

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF OHIO COUNTY)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2024-00127
PURSUANT 807 KAR 5:076)	

RESPONSE OF OHIO COUNTY WATER DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED JULY 16, 2024

Ohio County Water District
Case No. 2024-00127
Commission Staff's Second Request for Information

Witnesses: Eric Hickman #1-5a, 7-11
Robert K. Miller #5b, 6

1. Refer to Ohio District's responses to Commission Staff's First Request for Information (Staff's First Request), Items 18 and 19.
 - a. Ohio District indicated 406 occurrences of "Lockup Fee" during the test period. However, this charge is not listed in Ohio District's current tariff. Explain the purpose of this charge and provide supporting cost justification.

Response : "Lockup Fee" is the term used internally at Ohio District to describe a service call needing a meter locked. A "Service Call" fee of \$25.21 is charged. The Service Call is listed as a Non-Recurring Charge.

- b. Ohio District indicated 31 occurrences of "MXU Replacement" during the test period. This charge is not listed in Ohio District's current tariff. Explain the purpose of this charge is for and provide supporting cost justification.

Response : This charge is for MXU's that have been damaged by the customer. This charge is based on the "Actual Cost" at the time of damage repair. The customer pays the cost of MXU and service fee to replace. Last purchase of MXU's were \$199.99 each + service fee \$25.21 = \$225.20.

The current Tariff states under 7. Non-Recurring Charges Paragraph j:
"A customer who maliciously, willfully, or negligently breaks, damages, destroys, uncovers, defaces, or tampers with any structure, appurtenance, or equipment which is part of the District's water works, shall be subject to disconnection of water service and shall pay the cost of repairing or replacing the structure or appurtenance and related costs."

See file **1b_MXU_Charges**

- c. Ohio District's current tariff reflects charges (Connection/Turn-on Charge, Meter Re-read Charge, Meter Relocation Charge, Re-connection Charge) that were not provided in response to Item 18. As stated in Staff's First Request, provide the number of instances for each charge listed in Ohio District's current tariff, and indicate the amount of revenue collected for each of the services.

Response:
Connection / Turn-on Charge – In 2023, there were 466 charges for a total of \$11,773.07.

Meter Re-read Charge – In 2023, there were no Meter Re-read completed or charges to customer.

Meter Relocation Charge – In 2023, there were no Meter Relocations or charges to the customer.

Re-connection Charge – In 2023, there were 406 charges for a total of **\$18,217.43**.

- d. Ohio District did not provide cost justification for its Meter Relocation Charge and Field Collection Charge as listed in its current tariff. Provide cost justification for these charges or advise if these charges are no longer in use and should be removed from Ohio District's current tariff.

Response: The Meter Relocation Charge is listed as "Actual Cost", and Ohio District requests to keep this non-recurring charge as actual cost.

Ohio District's field staff do not collect charges from customers. Ohio District requests that Field Collection Charge be removed from the list of nonrecurring charges.

- e. Ohio District provided a cost justification for its Meter Test Charge for 5/8-Inch meters. Ohio District's current tariff indicates that a Meter Test Charge for 1-Inch Meters is its actual cost. Provide updated a cost justification for Ohio District's Meter Test Charge for 1-Inch Meters.

Response: Ohio District requests that Meter Test Charge for 1-inch meters remain as "Actual Cost" since the material costs for these meters fluctuate more significantly compared to the 5/8" x 3/4" meter sets.

2. Refer to Ohio District's response to Staff's First Request, Item 21a, Interest Calculation and Ohio District's Application, Table B Debt Service Schedule. Explain the reason for the difference between the calculated amount of \$267,283.33 in Item 21a and the listed amount of \$165,270 in the application.

Response: The interest calculation in Table B of the Application is an estimate for long term financing. The total project cost of \$5,943,600 is anticipated to be offset by grants totaling \$2,955,000, resulting in long term debt of \$2,988,600. The annual interest payments shown in Table B are based on that amount at an interest rate of 5.53 percent. Currently, a CDBG grant with a net amount of \$1,955,000 has been awarded and an EPA grant application of \$1,000,000 is under review.

The calculation provided in Item 21a is based on the total BAN loan amount of \$5,000,000.

It is important to note that the review for the EPA grant application of \$1,000,000 will not be completed prior to the procedural schedule date for the Staff Report. While Ohio District remains cautiously optimistic about receiving the grant, it would be prudent to exclude the grant from consideration in this rate application.

Therefore, Ohio District requests that the principal amount for the BAN Series 2023 as shown in Table B of the Application be increased from \$2,988,600 to \$3,988,600 and the annual interest-only debt service amount be increased from \$165,270 to \$220,570.

As a point of reference, Ohio District has requested and received schedules of estimated debt service for bonds with terms of 20, 25, and 30 years with level annual payments. Also, the estimated principal amount for the bonds was \$4,500,000 to include provisions for financing costs and a debt service reserve.

See file **2_Debt_Service_Estimates**

3. Refer to general ledger account number 127.21, Pinnacle Bank 2023. Provide a schedule for when, or if, the balance of the approved debt will be issued. According to the general ledger, note that approximately \$5 million was approved and \$4.15 million was the end balance of the account as of April 30, 2024.

Response: At the construction progress meeting that took place on July 16, 2024, the contractor informed Ohio District that they expect to finish the work and vacate the site by September 9, 2024. Please refer to these files for further documentation of the project schedule:

**3_Master_Schedule
3_Look_Ahead_Schedule
3_Proposed_Change_Order**

4. Refer to the Application in Case No. 2023-00192.
 - a. Provide the date Ohio District anticipates filing for full financing approval with the Commission as stated in Item 36 beginning on page 14.

Response: The bond anticipation note was implemented on October 13, 2023 and will be in effect for 23 months, expiring on September 13, 2025. The District intends to schedule the sale and issuance of bonds shortly after the completion of the project. However, depending on the market conditions, the District may choose to postpone this process until the most favorable time, as advised by the District's financial advisor.

- b. State whether any components of the approved project were approved and placed in service prior to December 31, 2023.

Response: Construction commenced in October 2023 with the clearing of trees and mobilization of equipment. The new intake lines will not be operational until the existing line is decommissioned and sealed, which is tentatively planned for August 27, 2024.

- c. Provide the date(s) that each major project component is expected to be placed in service.

Response: The projected timeline indicates that the new intake lines will be made available and functional on August 27, 2024. Please refer to these files which outlines the work that needs to be done for the "start-up" of the new intake lines:

- 3_Master_Schedule**
- 3_Look_Ahead_Schedule**
- 3_Proposed_Change_Order**

- 5. Refer to general ledger account number 641.000 Rental of BLDG & Real Property – Other.

- a. Explain the purpose of each expenditure in the chart below and confirm that Ohio District was not reimbursed by a third-party for any of the expenditures.

03/16/2023 23-ICG-15441	OMEGA RAIL MANAGEMENT, INC 4' @MP-J96+225 FEET LEASE Horse Branch	623.39
11/13/2023 Deposit Dec 8	Heaving Hatchets Axe Throwing, LLC OCWD Private Rental 12/8/23 6 pm - 10 pm	100.00
12/01/2023 ChristmasEvent 2023	Heaving Hatchets Axe Throwing, LLC OCWD Private Rental 12/8/23 6 pm-10 pm	600.00
	Total	1,323.39

Response: Omega Rail Management is a yearly lease to run our 4" water pipeline @ MP-J96+225 feet in Horse Branch, KY. This is not reimbursed.

Heaving Hatchets is a building rental to have employee safety, longevity, Christmas year recap recognition event. This is not reimbursed.

- b. Explain why the adjustment made by Ohio District in the SAO of \$28,800, which consists of monthly rent of \$2,400 for 12 months differs from the amount recorded in the general ledger of \$27,500, or monthly rent of \$2,500 for 11 months.

Response: Ohio District's PSC Annual Report for 2023 was the basis for the SAO. The Trial Balance used for preparation of the Annual Report indicated Acct. No. 641.000 had an end of year balance of \$28,823.39. It was assumed that this amount included 12 months of payments for Distribution

Building rent. Based on that assumption the deduction of \$28,800 was deemed appropriate to eliminate that rental expense in the future.

6. Refer to Application, Schedule of Adjusted Operations, Salaries and Wages – Employees, and Ohio District’s Response to Staff’s First Request, Item 4, Employee Wages FICA, and Item 1b, Cross Reference.

a. Explain the difference between the Employee Wages in application test year of \$1,151,874 and the Employee Wages in the FICA table of \$1,113,128.81.

Response: The Employee Wages in application test year of \$1,151,874 are from the Trial Balance and include year-end adjusting journal entries. The Employee Wages in the FICA table of \$1,113,128.81 are from the labor portion of the QuickBooks accounting system and do not include year-end adjusting journal entries.

b. Explain the difference between the Employer FICA in the FICA table of \$83,624.79 and the Cross Reference amount of \$85,583.42.

Response: The Employer FICA in the FICA table of \$83,624.79 is from the labor portion of the QuickBooks accounting system and do not include year-end adjusting journal entries. The Cross Reference amount of \$85,583.42 is from the Trial Balance and includes year-end adjusting journal entries.

7. Refer to General Ledger account number 620.400 Materials and Supplies – Maintenance. Provide copies of each invoice listed in the chart below. Describe each purchase and state whether the following items should have been capitalized. If Ohio District believes its classification as an expense is proper, explain why.

Number	Name	Memo	Amount
25840	Controllor LABTRONX, INC	CL17sc Colormetric Chlorine Analyzer	3,245.00
157158	Door OVERHEAD DOOR CO. OF BOWLING GREEN	Removal and Install New 10/2 x 24" Door	3,365.00
07192303	HTI, INC	WTP SCADA Upgrades	15,410.00
1581	Superior Asphalt Maintenance	Ashphalt Coating @ Plant	3,675.00

Response:

Ohio District capitalizes equipment if the costs are \$5,000 or more. Please refer to this file which outlines the District’s Capitalization and Depreciation Policy that was adopted by the Board of Commissioners on December 27, 2021:

7_Capitalization_and_Depreciation_Policy

8. Refer to Ohio District’s response to Staff’s First Request, Item 9, Commissioner Compensation. Provide the names of each of the Commissioners assigned as Board

Commissioner 1, Board Commissioner 2, etc.; also include the MASA and Dental reductions for the appropriate Commissioner.

Response:

Commissioner	Name	MASA Deduction	Dental Deduction	Employer Cost
Commissioner #1	Eddie Embry	\$0	\$25.33 / month	\$25.74 / month
Commissioner #2	Ben Everley	\$14.00 / month	\$0	\$0
Commissioner #3	Michael Newman	\$14.00 / month	\$0	\$0
Commissioner #4	Cletus Greer	\$0	\$0	\$0
Commissioner #5	Carlin Gregory	\$0	\$0	\$0
Commissioner #6	Reid Haire	\$0	\$0	\$0
Commissioner #7	Jay Raymond	\$14.00 / month	\$0	\$0

9. Refer to Ohio District’s response to Staff First Request, Item 5a, Longevity Pay. Explain how Ohio District determines the payout amounts for each employee.

Response: The Ohio District Board of Commissioners approved the Longevity Bonus Policy on August 22, 2022. In essence, Ohio District values the significance of employee tenure and acknowledges the contributions made by our staff through their on-the-job experiences. With the goal of rewarding and retaining those employees with a long history of service, Ohio District will provide a lump sum payment of \$100 per year of service with the organization on each employee's anniversary date. Please refer to this file for the detailed information regarding the District's Longevity Bonus Policy:

9_Longevity_Bonus_Policy

10. Confirm the purchased water expense of \$1,698 is strictly for office use and is not part of Ohio District’s sales to its customers. If not confirmed, explain the source of the expense.

Response: The water purchased for the Ohio District office use was \$1,592.82. There was also a charge for North McLean County Water of \$104.78 which provided water for Ohio District customers during a line repair.

11. Refer to the 2023 General Ledger account number 163, Prepaid Maintenance which reflected a beginning balance of \$39,375, which was zeroed out on December 31, 2023, and recorded as expense to account 620.400 MATLS & SUP WT EXP - MAINT.

- a. Provide details of the original balance including a description and cost of each component.

Response: The charge is from Zenon and is part of an annual membrane replacement agreement. The total replacement amount is \$94,500. This is a yearly charge.

- b. For each item greater than \$2,500, describe whether the underlying expense recurs annually or some other less frequent period.

Response: See response 11.a.