit_Report_12-31-22_and_(2021).pdf*. HCWA filed with the initial application, a supplementation to the Schedule of Adjusted Operations and Expenses, identified as Exhibit *_4a_ARF_Supplementation_to_Schedule_of_Adjustments.pdf*., which attempted to give complete explanations for the adjustments. All of the literature used for the adjustments are being attached hereto, referenced as Exhibit 1g, supporting literature with reference to appropriate category.

HCWA used the number for reported water sales from the annual report and added the total cumulative projected income from sales at present rates from water usage and revenue tables, filed with the initial application, See. *Exhhibit_5_Usage_Table_Present-Proposed_Rates.pdf*; and that number minus the number of total water sales for 2022 was used as the number to request as a projected increase of sales at present rates.

All pro forma adjustments to employee benefits, i.e. reduction of health benefits by 21% for single plans and 33% for family plans is in the ARF filing literature for public utilities on the Kentucky Public Service Commission website.

The water loss reductions to purchased water costs were based upon the projected water purchased amount (based upon reported 477,968 purchased gallons x .51 approved pass through rate (2022-354) added to the reported water purchased amount of \$1,522,166, minus the total times 0.0585 (the amount of reported water loss over 15%, =103,582; $1,522,166 + 243,767 - 103,582 = \$1,662,351$). The purchased power was reduced by 0.0585 (the amount of reported water loss over 15%). HCWA is aware of KY PSC rulings and position regarding reduction to purchased power and purchased water by the amount of water loss reported over fifteen (15%) percent, for purposes of rate approval, which was used for those reductions, as stated.

Wages and salaries was determined based upon the current eleven (11) employees at current rates that began October 2022, and on increased work week hours (from 35 to 40) beginning January 2023. Thus, HCWA request to use the difference between total reported wages and salaries for 2022 by audit, to the amount calculated for all eleven employees on a 2080 total annual work schedule with overtime accrued from 2022 (not paid until 2023) added to that number to give a true test picture of reasonable, known and fixed costs, as the pro forma increase in salaries.

HCWA requests to add the normal predicted board of commissioners pay of \$19,800.00, to salaries and wages, officers, due to the audit not having a category for that number.

HCWA requests to increase by proforma adjustment contractual services to the number as stated in answer to 4c, of \$56,240.00. The audit number for this category was 12,508.00.

HCWA requests to add \$12,000.00 for water testing as this expense was not in an audit category, and is the approximate costs.

HCWA request to add 131,318.00 to current depreciation, which was calculated to include the increase of purchase of 1000 meters at a cost of \$225.00 a piece for a total of \$225,000.00, depreciated over ten years for annual depreciation of \$22,500.00 and the surcharge for water loss prevention and expenses of \$108,818 (HCWA did not know where to put this on the adjusted operations schedule) for a total of \$131,318.00.

HCWA requested to add \$15,000.00 to amortization expenses for projected rate increase expenses associated herewith for a total of 45,000.00, which includes \$10,000.00 for advertising (5 papers for 3 weeks), \$20,000.00 for cost of service study, and \$15,000.00 for legal expenses and accounting expenses, which is probably underestimated. It was requested to amortize this projected expenses of \$45,000.00 over three (3) years for \$15,000.00 a year.

HCWA's request to add to payroll taxes reflects the increase in FICA (i.e., Social Security and Medicare) for the projected increased salaries for 2023 for all eleven employees.

2. Refer to the Application, Exhibit 7, Exhibit _7_ Depreciation _ Schedule.pdf. Provide a copy of the Depreciation schedule in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

RESPONSE: This request is being submitted with this filing, in the requested formatting and program. It is believed, that the requested information has been provided in fully accessible, unprotected mode, for all formulas, rows and columns; however, if KY PSC has any difficulty accessing the information as requested and believed to have been submitted, the information can be put on C.D.'s to be delivered in person to KY PSC, at its Frankfort location. *SEE EXHIBIT "7"*

3. Refer to the Application, Exhibit 4, Exhibit _4_ Schedule_of_Adjusted_Operations.pdf; and the Annual Report of Harrison County Water Association to the Public Service Commission for the Calendar year ended December 31, 2022 (2022 Annual Report), page 49, Water Operating Revenue.
 - a. Reconcile or confirm whether Total Metered Sales (Account #461) is \$2,981,501 as recorded in the Application or \$2,969,474 as in the 2022 Annual Report.

Response: The true number of total metered sales is \$2,969,474.

The reason for the non-correlation is due to an audit adjustment of \$12,072; which represents customer deposit receipted for the test year (2022) for new accounts; i.e. total metered sales $\$2,969,474 + 12,072 = \$2,981,501$.

- b. Reconcile or confirm whether Forfeited Discounts (Account #470) \$12,742, as recorded in Application or \$0 as in the 2022 Annual Report.

Response: The applicant actually used \$43,893 as the forfeited discount number in the application (the \$12,752.00 number was used as the misc. service revenue; which is total 2022 receipted non-recurring charges); \$43,893 is the true number of late fees and/or forfeited discounts for 2022.

HCWA's auditor failed to input the late fees in #470 of the annual report when, but noted it on the audit.

- c. Reconcile or confirm whether Miscellaneous Service Revenues is \$74,972.00, as recorded in the application or \$12,752 as in the 2022 Annual Report.

Response: The application used \$12,752, as the miscellaneous service revenues, and the annual report used \$74,972.00. The \$12,752.00, represents the total non-recurring charges collected by HCWA in 2022, and is the true number.

The miscellaneous service revenue number should be nonrecurring charges only of \$12,752.00.

- d. Reconcile or confirm whether Other Water Revenues (Account #474) is \$14,038 as in the application or \$0 as in the 2022 Annual Report.

Response: The number of \$14,038, was generated using interest income of \$11,539 and income from internet lease of (internet antennae on water towers lease) that was calculated at 2,500 a year for a total of \$14,039, and the number was transposed incorrectly on the application as \$14,038. The amount currently received is \$250 a month for the internet lease, which times 12 months, should have been \$3,000, plus interest income of \$11,539.00 for a total of \$14,539.

HCWA cannot account for why RFH (auditor) failed to include any other water revenues on the annual report.

4. Refer to 2022 Annual Report at 50 and 51 Water Utility Expense Accounts and the Application, Exhibit 4, Exhibit_4_Schedule_of_Adjusted Operations.pdf.
- a. Reconcile or confirm whether Purchased Water Expense Account #610) is \$1,552,166, as recorded in the Application or \$1,522,156 as in the 2022 Annual Report.

Response: The intended reported number on the audit and annual report was \$1,522,156, however, the application incorrectly transposed this number as \$1,552,166. HCWA in calculating the water usage and bill invoices, as required by KY PSC herein, realized the intended number was ALSO INCORRECT.

The true number of purchased water was \$1,549,136.66. See Exhibit "9", which is fully incorporated herein.

- b. Reconcile or confirm whether Materials and Supplies Expense (Account #620) is \$15,604 as recorded in the Application or \$93,263 as in the 2022 Annual Report.

Response: The number of \$15,604 is the audit number for materials and expenses, but the number in the annual report for materials and expenses, includes Materials and expenses (audit category) and office supplies (audit category). \$15,604 (audit category of materials and expenses) + \$77,659 (audit category of office and supplies) is \$93,263.00. The schedule of operations and adjustments only has a category for materials and supplies, not office supplies, but the annual report number of \$93,263.00, which includes both materials and supplies and office supplies, truly reflects the summation of total test year expenses.

The category office supplies includes HCWA's billing for monthly bills, and postage.

The true number for materials and expenses for all materials and expenses including office supplies is \$93,263.00.

- c. Reconcile or confirm whether Contractual Services Expense (Account #632, 633, & 636) is \$12,508 as recorded in the Application or \$56,240 as in the Annual Report.

Response: The \$12,508, is the audit number for the category of contractual services expense. The total of contractual expenses would be as noted in the KY PSC order (Page 4 of 8, Appendix B) and in the Annual Report of Accounting Expenses \$22,937, 22,080 for Legal Services, and \$11,223 for other Contractual Services = \$56,240, and is the true number for total contractual service expenses.

This number does not reflect the cost of the billing and/or postage for billing which is in category office supplies and/or materials and supplies.

- d. Reconcile or confirm whether Regulatory Commission Expenses is \$8,279.00, as recorded in the Application or \$0 as in the 2022 Annual Report.

Response: The true number of regulatory commission expense is \$8,279.00 as recorded in the Application. The Annual Report does not itemize this expense b/n #660 to #666 of the Annual Report, but does include it under #408.10, of the Annual Report.

- e. Reconcile or confirm whether Miscellaneous Expenses (Account #675) is \$1,939 as recorded in the application or \$97,383 as in the 2022 Annual Report.

Response: The \$1,939, is the audit number for the audit category of miscellaneous expenses.

The \$97,383, number used in the 2022 Annual Report was calculated by RFH (HCWA's auditor) using payroll taxes (\$43,460) + utilities (\$89,246) + telephone (\$14,220) + miscellaneous expenses of \$1939 = \$148,865; \$148,865 – payroll tax of (\$43,460) – regulatory fee (\$8279) = \$97,126; leaving an unexplainable math error of \$275.

The true number of miscellaneous expenses should be \$16,159, which is miscellaneous expense of \$1939.00 (uniforms for employees 2022) plus telephone of \$14,220 (telephone not in utilities or office supplies/materials and supplies); the other expenses are noted in other expense categories (i.e., payroll, utilities/purchased power).

- f. Refer to 2022 Annual Report at 20 Comparative Operating Statement, and the Application, Exhibit 4, Exhibit_4_Schedule_of_Adjusted_Operations.pdf. Reconcile or confirm whether Taxes Other Than Income (Account \$408.10-408.13) is \$43,460 as recorded in the Application or \$51,739 as in the 2022 Annual Report.

Response: The true number is the application number of \$43,460 for taxes other than income, i.e., payroll taxes. The number \$51,739 utilized by RFH (HCWA Auditor) is composed of \$43,460 (payroll taxes) and \$8,279 (KY PSC regulatory fee) = \$51,739.

5. Refer to 2022 Annual Report, page 20, Comparative Operating Statement and the Application, Exhibit 4, Exhibit _4_, Schedule_of_Adjusted_Operations.pdf.
- a. Explain the transactions that account for account #414, Gains/Loss on Disposal of Utility Property.

RESPONSE: This transaction represents the net sale proceeds of a utility asset, specifically the old office and realty, located at 2167 U.S. Hwy 27 North, Cynthiana, Kentucky, 41031.

- b. Confirm if the transactions are expected to recur annually or an unusual occurrence.

RESPONSE: This transaction is a ONE TIME transaction.

The realty and improvements were partially financed by loans and grants from USDA, and pursuant to grant/loan agreements and generally 2 C.F.R. 200; the sale of assets acquired and/or improved by USDA grant monies, are subject to disposition approval, of the USDA state director; who authorized HCWA to keep the sale proceeds for future use of a future project. Thus the net sale proceeds are being held for such a future project, and identified in said account, i.e. Account # 414.

6. Refer to Application,xhibit,4a_ARF_Supplementation_to_Schedule_of_Adjustments.pdf. At 10, Employee Salaries. Provide a document listing the job titles, job description, and pay rates for each employee employed by Harrison County Water Association during the test year. Names of employees should be excluded.

RESPONSE: SEE EXHIBIT 6, for the requested information regarding employee salaries for 2022; this information is composed of an excel spreadsheet of the employee pay rates and job descriptions and job titles, with corresponding separate attachments of job descriptions, for each job title.

NOTE: Employees salaries during the 2022 test year was skewed due to death of a manager with hiring of a new manager and a part time gap of the position being filled by the assistant manager, a part time employee who left, increases in all employee salaries except manager and increases in hours for 2023, and payment of accrued 2022 overtime in 2023. HCWA is requesting for salaries for the pro forma adjustment be based upon the salary of the manager, the pay rates of the other ten employees on a 40 (2080 Yearly) hour work week schedule, with added 2022 accrued overtime for total salaries and wages for all employees.

7. Refer to the Application, page 11, Exhibit _4a_ARF_Supplementation_to_Schedule_of_Adjustments.pdf, Employee Salaries.

a. Confirm Employee 5's overtime hours worked is 211.5, and overtime wage rate is \$39.05 per hour.

RESPONSE: Employee 5 & 6's information regarding overtime was duplicated by typographic error. The correct information is that employee 5, was 12 hours of overtime at \$40.71 an hour, and employee 6, had 211.5 hours of overtime at \$39.05 an hour. See employee benefit/wages chart, Exhibit "6".

b. Confirm Employee 5's overtime hours worked is 211.5, and overtime wage rate is \$39.05 per hour.

RESPONSE: Employee 5 & 6's information regarding overtime was duplicated by typographic error. The correct information is that employee 5, was 12 hours of overtime at \$40.71 an hour, and employee 6, had 211.5 hours of overtime at \$39.05 an hour. See employee benefit/wages chart, Exhibit "6"

8. Provide a breakdown for the number of board meetings each commissioner attended during the test year.

RESPONSE: SEE EXHIBIT "8", for the 2022 (test year) of all board meetings and attendance of said meetings.

9. Provide a monthly breakdown in both gallons and dollar amount, of water purchased during the test year by vendor, identifying all vendors from whom Harrison County Water purchased water.

RESPONSE: SEE EXHIBIT "9" (which is an excel spreadsheet), of all four Water producers whom Harrison County Water Association, Inc. purchases, water; the Excel spreadsheet is being filed herewith as an attachment, identified as Exhibit "9", WHICH IS ATTACHED HERETO AND FULLY INCORPORATED HEREIN.

10. Provide a current rate charged by each vendor from whom Harrison County Water purchases water.

RESPONSE: THE RATES CHARGED BY ALL FOUR VENDORS OF HARRISON COUNTY WATER ASSOCIATION ARE STATED HEREIN, THE VENDORS FOR HARRISON COUNTY WATER PURCHASES ARE:

1) CITY OF CYNTHIANA,

RATE: 3.61 PER 1,000 GALLONS AND/OR 0.00361 PER GALLON

2) MILLERSBURG (N/K/A KENTUCKY-AMERICAN WATER

**RATE: 2.25 PER 1,000 GALLONS AND/OR 0.00225 PER GALLON
Plus, a QIP surcharge of 4.49% of total water purchased.**

3) KENTUCKY AMERICAN WATER

**RATE: 4.236 per 1,000 gallons or 0.004236 per gallon,
Plus, Water usage charge of @0.023088708 (the bill does not state the usage rate charge, but this percentage was the calculated percentage on one recent bill), Plus, 4.49% QIP surcharge, and a KRA withdrawal fee between 0.275 and 0.265 percent, depending on billing period.**

4) NICHOLAS COUNTY WATER.

RATE: THE CONTRACT ON FILE WITH THE KY PSC, which locked in the rate of \$3.02 per 1000 gallons and/or 0.00302 per gallon, for three years beginning 2021; however, KY PSC authorized wholesale increase by rate Order 2021-00455 dated 8-12-23, to \$3.79 per 1000 gallons and one year thereafter at \$4.15 per 1000 gallons; however, in 2023-00114, date 5-26-23, KY PSC authorized wholesale rate beginning February 2023, to be 3.83 per 1000 gallon. Due to water pressure and distribution issues on the part of Nicholas County Water Association, Inc., Nicholas County Water has refused to sell water to Harrison County Water Association, Inc., since July 2022.

11. Provide an overview of any actions planned or taken by Harrison County Water to reduce its water loss, including a copy of any water loss reduction plan.

RESPONSE: HCWA has a working plan to obtain possible financing (subject to KIA funding invite and KY PSC approval) in the future for line replacement of over 1 mile on one of the oldest mains in the system, with frequent repairs, specifically North U.S. 27.

Further, general manger is working with Kentucky Rural Water to initiate working water loss detection mechanisms to identify problem areas of water loss and/or leak detection for immediate repair and/or future repair and/or replacement. HCWA began water leak detection with Kentucky Rural Water, beginning the week of June 26, 2023, and has identified areas to address, and HCWA will continue this process and recommendations of Kentucky Rural Water. The Board has authorized purchasing of water loss/leak detection equipment to assist in identifying the leak problem areas.

The general manager is in the process of completing a water loss plan to be presented and adopted by HCWA board of directors in the future.

12. Provide a monthly breakdown in both Kwh and dollar amount, of power purchased during the test year by vendor, identifying all vendors from whom Harrison Water purchased power.

RESPONSE: SEE EXHIBIT "12", which is attached hereto and fully incorporated herein, for the Kwh and the dollar amount of power purchased for 2022. HCWA buys electric from both Kentucky Utilities and Bluegrass Energy, all of which are illustrated/established in Exhibit "12".

13. Provide the current rate charged by each vendor from whom Harrison Water purchases power.

**RESPONSE: 1) Blue Grass Energy charges 0.08646300 per kilowatt hour.
2) KU charges 0.11869 per kilowatt hour.
Both companies have surcharges and pass through taxes added to the bills.**

14. Provide a copy of the current **contact** Harrison County Water has on file for Legal Services, Accounting Services, and Water Testing.

RESPONSE: The current contacts HCWA has for its legal services is Jesse Melcher Law Office, PLLC, Mr. Jesse P. Melcher, Esq., P.O. Box 345, Mount Olivet, KY, 41064, jpmelcher@yahoo.com, office number 606-724-5322; for its accounting services is Lynch & Lynch, Mrs. Missie Lynch, CPA, PLLC, 110 Pocahontas Trail, Suite E, Georgetown, KY, 40324,; C.P.A., Missie Lynch; Water Testing is Fouser Environmental Services, address is 165 Camden Ave., Versailles, KY 40383, telephone 859-373-6211. RFH, PLLC., performs annual audits for HCWA, and their contact information is RFH PLLC, 300 W. Vine Street, Suite 80, Lexington, KY 40602-1812, telephone 859-231-1800, contact, Mr. Brad Hayes.

If KY PSC, had a typographic error for this question, and meant contract; HCWA responds, it does not have any written contracts with any of the providers, but have verbal contracts for services as follows:

Legal: \$1,000 retainer per six months, to attend the monthly meetings and be available for services; \$150.00 an hour for all services performed as requested by HCWA, and reimbursement of advanced expenses, if any.

Accounting: Lynch and Lynch CPA's, LLC, charge \$150.00 an hour for all services performed. The audit is a complete billed service by RFH for year end audits and completion of the annual report for KY PSC as it relates to the financial information; HCWA pays for billed services performed.

Water testing services: Services performed as requested (boil water, regular testing, special testing) as invoiced.

15. Refer to Application, Exhibits 8a, Exhibit _8a_Amortization.pdf. Provide Amortization table in Excel Spreadsheet format with all formulas, rows and columns unprotected and fully accessible, splitting the principal and interest payments; also provide the case number in which Harrison County was authorized to issue the debt.

RESPONSE: The amortization schedule in excel spreadsheet with all formulas, rows, and columns unprotected and fully accessible, splitting the interest and principal payments, for the loan in 2010, is attached and fully incorporated herein.

The loan to USDA of \$885,000.00, in 2010, which was approved by KY PSC in Case Number 2010-00289, dated August 6, 2010; see attached Order. See Exhibit 15, which is the excel sheet of audited loan with amortization on the bottom tabs for said loan and for each year as requested.

16. Refer to Application, Exhibits 8a, Exhibit _8b_Ammortization.pdf. Provide the Amortization table in Excel Spreadsheet format with all formulas, rows and columns unprotected and fully accessible, splitting the principal and interest payments; also provide the case number in which Harrison County was authorized to issue the debt.

RESPONSE: The amortization schedule in excel spreadsheet with all formulas, rows, and columns unprotected and fully accessible, splitting the interest and principal payments, for the loan in 2017, is attached and fully incorporated herein.

The loan to USDA of \$469,000.00, as approved by KY PSC in Case Number 2017-00330, dated 10-20-17, see attached Order.

See Exhibit 15, which is the excel sheet of audited loan with amortization on the bottom tabs for said loan and for each year as requested.

17. Identify the number of new water connections that Harrison County Water installed in calendar year 2022.

RESPONSE: HCWA receipted tap on fees for 96 new customers and/or taps, but only 87 were actually installed in 2022, 9 were installed in 2023.

18. Provide the number of occurrences and the dollar amount for the Forfeited Discount/Late Fees that were recorded during the calendar years 2021 and 2022.

RESPONSE:

The recorded late fees and/or discounted fees for 2021 was \$34,013.28, which is itemized in Exhibit "18", which is attached hereto.

The recorded late fees and/or discounted fees for 2022 was \$43,893.00, itemized in Exhibit "18", which is attached hereto.

19a. Provide the date that Harrison County Water's billing cycle begins (meter read date).

RESPONSE: The billing cycle begins the 12th of each month and ends the 11th 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: That date, the 12th of the month, is the best change date for rate adjustments during a month.

20. State the last time Harrison Water performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.

RESPONSE: HCWA had a cost of service study (COSS) performed by Strand Engineering beginning at the start of 2023 which was initially completed right before the filing herein on or about May 11, 2023.

- a. Explain whether Harrison Water considered filing a COSS with the current rate application and reasoning for not filing one.

RESPONSE: HCWA did consider filing a COSS with the application, but due to the COSS including possible future loans (loans not approved by the loan provider and/or KY PSC as of the date of the application) made said expenses not ripe as of the rate filing, and would have caused confusion in the opinion of HCWA towards its current application. HCWA fully understands the possible future loan will require KY PSC approval and another rate increase by HCWA to cover those future anticipated additional debt servicing costs.

- b. Explain whether any material changes to Harrison Water system would cause a new COSS to be prepared since the last time it completed one.

RESPONSE: The possible projects of line replacement and line extension as noted on the KIA web portal, if KIA invites HCWA for a loan and KY PSC approves the loan(s), then the COSS would be materially changed from the newly updated COSS. Also, HCWA was recently presented with a tank repair plan (refurbish 3 steel water towers) that would require significant capital outlay, that will materially affect the COSS, and which HCWA was not aware of at the time of the application being filed. Additionally, it is uncertain as to the future regulatory requirements and associated necessitated costs arising therefrom, as a result of compliance with EPA mandates regarding PFA'S &/OR PFO'S ETC.

- c. If there have been no material changes to Harrison Water system, explain when Harrison Water anticipates completing a new COSS.

RESPONSE: The updated COSS with current and ripe information, (the materials and supplies and transportation is overstated due to those items being added in as expense items as opposed to anticipated depreciation) is believed to be in the current COSS, and is provided herein, as noted in subparagraph (d) below.

The increases in transportation are for anticipated truck replacements over the next five years, and the increase to materials and supplies are for anticipated costs of meter replacements over the next five years.

- d. Provide a copy of the most recent COSS that has been performed for Harrison Water in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

RESPONSE: See Attached COSS, modified and dated June 27, 2023.

21. Refer to the Application, Attachment 5, the Billing Analysis.

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

RESPONSE: SEE EXHIBIT "21(a), which is fully incorporated herein, as if written word for word herein.

b. Provide a list of applicable billing adjustments made to the billing analysis and include an explanation of each adjustment.

RESPONSE:

a) Pro forma Operating Expenses is the total of requested adjustments to schedule of operations. *See.*

Schedule_4_Schedule_of_Adjusted_Operations.pdf. (filed with initial application.)

b) The average annual debt of principal and interest, is the three year Average of the next 3 years payments of principal and interest x twenty percent ($58,033 \times 0.20 = \$11,607.00$). *See. USDA Rural Development, necessity of debt reserve, Exhibit 21(b).*

c) Total Revenue Requirement is the totality of $a + b = c$.

d) Other Operative Revenue of \$43,893, is the late fees for 2022 (test year).

e) Non-Operating Revenue is the non-recurring fees. *See Exhibit "22".*

Interest Income is the total of 11,539; The number of \$14,038, was generated using interest income of \$11,539 and income from internet lease of (internet antennae on water towers lease) that was calculated at 2,500 a year for a total of \$14,039, and the number was transposed incorrectly on the application as \$14,038. The amount currently received is \$250 a month for the internet lease, which times 12 months, should have been \$3,000, plus interest income of \$11,539.00 for a total of \$14,539.00.

f) Revenue required from rates is the totality of the totality of c minus $d - e = f$.

g) Revenue from sales at present rates was determined and calculated by last years total water sales, plus the difference in the estimated revenue, for the culmination of each class of meters, based upon the proposed rates, as identified in the usage table of revenues and prior usage; the number used for sales at present rates is the summation of the totals of present water revenue at test year water usage; see water usage/revenue tables, filed with application. *See. Exhibit_5_Usage_Table_Present-Proposed_rates.pdf.* All usage for all class of meters is based upon the data in the Ampstun utility software program as entered by the employees from each months meter readings and monthly billings for the test year in question, giving a total increase of \$183,904 based upon the usage charts based upon

proposed rates; all of which was filed with initial application on May 11, 2023, giving a total number of \$3,165,405 (water sales of 2,981,501 + 183,904 = 3,165,405.

- h) Required Revenue Increase is the difference between total projected pro forma expenses of 3,822,769 minus projected water sales of 3,165,405 which equals 656,321, which divided by projected water sales of 3,165,405 equals .2073418725.

22. Provide a schedule listing the number of occurrences for each nonrecurring charge that was assessed during the test year and the total amount recorded for each non-recurring charge. If the revenue for any nonrecurring charge was zero, include that charge and indicate that zero revenue was received.

RESPONSE: SEE EXHIBIT "22", ATTACHED HERETO, AND FULLY INCORPORATED HEREIN. HCWA has extensively reviewed its current tariff and intends upon completion of this case filing a completely new tariff, incorporating the approved rates and eliminating field charges as a non-recurring cost.

23. Provide updated cost justification information to support each nonrecurring charge listed in Harrison Water tariff.

RESPONSE: PLEASE SEE ATTACHED EXHIBIT "23", (FIELD COLLECTION, CUT LOCK, RE-CONNECT, METER TEST)

24. Refer to the Application, Attachment 4, Schedule of Adjusted Operations, provide a detailed itemization of the charges that are included:

- a. In the Miscellaneous Service Revenues of \$12,752;

RESPONSE: This number is the total nonrecurring collected charges by HCWA for the year 2022. This number, is the number used by RFH, in the 2022 audit, specifically page 4 of the audit, summation of Operating Expenses and Revenues, other income; the audit was submitted as an Exhibit to the Petition and is filed in this case number.

For detailed itemization of the totality of nonrecurring charges for 2022 are stated in Response to question 22, prior herein.

b. In the other Operating Revenues of \$14,038.

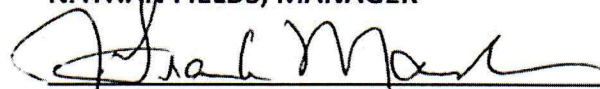
RESPONSE: The number of \$14,038, was generated using interest income of \$11,539 and income from internet lease of (internet antennae on water towers lease) that was calculated at 2,500 a year for a total of \$14,039, and the number was transposed incorrectly on the application as \$14,038. The amount currently received is \$250 a month for the internet lease, which times 12 months, should have been \$3,000, plus interest income of \$11,539.00 for a total of \$14,539.00.

**CERTIFICATION/VERIFICATION OF RESPONSES
AND INFORMATION**

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 first response to KY PSC's request for information and documents, as part of a request for an alternative rate adjustment application, to the Kentucky Public Service Commission, and that all averments and statements herein are true and accurate to the best of our knowledge and belief.

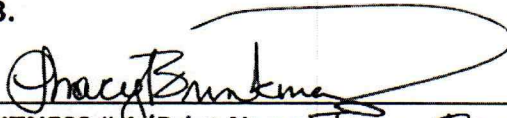


NATHAN FIELDS, MANAGER

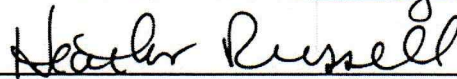


J. FRANK MARSH, PRESIDENT/BOARD CHAIRMAN

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 their certification to the Kentucky Public Service Commission, concerning Harrison County Water Association Inc.'s, first response to requests for information, for the rate adjustment case of 2023-0154, this the 5 day of July, 2023.



WITNESS # 1 (Print Name) Tracy Brinkmeyer



WITNESS # 2 (Print Name) Heather Russell

COMMONWEALTH OF KENTUCKY
COUNTY OF Robertson

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 5th day of July, 2023.



NOTARY PUBLIC, STATE OF KY AT LARGE

MY COMMISSION EXPIRES:
NOTARY ID: 124NP64030

Respectfully submitted,

s/ MR. JESSE P. MELCHER, ESQ.
HARRISON COUNTY WATER ASSOCIATION, INC.
ATTORNEY
JESSE MELCHER LAW OFFICE, PLLC
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