

**Southern Water & Sewer District
Case No. 2024-00251
Commission Staff's First Request for Information**

Witnesses: Randy Conley # 1a-b, 2, 4-11, 14, 16-19, 21, and 25-28
Robert K. Miller # 1c, 3, 12-13, 15, 20, 22-24, and 29

1. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible. Employee names should be redacted from all documents.

a. The general ledger in Excel spreadsheet format with all transactions for each of the years ended December 31, 2023, and 2024.

**Response: See file 1a_General_Ledger_2023
 S_1a_General_Ledger_2024**

b. The trial balance in Excel spreadsheet format with all transactions for each of the years ended December 31, 2023, and 2024.

**Response: See file 1b_Trial_Balance_2023
 S_1b_General_Ledger_2024**

c. Provide a cross reference that matches each test year general ledger account to each revenue and expense line that is reported in the Schedule of Adjusted Operations and reconcile each amount that does not match.

Response: See file 1c_Cross_Reference

2. Provide the following information related to billing and general ledger software:

a. State whether the billing software and general ledger/financial management software are separate or integrated.

Response: The billing software is separate from the general ledger / financial management software.

b. Provide the brand or common name for software.

Response: The billing software is Alliance G4.

- c. State whether the software is locally installed on a utility-owned computer or is a subscription service that is internet based.

Response: It is locally installed on utility-owned computers.

- d. If locally installed, state the installation date.

Response: It was installed in February 2022.

- e. State whether the system is still serviced by the manufacturer and whether the utility maintains a service contract.

**Response: This system is serviced by:
United Systems
PO Box 547
91 Southwest One Boulevard
Benton, Ky 42025
270-527-3293**

There is a service contract with United Systems.

3. Refer to the Remediated ARF Application, Schedule of Adjusted Operations(SAO), Revenue Requirements Calculation, SAO Adjustment References. Provide all schedules used to support each proposed adjustment in Excel format. Component details of a schedule should tie to the general ledger accounts that comprise the SAO line item including any adjustment for unreconciled amounts.

Response: See file 3_Rate_Study_TY_2023 Tab SAO Column I

4. Using a table format, provide an Excel spreadsheet with all formulas, rows, and columns fully accessible and unprotected that lists each position (Position 1, Position 2, etc.) job title, hours worked, pay rate, total wages paid, and total FICA cost for each employee for the years ended December 31, 2023, and 2024. Overtime hours worked and paid at one and one-half times the straight time pay rate should be separated from on call hours paid. Include the date the employee was hired and, if applicable, the employee's termination date. The table should include a column for total wages by employee (regular wages and overtime) and a row for total hours worked, wages, and FICA for all employees. Employee names should be redacted from all documents.

**Response: See files 4_Employee_Earnings_2023
4_Employee_Earnings_2024**

5. Provide calculations, by employee, that support pro forma wages of \$739,852. This may be provided as a separate table or combined with the table above. If a position is recently vacated but the intent is to fill it, note the vacancy and the amount of time that it has been vacant.

Response: See file 4_Employee_Earnings_2023 excluding Commissioner compensation.

6. Provide a summary of overtime hours worked and identify costs included that were the result of vacant positions and will be eliminated when the vacant positions are filled.

Response: See file 4_Employee_Earnings_2023 for overtime hours.

There were no costs as a result of vacant positions that will be eliminated when the vacant positions are filled.

7. Provide a complete description of each employee benefit paid to or on behalf of each employee for the calendar years 2023 and 2024. Supplemental coverage for which the employee pays 100 percent of the cost should also be included. Employee names should be redacted from all documents.
 - a. Provide a copy of one invoice for each calendar year 2023, 2024, and 2025 for each employee benefit described above.

Response: Southern District was unable to compile this information by March 4, 2025.

- b. Using the same table that lists each position and wage information, list each employee benefit (medical, dental, life, and others), the employee's contribution, the employer premium contribution, and the adjustment based on Bureau of Labor Statistics (BLS) contribution rates, if applicable. If health insurance is provided designate the coverage type (i.e., single, family, couple, or parent plus). If benefits other than medical insurance are provided, include a total column for the cost of all benefits excluding the BLS adjustment.

Response: Southern District was unable to compile this information by March 4, 2025.

8. Provide certificates of insurance and most recent invoices for general liability, workers' compensation, automobile, property, and casualty for 2023 and 2024.

**Response: See file 8_Insurance_Certificates
8_Insurance_Invoices**

9. Provide gallons purchased and cost, by month for the entire year, for each supplier, for calendar years 2023 and 2024.

Response: See file 9_Water_Purchases

- a. Reconcile reported gallons purchased in the test year annual report water statistics and the purchased water expense reported in the test year.

Response: Water Purchased	Gallons	Dollars
2023 Annual Report	194,046,000	\$401,919.00
<u>9 Water Purchases</u>	<u>184,921,292</u>	<u>\$391,834.27</u>
Difference	9,124,708	\$ 10,084.73

Southern District is unable to explain the difference between the amounts.

10. Provide the minutes from Southern District's commissioner meetings for the calendar years 2023 and 2024.

**Response: See files 10_Board_Minutes_2023
10_Board_Minutes_2024**

Southern District was unable to locate the January 2023 minutes.

- a. Designate each action that authorizes hiring.

Response: There were no actions taken that authorized hiring during 2023 or 2024 board meetings.

- b. Designate each action that authorizes adjustments to wage rates and any other compensation or fringe benefit actions.

Response: There were actions taken during the following meetings that authorized adjustments to wage rates and benefits:

November 2023 Item E
December 2023 Item I
February 2024 Item J
May 2024 Item I
September 2024 Item I
November 2024 Item J

11. Provide a document that lists the name of each commissioner for each of the calendar years 2023 and 2024 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.), their term (beginning and ending), and current authorized annual compensation.

Response: See file 11_Commissioners

- a. Provide documentation from the Fiscal Court that authorizes each member of the Board of Commissioner's (Board) appointment and compensation.

Response: See file 11a_Fiscal_Court

- b. Provide training records for each Board member for 2022, 2023, and 2024 or a statement that the individual has not attended training.

Response: See file 11b_Commissioner_Training

12. Refer to Remediated ARF Application, page 15 of 254, References, Item "B" which states that Southern District's test year water loss was 43.94 percent. The referenced amount is neither reflected in Southern District's 2023 Annual Report nor do the Item "B" adjustments reflect this water loss percentage. State the source of this reference or whether it is erroneous.

Response: The amount of 43.94 percent listed on References Item B was erroneous. The correct amount should have been listed as 56.69 percent. The net amount of water loss above the 15 percent limit should have been included in the reference as 41.69 percent, as this was the amount used to compute the adjustment for purchased water, purchased power, and chemicals.

13. Refer to Remediated ARF Application, page 20 of 254, Current Billing Analysis - Current Usage & Existing Rates which proposes a pro forma adjustment to decrease revenues by \$158,990. Provide an analysis of the components of the proposed decrease.

Response: See file 3_Rate_Study_TY_2023 Tab ExBA

- a. Include the 2024 impact of the Phase II tariff increase which became effective on August 22, 2023.

Response: The Phase 2 rates were included in the Billing Analysis.

- b. Provide details of amounts that should have been reclassified to either other revenue accounts or as offsets to expenses.

Response: Southern District is not aware of any amounts that should have been reclassified to either other revenue accounts or as offsets to expenses.

14. Provide the following with respect to the audited financial statements.

- a. Copies of 2022 and 2023 audited financial statements which are not on file with the Commission.

**Response: See files 14_Audit_2022
24_Audit_2023**

- b. If either year is not complete, state reasons it is not complete and provide the anticipated date that each will be issued.

Response: Audits are complete and submitted with this response.

- c. Provide a list of the payment amounts, dates paid, and general ledger expense charged for payments to the auditor during 2023 and 2024.

Response:

Audit Year	Amount	Date Paid	GL Account
2022	\$ 5,000.00	11/07/2023	72304
2022	\$ 5,000.00	11/28/2023	72304
2023	\$ 13,000.00	08/31/2024	72304

- d. Provide a list of all 2023 audit adjustments and description of the adjustments.

Response: The 2023 audit adjustments and description of the adjustments are included in the 2023 Trial Balance.

See file 1b_Trial_Balance_2023

15. Refer to Remediated ARF Application, Table A, Depreciation Expense Adjustments.

- a. Provide a detailed list of all asset items and note designation of segments as “entire group”.

Response: See file 15_Depreciation_Schedule_2023

- b. Provide total for “Original Cost” column and accumulated depreciation for each of the assets as of December 31, 2023.

**Response: See files 2023_Annual_Report Pages 16 and 26-29
15_Depreciation_Schedule_2023**

- c. Reconcile original cost, accumulated depreciation, and net book value of assets to amounts reported in the 2023 Annual Report Balance sheet.

Response: There is no difference between the amounts reported in 15_Depreciation_Schedule_2023 and 2023_Annual_Report.

	Original Cost	Accumulated Depreciation	Net Book Value of Assets
2023 Annual Report Pages 16 and 26-29	44,306,319	26,050,979	18,255,340
2023 Depreciation Schedule BEWD Page 11	42,539,979	24,405,754	18,134,224
MUD Page 4	1,766,340	1,645,225	121,116
	44,306,319	26,050,979	18,255,340

16. Provide the following with respect to capital expenditures and assets placed in service from 2020 through 2024.

- a. Capital expenditures and funding source for each year.

Response: See file 16_Depreciation Tab PSC

- b. Total amount placed in service by year and annual depreciation based upon the asset's useful life.

Response: See file 16_Depreciation Tab PSC

- c. Amount of unexpended dollars on capital projects in process, by project, at the end of 2024 and the estimated date and total dollar value that the associated projects will be placed in service.

Response: Southern District was unable to compile this information by March 4, 2025.

17. Provide the following with respect to accounts receivable and bad debt expense.

- a. Provide an accounts receivable aging for December 31, 2023, and 2024 in the following format (Gross and net amounts should tie to balance sheet for receivables):

**Response: See files 17a_AR_Aging_Report_2023
17a_AR_Aging_Report_2024**

- b. Provide a list of amounts charged to bad debt reserve by customer(i.e. Customer 1, Customer 2, etc.) for 2023 including age of each amount. Customer information should be redacted from all documents as set out in the parenthetical.

**Response: See files 17b_Bad_Debt_Report_2023
17b_Bad_Debt_Report_2024**

- c. State the amount of pro forma bad debt expense that is for amounts charged to reserve for bad debts versus the amount of accounts receivable that was directly written off to expense rather than charged to reserve for bad debts.

Response: The proforma bad debt expense is anticipated to be directly written off rather than charged to the reserve.

- d. Provide the reasoning that bad debt expense (\$152,472) as a percentage of metered retail sales (\$3,103,160) of 4.91 percent will recur in the future.

Response: Southern District serves customers in Floyd County, Kentucky. The per capita income for the county is \$12,442. About 26.90% of families and 30.30% of the population are below the poverty line, including 39.80% of those under age 18 and 20.50% of those age 65 or over. The proforma amount of bad debt expense is consistent with prior years amounts.

18. Provide the following with respect to accounts payable and other non-wage and benefit accrued liabilities.

- a. Provide an accounts payable and accrued liability aging for December 31, 2023 and 2024 in the following format:

Response: Southern District is unable to produce an accounts payable and accrued liability aging for December 31, 2023. The current office staff began working there in May 2024. Prior to that, there is no report that can be pulled for 2023. The previous office staff did not use any kind of software to track accounts payable.

See file 18a_Accounts_Payable_Aging_2024

19. Provide a redacted copy of a customer invoice that includes, water, sewer, garbage, surcharge, and taxes. Designate the general ledger accounts where each of the respective components are recorded.

Response: See file 19_Customer_Invoice

20. Provide the following with respect to new tap installations.

- a. Number of installations during the test year.

Response: Southern District installed 22 new taps in the test year.

- b. State whether labor costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

Response: No.

- c. State whether material costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

Response: No.

21. Refer to Southern District's Tariff, PSC Ky. No. 1, Original Sheet No. 10, Billing, Meter Readings and Related Information, Frequency of meter reading.

- a. Provide the date that Southern District's billing cycle begins (meter read date).

Response: The meter read date varies from month to month because of the days falling on the weekend. Southern District starts reading between 12th to the 15th of each month depending on the day of the week.

- 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: The Date 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.

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

Response: Southern District was unable to identify the last time when a cost-of service study was performed in the past twenty-three years.

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

Response: Southern District did not consider filing a COSS because there have been no material changes to the system.

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

Response: A new COSS would be appropriate if material changes in customer usage patterns were to occur.

- c. If there have been no material changes to Southern District’s system, explain when Southern District anticipates completing a new COSS.

Response: Southern District anticipates completing a new COSS when material changes occur.

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

Response: Southern District was unable to locate a copy of the most recent COSS that has been performed.

23. Refer to the Remediated ARF Application, Current Billing Analysis 2023 Usage and Existing Rates and Proposed Billing Analysis 2023 Usage and Proposed Rates.

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

Response: See file 3_Rate_Study_TY_2023 Tabs ExBA and PrPA

- b. Describe adjustments to the billing analysis and their justification.

Response: Billing Error	\$ 1,056.85
General Adjustment	\$(7,117.68)
Leak Adjustment	\$(81,586.44)
Misread Adjustment	<u>\$(169,626.75)</u>
Total	<u>\$(257,274.02)</u>

- c. Provide an analysis of the proposed pro forma adjustment to metered revenues.

Response: See file 23c_Adjustments

	No. of Bills	Gallons Sold	Revenue
Water Sales	64,520	249,253,487	\$ 3,360,434
Totals	64,520	249,253,487	\$ 3,360,434
Less Billing Adjustments			\$ (257,274)
Net Total			\$ 3,103,160
Less PSC Annual Report			\$ (3,262,150)
SAO Adjustment			\$ (158,990)

24. Refer to the Remediated ARF Application, Schedule of Adjusted Operations. Provide an analysis of the components of Miscellaneous Service Revenues of \$33,943.

Response: Account	Description	Amount
47103	Tap fees	\$ 2,070.98
47401	Other Income	\$ <u>31,872.17</u>
	Total	\$ 33,493.15

25. Provide the number of occurrences and dollar amounts for late fees that were recorded during the calendar years 2023 and 2024.

Response: Description	2023	2024
Late Fees Billed	\$89,156.25	\$86,149.31
Less Late Fees Adjusted		
Due to Leaks	<u>\$16,117.47</u>	<u>\$13,370.81</u>
Net Late Fees Billed	<u>\$73,038.78</u>	<u>\$72,778.50</u>
Occurrences	3,403	3,493

26. Provide a schedule listing the number of occurrences for each nonrecurring charge that were recorded during the test year and the total amount recorded for each nonrecurring charge. If the revenue for any nonrecurring charge was zero, include that charge and indicate that no revenue was recorded. Include the general ledger account numbers where each nonrecurring charge is recorded.

Response:

Type	Occurrences	Amount
Connection/turn on charge	804	\$ 8,060.00
Connection/turn-on (after hours)	2	\$ 20.00
Late Payment Penalty	3,403	\$ 89,156.25
Meter Relocation Charge	2	\$ 560.00
Meter Re-read Charge	0	\$ 0.00
Meter Test Charge	0	\$ 0.00
Re-connection Charge	462	\$ 4,620.00
Re-connection Charge (after hours)	18	\$ 180.00
Returned Check Charge	63	\$ 630.00
Service Call/investigation	0	\$ 0.00
Service call/investigation(after hours)	0	\$ 0.00
Disconnect Charge	294	\$ 5,880.00
Tap Fee	46	\$ 14,250.00

27. Provide updated cost justification sheets to support each nonrecurring charge listed

in Southern District's tariff.

Response: See file **27_Tap_Fee_Cost_Justification**
27_Nonrecurring_Charges_Cost_Justification

28. Provide the amount currently in the meter surcharge account and state how long Southern District anticipates until the full amount of new meters is assessed.

Response: The balance as of February 25, 2025, in the Surcharge account is \$59,664.74. The surcharge has been removed from the billing as of the January 2025 billing date; this completed the authorized 60-month period. The loan for the cost of purchasing and installing the meters will be paid off in May 2025.

29. Refer to the Remediated ARF Application, Attachment 11, Table C.

a. Explain why the proposed rates differ than those proposed throughout the application and do not include the proposed water loss surcharge.

Response: Attachment 11 Table C was the attachment to the resolution at the time when the Southern District's Board adopted the resolution authorizing the original Alternative Rate Filing application. That application was found to have deficiencies related to the test year used. When the deficiencies were remediated, the data related to Table C changed as reflected throughout the application. Section 4 of the resolution states that *"The Chairman, Manager, and all others to whom the Chairman may delegate certain responsibilities are hereby further authorized and directed to take any and all other actions and to execute and deliver any and all other documents as may be reasonably necessary to implement this Resolution."* Based upon that delegation, the original resolution was resubmitted with the remediated application.

b. Explain whether Southern District's Board approved the proposed water loss surcharge amount. If the Board approved such action, provide the appropriate commission meeting minutes.

Response: The proposed water loss reduction surcharge amount was reviewed with Southern District's Board via Zoom call on December 17, 2024.

See file **29b_Minutes_December_2024**