

RATTLESNAKE RIDGE ATER DISTRICT
CASE NO. 2023-00338 RESPONSE TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

1. Refer to the Application, Item 7, 7_Dep_schedule_2022.xls, line 93. Rattlesnake Ridge proposed to depreciate its meters over a 20-year service life, instead of the NARUC standard service lives. Provide any engineering reports, industry studies or manufacturer evidence that justify the establishment of a 20-year service life for Rattlesnake Ridge's meters.

Response: RRWD auditor responded to this inquiry that the previous accountant used the 20- year service life.

Witness: David Gifford

2. Provide the most recent meter testing schedule and records, including the meter replacement schedule.

Response: Rattlesnake Ridge has not had a testing schedule in place due to the changing out of all meters in this last project, that has been going on since 2019. However we have continued to test the large meters over 1in annually.

Witness: David Gifford

3. Explain the method Rattlesnake Ridge utilizes when it replaces a meter that is not fully depreciated and still has a book value, and how Rattlesnake Ridge accounts for the undepreciated value.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

4. Refer to the Application, Attachment 4, Depreciation Expense Adjustments Table, and item 7, 7_Dep_schedule_2022.xls. Also Refer to Rattlesnake Ridge's Response to Commission Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, cells H126 and K126. In the application exhibits, the test-year Depreciation Expense is reported to be \$970,891; however, in the Adjusted Trial Balance, the adjusted depreciation expense is reported as \$957,041. Reconcile and explain the difference between these amounts.

Response: The depreciation expense does not agree because our auditor adjusted the accumulated depreciation to actual, due to errors in the prior year balance. Difference of \$13,850 was below her materiality. (statement given by auditor) *see attached

Witness: David Gifford

5. Refer to the Application, Attachment 4, Depreciation Expense Adjustments Table, and item 7, 7_Dep_schedule_2022.xls. Provide the cost, useful life, date in service, and if the asset is already included in the depreciation schedule the asset number of the following:

a. Each component of the 11 separate components for the projects in Case No. 2018-00371.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

b. Each component of the line replacement and meter replacement

projects approved in Case No. 2022-00426.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

c. Any other equipment, parts or vehicles placed in service since the test year.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

6. Provide a list of all fixed assets added during 2022 and 2023.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

7. Refer to the 2022 audited financial statements, page 5. Also refer to the application, exhibit 7, 7_Dep_schedule_12.31.22.xls, row 114.

a. Gross Capital Assets less Construction in Progress of \$26,099 equals \$40,690,515 in the 2022 audited financial statements. However, the Depreciation Schedule reflects a total tax cost of \$38,639,965. Reconcile and explain the difference.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available. See the attached file titled:

1_4_7_8 auditor responses.pdf

Witness: David Gifford

b. Accumulated Depreciation of \$19,901,194 in the 2022 audited financial statements. However, the Depreciation Schedule reflects a Tax End Depreciation of \$16,786,082. Reconcile and explain the difference.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

c. Net capital assets of \$20,789,321 in the 2022 audited financial statements. However, the Depreciation Schedule reflects a Tax Net Book Value of \$21,853,883. Reconcile and explain the difference.

Response: See the attached file titled:

1_4_7_8 auditor responses.pdf

Witness: David Gifford

d. Explain why the proposed pro forma Depreciation Expense of \$618,933 is correct given that the reported net book value of the asset detail exceeds the reported net book value in the 2022 audited financial statements by \$1,064,562 as shown in the table below.

	Cost Basis	Accumulated Depreciation	Net Book Value
Audited Financial Statement - Gross Fixed Assets	\$ 40,716,614	\$ (19,901,194)	\$ 20,815,420
Less: Constuction in Process ()	<u>(26,099)</u>	<u>-</u>	<u>(26,099)</u>
Gross Fixed Assets	40,690,515	(19,901,194)	20,789,321
Less: Asset Detail Schedule ()	<u>(38,639,965)</u>	<u>(16,786,082)</u>	<u>(21,853,883)</u>
			\$
Difference	<u>\$ 2,050,550</u>	<u>\$ (36,687,276)</u>	<u>(1,064,562)</u>

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

8. Refer to the Application, Exhibit 7, 7_Dep_schedule_12.31.22.pdf, cell F115. Also refer to Rattlesnake Ridge’s 2022 Annual Report, pages 26 and 27. In the Depreciation Schedule, Rattlesnake Ridge’s total assets for the test year is \$38,639,965; however, in the 2022 annual report it is reported as \$40,683,445. Explain and reconcile the difference between these.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available. See the attached file titled:

1_4_7_8 auditor responses.pdf

Witness: David Gifford

9. Refer to Rattlesnake Ridge District’s response to Staff’s First Request item 1(c), 2023 Board Minutes for the month of July, specifically the following: “Purchase of

new laptop \$17,387.28. Purchase of 200 more meters at cost of \$306.00 each totaling \$61,200.00. 100 excessive dig-outs of meters at \$20.00 each \$2000.00. Total comes to \$80,587.28." Provide the invoices and documentation to support each expense listed individually.

**Response: See the attached files titled:
9_Purchase of laptop meters digouts.pdf**

Witness: David Gifford

10. Provide a monthly breakdown in both volume, per unit dollar amount, and total purchase amount of chemicals purchased during the test year by vendor, identifying all vendors from whom Rattlesnake Ridge District purchased chemicals.

Response: RRWD staff is compiling this information and will provide in supplemental filing as soon as available.

Witness: David Gifford

11. Provide the current rate charged by each vendor from whom Rattlesnake Ridge District purchases chemicals.

Response: RRWD staff is compiling this information and will provide in supplemental filing as soon as available

Witness: David Gifford

12. Refer to Rattlesnake Ridge's Response to Commission Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, row 166, account 8973 Interest expense; also refer to Rattlesnake Ridge's 2022 Annual Report to the Public Service Commission (2022 Annual Report) for the Calendar Year Ended December 31, 2021, page 20. In the 2022 Annual Report, Interest Expense is recorded as \$112,511; however, in the Adjusted Trial Balance the unadjusted interest expense is reported as \$159,080, while the adjusted balance is \$196,823. Reconcile and explain the difference between the trial balance amount and the annual report amount.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

13. Provide updated amortization schedules for all current debt issuances. Also, identify the case number the debt was authorized by the Commission, specifically identify the debt from Case No. 2022-00426, Case No. 2018-00317, and Case No. 202000086.

**Response: See the attached file titled:
13_Updated amortization schedule.pdf**

Witness: David Gifford

14. Refer to Rattlesnake Ridge District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1(c), 2022 Board Minutes for the month of October, line 20.

- a. Explain what a regulator adjustment is and include any tariff provision

granting the authority for the charge and the line item reflecting the adjustments.
Response: Prior to 2023, a regulator adjustment was given when someone called in with too much pressure and we would do a work order for guys to go out and change regulator; if the customer's bill went up RRWD would give an adjustment for that overage resulting in the customer just paying what their normal monthly was, however upon new management looking over the tariffs and asking question the board realized that it was not the company's responsibility to regulate the water in customers residence, it's the customers responsibility to have a pressure regulating valve on their side going into their residence, this is just a courtesy provided to the customer and RRWD tariff page 9 L states that the company shall not be responsible for failure of machinery(regulator) *see attached file titled, 14_a_Regulator.pdf
Witness: David Gifford

- b. Provide a list of all regulator adjustments completed during the test

year.

**Response: See the attached file titled:
14_b_adjustment journal.pdf**

Witness: David Gifford

15. Refer to Rattlesnake Ridge District's Response to Staff's First Request, Item 1(c), 2022 Board Minutes for the 20th of September. Provide the executed contract with Big Sandy referenced in the minutes.

**Response: See the attached file titled:
15_Big Sandy Contract.pdf**

Witness: David Gifford

16. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 1(c), 2022 Board Minutes for the month of February. Provide the legal agreement with Carter County Fiscal Court referenced in the minutes.

Response: See the attached files titled:

16_PSC for CDBG Grant.pdf

Witness: David Gifford

17. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 1(c), 2023 Board Minutes for the month of April, specifically the following: "Late bills addressed; No late fees for the month of April, due to postal issues but we will proceed with shutoffs for non-payments." Provide the tariff provision that allowed for this action.

Response: The office was overwhelmed with phone calls and visits of unhappy customers because of not receiving their bills. We even had to respond to PSC on a couple of complaints regarding these same complaints, so as a 1 time customer courtesy we didn't not charge late fees for the month of April due to customers not getting their bills and we filed a complaint with the US postal service and also opened an investigation to see what means we could take to assure that customers receive their bills in plenty of time to get them paid. *see attached file, 17_late fees.pdf.

Witness: David Gifford

18. For the collection of school tax from each customer, explain how those funds are received, deposited, documented, and distributed. Including but not limited to the account numbers, method of distribution, and frequency of distribution.

Response: school tax is added onto customers accounts and when paid those funds goes into our Main account where our CPA cuts the check to pay the taxes each month.

Witness: David Gifford

19. Refer to Rattlesnake Ridge's response to Staff's First Request, Item 2. Commission Staff requested a copy of the most recent invoice for all employee benefits provided to employees. Rattlesnake Ridge District provided a payroll Register. This does not address Commission Staff's request. Provide a copy of the most recent invoice for all employee benefits provided to employees.

Response: See the attached file:

19_invoice for employee benefits.pdf

Witness: David Gifford

20. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 14. Explain the \$50 Administrative Expense including documentation of how Rattlesnake Ridge District calculated that amount for the cost justification sheet.

Response: The \$50 administrative expense is an estimate of staff time and materials when establishing a new account.

Witness: David Gifford

21. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 2.

(a) Provide a cost comparison to explain the components of the increase in the Reconnection Charge from \$45 to \$308.

Response: RRWD does not nor has ever charged the \$308 for the reconnect. This was a tariff change that we was trying to get approved for someone that has not had water service in years with an closed out account that has a previous used meter, the change that was requested was just to pay (at RRWD's cost) the \$308 for the new meter that would have to be installed in order to provide water service to that resident. RRWD is not proposing to revise the \$45 reconnection charge.

21_a_revised cost justification.pdf

Witness: David Gifford

(b) Explain Rattlesnake Ridge District's current procedure for reconnecting a customer that has been disconnected.

Response: Once an customer has been shut off for non-payment that customer must pay \$45 Reconnection Fee and bill in full before we go back and turn on.

Witness: David Gifford

(c) Explain the procedure for water service to be disconnected.

Response: Water service is disconnected if bill has not been paid by the cut off date. A disconnect notice is mailed to the customer on the tenth of the month.

Witness: David Gifford

(d) Explain the need to remove a meter for a water service that is being disconnected.

Response: The meter is locked for nonpayment. The meter is removed when a customer has illegally reconnected service.

Witness: David Gifford

22. Provide an itemized list of the funding sources and corresponding expenditures for the projects approved in Case No. 2022-00426, including but not limited to amount of money spent, an accounting of any funds not disbursed but owed, and any remaining funds for use.

Response: Rus loan-\$1,906,000.00

Rus grant -\$816,000.00

Arc grant -\$500,000.00

CDBG grant-\$1,000,000.00

Cleaner Water Act Grant- \$400,000.00 These funds have not been disbursed.

Witness: David Gifford

23. Provide any documentation of late fees charged, the total amount for the test year 2022 as well as whether this amount is included in the miscellaneous service adjustment.

Response: See the attached files titled:

23_Late fees 2022.pdf

23_penalty reversal.pdf When payment is postmarked by the tenth of the month.

Witness: David Gifford

24. Explain how Rattlesnake Ridge handled an account in bad standing in the test year of 2022.

Response: Service was terminated and then the bad debt was written off. We now place a lean on the property to attempt to recover the amount owed.

Witness: David Gifford

25. Refer to the 2022 Audit Report, at 31, Aged Accounts Receivable table, Confirm that the total amount of accounts receivable from the test year was 432,108, in addition confirm how much of the \$432,108 receivables was considered as permanently uncollectable and officially "written off" during the test year.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

26. Provide the test-year payroll register.

Response: We have contacted our accountant regarding this request and have not received a response. We will provide a response in a supplemental filing as soon as available.

Witness: David Gifford

27. Refer to the application, Item 11-1, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues tab, columns F and G. Provide a breakdown of the miscellaneous service revenues including whether or not the collection of that fee would be recurring or a one-off transaction.

Response: See the attached file, 27_Misc. service Revenues.xlsx

Witness: David Gifford

28. Provide the monthly unaccounted for water loss calculations for calendar years 2022 and 2023.

Response: See the attached file titled :

28_ Water loss 2022.pdf

28_ Water loss 2023.pdf

Witness: David Gifford