

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GARRISON-)	CASE NO.
QUINCY-KY-O-HEIGHTS WATER DISTRICT FOR)	2023-00408
AN ALTERNATIVE RATE FILING PURSUANT TO)	
807 KAR 5:076)	

RESPONSE OF GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED MARCH 1, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

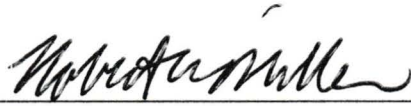
In the Matter of:

ELECTRONIC APPLICATION OF GARRISON-)
QUINCY-KY-O-HEIGHTS WATER DISTRICT FOR) CASE NO.
AN ALTERNATIVE RATE FILING PURSUANT TO) 2023-00408
807 KAR 5:076)

VERIFICATION OF ROBERT K. MILLER

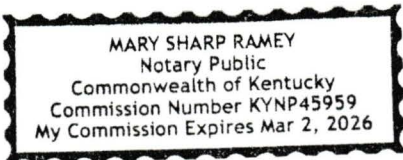
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

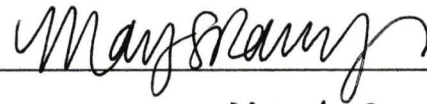
Robert K. Miller, of Kentucky Rural Water Association on behalf of Garrison-Quincy-KY-O-Heights Water District, states that he has supervised the preparation of certain responses to the second Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Robert K. Miller

The foregoing Verification was signed, acknowledged and sworn to before me this 11 day of March, 2024, by Robert K. Miller.





Commission expiration: March 2, 2026

Garrison-Quincy-KY-O-Heights Water District
Case No. 2023-00408
Commission Staff's Second Request for Information

Witnesses: Trent Underwood #1-3, 5, 10-14, 18, and 20-21
Robert K. Miller #4, 6-9, 15-17, and 19

1. Provide a monthly breakdown, with volume, unit cost and monthly grand totals, of each chemical purchased from each supplier for 2022 and year-to-date 2024.

Response: See file 1_Monthly_Chemical_Purchases

2. Provide the current rate charged by each supplier from whom Garrison-Quincy-KY-O-Heights District purchases each chemical.

Response: See file

2_Current_Rate_for_Chemicals

3. Refer to the Application, page 23, Fixed Assets list.

a. State whether customer meter installations are capitalized.

Response: Each meter installation is capitalized.

b. If customer meter installations are capitalized, provide the asset category in which they are included.

Response: They are listed under Property, Plant & Equipment Transmission and Distribution.

c. If customer meter installations are not capitalized, provide the number of installations by year for 2017 through 2021 and 2023.

Response: Each meter installation is capitalized.

4. Refer to the Application, Schedule of Adjusted Operations, Adjustment E. Confirm that in addition to the removal of materials and labor, Garrison-Quincy-KY-O-Heights District included the meter taps installed during the test year in depreciation amount for the test year.

Response: Garrison-Quincy-KY-O-Heights District did not include the amount of capitalized labor and materials and supplies in its proposed adjustment to the Depreciation amounts. This would properly need to be included in the depreciation adjustment. The District therefore requests that if the Commission Staff includes this adjustment, that the adjustment be an increase to depreciation expenses of \$398, which reflects the capitalized cost over 20 years.

5. In Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected, provide the calculations and explanations of methodologies used to allocate each cost that is shared between the water and sewer divisions. This should be broken down. Additionally, designate each general ledger account and description that is only applicable to either the water or sewer division.

Response: See file 5_Allocations

6. Refer to the Application, Schedule of Adjusted Operations, Adjustment E. Explain the allocation methodology used for Employee Salaries.

Response: The application allocates the total cost of meter taps to Salaries and Wages and Materials and Supplies evenly between the two. Commission precedent has either allocated these cost this way or a 30/70 split. Either way has no additional impact on the total revenue requirement.

7. Refer to the response to Commission Staff's First Request for Information (Staff's First Request), Item 5, Item_5_2022_Sewer.xlsx. Also refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, SAOs Tab, row 14. In Item 5, the employee's Total Wages for All Employees is reported as \$49,224, but in Item 9, it is reported as \$50,515. Reconcile and explain the difference between the amounts.

Response: Garrison District contacted the independent auditor who prepared the audit and annual report about this question. The auditor stated that they do not know the difference and that it would have been deemed immaterial during the audit. Therefore, Garrison District is unable to reconcile the differences between the two reports.

8. Refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AT to TB Tab, row 21.
 - a. Confirm Account 04011-0000 Salaries & Wages Employees only accounts for employee expenses related to Garrison-Quincy-KY-O-Heights District's Water Division.

Response: Yes, the account 4011-0000 accounts for employee expenses only related to the Water Division.

- b. If not, explain the allocation methodology Garrison-Quincy-KY-O-Heights District uses to allocate employee salaries between the water and sewer divisions.

Response: Not applicable.

9. Refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AT to TB Tab, rows 22 and 23.
- a. Confirm that the \$6,281 for account 04012-0000 Commissioners Salaries and the \$1,857.91 account 05034-0000 Commissioners Salaries are both only for the portion of Commissioners Salaries related to Garrison-Quincy-KY-O-Heights District's Water Division.

Response: The \$6,281 is the total amount of Commissioners salaries for the test year. Therefore, an adjustment for the sewer is necessary. The District recommends that the Commission Staff allocate this cost by the number of customers of each Division in the test year. This would result in a decrease to the water division a \$1,818, and in increase to the sewer division of \$1,818 (307 sewer customers, 1066 water customers = 1373 customers $307/1373 = 22$ percent * \$8,139 = \$1,818).

- b. If not, explain the allocation methodology Garrison-Quincy-KY-O-Heights District utilizes to allocate commissioner salaries between water and sewer divisions.

Response: Not applicable.

10. Refer to the response to Staff’s First Request, Item 1a, Item_1a_2022_Ledger_Analysis.xlsx, rows 9144 through 9147, Account 4041-0000 Maintenance. Provide a copy of the invoices for the two transactions for \$6,725 each as shown in the Table below. Describe each purchase, its purpose, and state whether the items should have been capitalized. If Garrison-Quincy-KY-O-Heights District believes its classification as an expense is proper, explain its justification.

04041-0000		MAINTENANCE											
03/28/22	1 7255 VISA			CK# 16338	AP	03/28/22	ajohnson	G	\$277.59				
09/19/22	389 7462 LAYNE CHRISTENSEN COMPANY			CK# 16544	AP	09/20/22	ajohnson	G	\$6,725.00				
10/11/22	389 7485 LAYNE CHRISTENSEN COMPANY			CK# 16586	AP	10/18/22	ajohnson	G	\$6,725.00				
									\$13,727.59			\$0.00	
	Ending Balance								\$13,727.59				
				Transactions: 3									

Response: See file 10_Well_Cleaning_Invoices

The two invoices for \$6,675 each were for cleaning of our Well #5 and consisted of labor, equipment, and materials needed to complete the job. The classification for these as an expense is proper due to the nature of the work completed, as it was necessary to maintain the usefulness of the well. No new equipment was added to the well during the cleaning.

11. Refer to the response to Staff’s First Request, Item 1a, Item_1a_2022_Ledger_Analysis.xlsx, rows 8138 through 8190, Account 4017-0000 Maintenance Supplies. Provide a copy of the six invoices for the transactions reported during the test year that exceed \$1,000. Describe each purchase and state whether the items in the following Table should have been capitalized. If Garrison-Quincy-KY-O-Heights District believes its classification as an expense is proper, explain why.

04017-0000		MATERIALS & SUPPLIES EXPENSE								
03/16/22	50 7235 CITCO WATER		CK# 16321	AP	03/17/22	ajphnson	G		\$1,874.03	
03/16/22	54 7237 CORE & MAIN		CK# 16322	AP	03/17/22	ajphnson	G		\$1,752.57	
07/13/22	54 7378 CORE & MAIN		CK# 16458	AP	07/13/22	ajphnson	G		\$1,052.23	
10/12/22	50 7492 CITCO WATER		CK# 16567	AP	10/18/22	ajphnson	G		\$1,808.64	
11/18/22	50 7539 CITCO WATER		CK# 16613	AP	11/29/22	ajphnson	G		\$3,356.41	
11/29/22	1 7557 VISA		CK# 16632	AP	11/29/22	ajphnson	G		\$1,108.76	

Response: See files

- 11_Response**
- 11_Invoice_1**
- 11_Invoice_2**
- 11_Invoice_3**
- 11_Invoice_4**
- 11_Invoice_5**
- 11_Invoice_6**

12. Refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AT to TB Tab, row 60. Confirm Account #05000-0500 Sludge Removal is part of the Water Division's expenses and not the Sewer Division.

Response: This sludge removal was part of the Water Division's expenses as it was for removal of material from our backwash basin.

13. Refer to the response to Staff's First Request, Item 3, Item_3.xlsx, cell A5. Confirm that Garrison-Quincy-KY-O-Heights District provides \$350 per month for health insurance and not \$3.50 per year. If not confirmed, explain why not.

Response: The District provides the amount of \$350.00 per month for health insurance.

14. Refer to the response to Staff's First Request, Items 3 and 4. In response to Item 3, Garrison-Quincy-KY-O-Heights District indicated that seven employees receive health insurance; however, in response to Item 4, Garrison-Quincy-KY-O-Heights District provided a copy of an insurance reimbursement and a copy of an invoice from Rural King.

- a. Provide a copy of the most recent invoice received for all benefits provided to employees.

Response: See file 14a_Benefits_Invoices

- b. Confirm that Garrison-Quincy-KY-O-Heights District does not provide health insurance for its employees and only pays reimbursements. If confirmed, describe the reimbursement process.

Response: Garrison Quincy KY-O Heights District does not provide health insurance. Each full-time employee is given a check each month for health insurance purposes.

- c. State the relevance of the Rural King invoice.

Response: In Staff's First Information Request, we were asked to provide a copy of one invoice for each employee benefit. The Rural King invoice was for a reimbursement to an employee for boots/uniforms that they had purchased.

15. Refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, 1c Reconciliation AT to TB Tab, cell D65. Also refer to the Depreciation Tab, cell H33. Also refer to the 2022 Audited Financial Statements, page 6. Depreciation Expense in 1c Reconciliation AT to TB Tab, cell D65, is recorded as \$101,505, Depreciation Expense is \$102,431 in Depreciation Tab, cell H33, and in the audited Financial Statements Depreciation expense – Water is recorded as \$102,307. Reconcile and explain the differences between the varying amounts.

Response: The amount of depreciation expense of \$102,431 was taken from the District's actual depreciation schedule, which is included in the application. When adding the amount of depreciation included in the Sewer amount of \$77,700, the amount reconciles to the total amount of depreciation recorded in the general ledger and trial balance of \$180,118. Therefore, the correct test year amounts for depreciation are \$102,431 for water and \$77,700 for sewer. The adjustments made by KRWA's consultant in the application corrects the erroneous amounts included in the annual report, and therefore the pro forma amounts are correct.

16. Refer to the Application, Schedule of Adjusted Operations. Also refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, SAOW tab, cell D35. In the Application, Taxes other Than Income is recorded as \$20,083, while in the Rate Study, it is recorded as \$17,542. Reconcile and explain which amount is correct.

Response: The amount recorded in the rate study of \$17,542 is correct. The \$20,083 amount reported in the application was an erroneous amount included in error.

17. Refer to the response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx, cell L34. Also refer to the response to Staff's First Request, Item 9, Rate_Study_Garrison_Quincy.xlsx, SAOW Tab, cell D21. Salaries and Wages – Employees was reported as \$189,321 in Item 5 and as \$189,192 in Item 9. Reconcile and explain the \$129 difference.

Response: Garrison District contacted the independent auditor who prepared the audit and annual report about this question. The auditor stated that they do not know the difference and that it would have been deemed immaterial during the audit. Therefore, Garrison District is unable to reconcile the differences between the two reports.

18. Refer to the response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx, column K. Explain the nature and criteria for the one-time pay increase.

Response: Garrison Quincy KY O-Heights Water District paid each employee a one-time lump sum pay increase of \$350.00 per each employee in lieu of a cost-of-living raise to employees for that year. The water portion of that was \$283.50.

19. Refer to the response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx, column L. In Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected, provide the calculations used to determine the total Wages paid amounts.

Response: Garrison Quincy Water District has reviewed and revised this file. The data in column L is taken from the payroll portion of the accounting system and is not a computed item in the spreadsheet.

See file Item_5_2022_Water_Revised

20. Refer to the response to Staff's First Request, Item 5, Item_5_2022_Water.xlsx, rows 25 through 32. Explain Garrison-Quincy-KY-O-Heights District's plans for each of the three vacant positions.

Response: Garrison Quincy Water District only has 6 available staff positions. The three vacant positions that were listed on the response to the Staff's First Request, Item 5, Item_5_2022_Water.xlsx, rows 25 through 32 were due to turnover that year. We went through a series of hiring and termination to fill one particular position (position #6).

21. Refer to the response to Staff's First Request, Item 21, Occurrences for Nonrecurring Charges, water and sewer. Garrison-Quincy-KY-O-Heights District did not provide an amount or instances in which a Meter Relocation Charge was performed. Clarify whether there were any instances of this service being performed and the amount collected during the test period. If there were no instances of this charge being performed, then confirm.

Response: In response to Staff's First Request, Item 21, Occurrences for Nonrecurring Charges, water and sewer, the Meter Relocation Charge was omitted. There were no charges for Meter Relocation for that year as there were no instances of any relocations that being performed.