

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MORGAN)	Case. No.
COUNTY WATER DISTRICT FOR A RATE)	2024-00010
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

**RESPONSE OF MORGAN COUNTY WATER DISTRICT
TO THE COMMISSION STAFF'S THIRD REQUEST
FOR INFORMATION DATED JUNE 6, 2024**

Filed: June 20, 2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

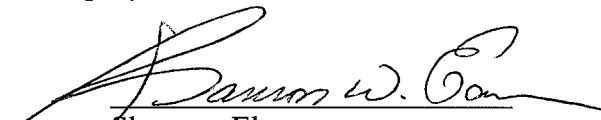
IN THE MATTER OF:

ELECTRONIC APPLICATION OF)
MORGAN COUNTY WATER DISTRICT) CASE NO.
FOR RATE ADJUSTMENT PURSUANT TO) 2024-00010
807 KAR 5:076)

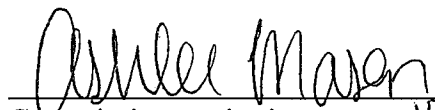
VERIFICATION OF SHANNON ELAM

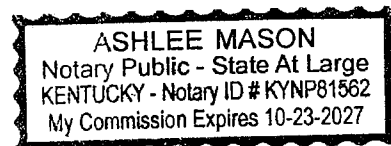
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF MORGAN)

Shannon Elam, General Manager for Morgan County Water District, being duly sworn, states that he has provided the facts and supervised the preparation of the responses to Commission Staff's Third 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.


Shannon Elam

The foregoing Verification was signed, acknowledged and sworn to before me this 11th day of June, 2024, by Shannon Elam.


Commission expiration: 10-23-2027



**Morgan County Water District
PSC Case No. 2024-00010
Responses to Commission Staff's
Third Request for Information**

PSC'S REQUEST FOR INFORMATION DATED 06/06/24

REQUEST 1

RESPONSIBLE PARTY: Shannon Elam

Request 1. Refer to Morgan District's responses to Commission Staff's Second Request for Information (Staff's Second Request), Item 16.

- a. Explain the significance of Morgan District providing two additional billing analyses with current and proposed rates for three employees and five employees.
- b. Explain if Morgan District is proposing to use either of these rate proposals instead of what was provided in the initial application.
- c. Explain how the final two years of the three-year phase-in rate proposal were calculated.
- d. Explain why a three-year phase-in proposal was chosen instead of a two-year proposal given the bulk of the increase is occurring in year 1.

Response(s):

- a. Morgan County Water District ("Morgan District") provided two additional billing analyses with current and proposed rates for three and five employees for illustrative purposes to the Commission, and to provide alternatives based upon the Commissioners' comments at the hearing on May 2, 2024.
- b. Morgan District is requesting the emergency rate increase and has provided the information in the responses to Commission Staff's Second Request for Information (Staff's Second Request) to remove amounts that should not have been included in the original request and as alternatives, should the Commission decide that the proposal to hire five employees is not supported by the record.
- c. The final two years of the three-year phase-in rate proposal was determined by dividing by half the remaining amount required after removing the initial increase in year 1.

d. Morgan District determined that its pro forma operations based on a 2022 test year justified an increase in water rates of 41 percent. However, upon review of its current financial condition, Morgan District determined that it required a rate increase of 25.25 percent to break even and requested an emergency rate increase. In an effort, to calculate the most conservative amount necessary to request in emergency rates to implement subject to refund, and to lessen the impact a 41 percent rate increase would have upon its customers, Morgan District decided to request the minimum 25.25 percent increase required at the earliest possible date to break even, and to phase in the remaining 15.75 percent increase over the next year. Morgan District's initial proposal was filed before certain items were removed from the revenue requirement, and to be clear Morgan District proposes an initial increase of 25.25 percent, whether that is granted by emergency Order or in the first year after the rate case Order, and the remaining 15.75 percent be applied in the second year. Morgan District has no objection to using a two-year rate phase-in.

**Morgan County Water District
PSC Case No. 2024-00010
Responses to Commission Staff's
Third Request for Information**

PSC'S REQUEST FOR INFORMATION DATED 06/06/24

REQUEST 2

RESPONSIBLE PARTY: **Shannon Elam**

Request 2. Refer to Morgan District's responses to Staff's Second Request, Item 15. Morgan District provided cost justification for a Late Payment Penalty in the amount of \$27. Of this \$27, \$2 is allocated towards materials and \$25 is towards labor.

- a. Explain and provide justification for the labor involved in collecting a late payment penalty.
- b. Provide justification for the \$2 in material cost for collecting a late payment penalty.
- c. Morgan District's current tariff states a late payment penalty is 10 percent. Explain and provide justification as to why Morgan District is proposing to revise its late payment penalty to a flat rate of \$27. If Morgan District is proposing to change the calculation for this charge, cite to the location of customer notice of such a change in the record.

Response(s): The response to Staff's Second Request, Item 15 was an error. Morgan County Water District does not want to revise its late payment penalty in its tariff.