

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FLEMING COUNTY)	CASE NO.
WATER ASSOCIATION FOR A RATE ADJUSTMENT)	2024-00275
PURSUANT 807 KAR 5:076)	

RESPONSE OF FLEMING COUNTY WATER ASSOCIATION
TO THE COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION DATED SEPTEMBER 6, 2024

Fleming County Water Association
Case No. 2024-00275
Commission Staff's First Request for Information

Witnesses: Kevin Cornette #1a, 1b, 2-6, 9-16, 18, 20-25, 27, and 29-32
Robert K. Miller #1c, 1d, 7-8, 17, 19, 26, and 28

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

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

Response: See files 1a_General_Ledger_2023
1a_General_Ledger_YTD_2024

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

Response: See files 1b_Trial_Balance_2023
1b_Trial_Balance_2024

c. Refer to Application, Schedule of Adjusted Operations. Provide a cross reference that matches each 2023 general ledger account to each revenue and expense line in the Schedule of Adjusted Operations and reconcile each amount that does not match.

Response: See file 1c_Cross_Reference

d. Refer to the Application, Attachment 4, Schedule of Adjusted Operations, Adjustment References. Provide all workpapers used to generate the proposed adjustments in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

Response: See file 1d_Rate_Model Tab Adj

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

Response: See files

2_Property_and_Liability_Insurance_July_2023_to_June_2024

2_Cyber_Insurance_July_2023_to_June_2024

2_Insurance_Invoices_and_Payments_July_2023_to_June_2024

2_Property_Liability_and_Cyber_Insurance_July_2024_to_June_2025

3. Provide a description of all employee benefits paid to or on behalf of each employee for the calendar year 2023. Supplemental coverage for which the employee pays 100 percent of the cost should also be included. Employee names should be redacted from all documents.

**Response: See files 3_Employee_Benefit_Deduction_Report
3_Benefits_Description**

4. Provide a copy of the most recent invoice for each employee benefit(s) described and provided in the response to Item 3.

**Response: See files 4_AFLAC
4_Colonial_Life
4_Hartford_Life
4_KACO_Health
4_Unemployment_Insurance**

5. 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 titles, hours worked, pay rates, total wages paid, and total FICA cost for each employee for the years ended December 31, 2023, and 2024 year to date. Additionally, provide calculations, by employee, that support pro forma wages of \$498,390 (prior to tap fee capitalization adjustment). Include the date each employee was hired and, if applicable, the employee's termination date. 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. The table should include a column for total wages by employee (regular wages and overtime) and row for total hours worked, wages paid, and FICA for all employees. Employee names should be redacted from all documents.

**Response: See Files 5_Employee_List_2023
5_Employee_List_2024
1d_Rate_Model Tab Adj Cells I3:P18**

6. Using the same table created in response to Item 5, list each employee benefit (medical, dental, life, and others), the employee's contribution, the employer premium contribution, and an adjustment based on Bureau of Labor

Statistics (BLS) contribution rates, if applicable. If medical 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: See file 6_Employee_Benefits

7. Refer to the Application, Attachment 4, References, Adjustment C. Explain how a decrease in salaries and wages of \$9,425 results in an increase in payroll taxes of \$184.

Response: The increase in Payroll Taxes with the pro forma decrease in Salaries and Wages expense is anomalous. It is suspected that this situation is caused by timing issues in recognizing accrued expenses. However, pro forma estimates for Salaries and Wages expense and Payroll Taxes were performed correctly, they represent expected annual expenses, and are the appropriate basis for future water rates.

8. Refer to the Application, Attachment 4, References, Adjustment F. Explain how a decrease in salaries and wages of \$9,425 results in an increase in 401K retirement expense of \$1,341.

Response: The increase in 401K Plan expense with the pro forma decrease in Salaries and Wages expense may be partially attributed to timing issues in recognizing accrued expenses, but also employees' participation in the plan. However, pro forma estimates for Salaries and Wages expense and the 401K Plan were performed correctly, they represent expected annual expenses, and are the appropriate basis for future water rates.

9. Refer to the Application, Attachment 4, References, Adjustment I. Provide a copy of the invoice or quote for the billing software and associated operations upgrade.

Response: See file 9_Billing_Software

10. Refer to the Application, Attachment 4, References, Adjustment J.
 - a. Provide documentation to support the proposed increase to property insurance.

Response: See file 10a_Insurance_Renewal_Evaluation

- b. Provide a copy of the Liability and Property Insurance invoices for the test year amount of \$29,198.

Response: See file 10b_Property_and_Liability_Insurance_Invoices

11. Refer to the Application, Attachment 4, References, Adjustment K. Also, refer to Table A, Depreciation Expense Adjustments, Water Lines, Radio Read Meters and refer to the application, Attachment 7, Book Asset Detail Report, page 4, Radio Read Meters.
 - a. Provide an explanation for the proposed ten-year service life for the Radio Read meters. Include in this explanation, any engineering reports, testing reports, or technical specifications that support the proposed ten-year service life for each radio read meter model and brand.

Response: The explanation for the proposed ten-year service life for the Radio Read meters is straightforward: the experience of Fleming County Water Association is that the battery on Radio Read meters fails after ten years and requires replacement of the entire meter. It is inappropriate to apply the historical 40-year expected asset life of a solid brass, gear-driven, mechanical meter to a plastic and brass meter with a demonstrated 10-year battery life.

- b. For each radio read meter in the asset detail report, provide a breakdown of the brand and model.

**Response: Mueller Hersey Meter
420 with Radio Read Hot Rod
3,184 In Service**

**Badger Meter – HR-E LCD , ME Endpoint, Radio Read
1,346 In Service**

**We have 1,484 Badger – HR – E LCD Meters in stock to
be installed and replace Mueller Meters in the system.**

12. Provide the following information related to billing software:
 - a. Brand or common name for software.

Response: United Systems – Alliance G5.

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

Response: Software is Internet Cloud Based Subscription Service.

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

Response: Not applicable.

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

Response: The utility maintains a service contract with United Systems.

13. Provide minutes from Fleming Water's directors' meetings that authorize current salaries and wages for all current employees.

Response: See file 13_Minutes_Employee_Compensation Page 3

14. Provide the minutes from Fleming Water's directors' meetings for the calendar years 2022, and 2023, and 2024 to date.

**Response: See files 14_Minutes_2022
14_Minutes_2023
14_Minutes_2024_YTD**

15. Provide a document listing the name of each Fleming Water director for each of the calendar years 2023 and 2024. State, individually, the total amount of each benefit paid to, or on the behalf of, each director 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 15_Directors_Wages_and_Benefits

16. Provide training records for each director for 2022, 2023, and 2024 year to date.

Response: There has been no training attended by any of the Board of Directors in these years. Association Board Members are not required to attend training.

17. Refer to the Application, Attachment 4, Schedule of Adjusted Operations. Also refer to Attachment 4, Depreciation Expense Adjustments Table. In the Schedule of Adjusted Operations, test year Depreciation Expense is recorded as \$353,115, however in the Depreciation Expense Adjustment table, test year Depreciation Expense is recorded as \$351,036. Reconcile and explain the difference between the two amounts.

Response: The Application, Attachment 7 - Depreciation Schedule was used to prepare the Depreciation Expense Adjustment table. The total Current Depreciation expense shown in that schedule is \$351,056. Although this figure is slightly less than the Depreciation Expense shown in the Schedule of Adjusted Operations and the Annual PSC Report, an explanation was not found and the difference is considered immaterial. The Depreciation Expense Adjustment table is only used to compute an adjustment that is then applied to the Depreciation Expense shown in the Schedule of Adjusted Operations.

18. Refer to the Application, Attachment 4, Depreciation Expense Adjustments Table, 2024 additions. Explain how Fleming Water is funding the \$486,802 for Radio Read Meters.

Response: See file 18_Funding_Radio_Read_Meters

19. Refer to Application, Exhibit 4, Table B, Debt Service Schedule. For each outstanding debt issuance, provide the case number in which Fleming Water was authorized to issue the debt.

Response:	2004 RD Loan	2004-00280
	2009 RD Loan	2009-00163
	2012 RD Loan	2014-00265
	2015 KRWFC Loan	2015-00006

20. Provide the following with respect to new tap installations.
- a. Number of installations during the test year.

Response: 62 New Taps.

- 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: Labor costs were not capitalized.

- 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: We capitalize only the cost of the water meter; all other materials are expensed.

21. Provide a monthly breakdown in both gallons and dollar amount, of water purchased during the test year by vendor, identifying all vendors from whom Fleming Water purchased water.

Response: See file 21_Water_Purchases

22. Provide the current rate charged by each vendor from whom Fleming Water purchases water.

Response:

Rowan Water
\$2.73 per 1,000 Gallons
We have 3 Master meters with Rowan Water.
1 Master Meter never goes above the Minimum Bill.
The minimum Bill is \$50.00 which is 38,460 gallons.

Greater Fleming Regional Water Commission
\$2.07 per 1,000 Gallons effective July 1, 2024
(Was 2.00 per 1,000 gallons in 2023)
We have a Minimum Purchase contract of 25,000,000
Gallons per month, regardless of if the water is used or
not.

Vanceburg Electric Plant Board
\$1.68 per 1,000 Gallons
No Minimum Bill. No Required Usage.

23. Refer to Fleming Water's 2023 Annual Report, page 57. System flushing represents approximately 12.12 percent of water usage, provide an

explanation for the high amount of System flushing; and actions taken or planned by Fleming Water to reduce its water use.

Response: See file 23_System_Flushing

24. Refer to the Application, Attachment 5, Current Billing Analysis with 2023 Usage & Existing Rates. Provide a breakdown and explanation for the decrease of \$26,095 for net billing adjustments.

Response: The adjustment of \$26,095 is composed of leak adjustments of \$21,363.07 and company adjustments of \$4,731.62. See file 24_Adjustments

25. Refer to Fleming Water's Tariff, PSC Ky. No. 1, Original Sheet No. 11, Billing, Meter Readings and Related Information, Frequency of meter reading.
- a. Provide the date that Fleming Water's billing cycle begins (meter read date).

Response: We read meters monthly on the 15th-16th of each month.

- 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: Yes, the date the billing cycle begins would be best stated as the effective date of any order the commission issues concerning the rates in this case.

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

Response: Fleming Water was unable to identify the last time a cost of service study was performed.

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

Response: Fleming Water did not consider filing a COSS with the current rate application. There have been no material changes to the

Association's system that would create the need for a new COSS to be prepared.

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

Response: There have been no material changes to Fleming Water's system since the last time it completed a COSS.

- c. If there have been no material changes to Fleming Water's system, explain when Fleming Water anticipates completing a new COSS.

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

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

Response: Fleming Water was unable to find a copy of the most recent COSS study spreadsheets.

- 27. Refer to the Application, Schedule of Adjusted Operations.

- a. Provide an itemization of the Miscellaneous Service Revenues, stated as \$56,629.

Response: See file 27a_Miscellaneous_Service_Revenues

- b. Provide an itemization of the Other Water Revenues, stated as \$30,181.

Response: See file 27b_Other_Water_Revenues

- 28. Refer to the Application, Current Billing Analysis 2022 Usage and Existing Rates and. Proposed Billing Analysis 2022 Usage and Proposed Rates. Provide the billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response: See file 1d_Rate_Model Tabs ExBA and PrBA

29. Provide the number of occurrences and dollar amounts for late fees that were recorded during the calendar years 2022 and 2023.

Response: See file 29_Late_Fees

30. Provide a schedule listing the number of occurrences for each nonrecurring charge that was 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: See file 30_Nonrecurring_Charges

31. Provide updated cost justification sheets to support each nonrecurring charge listed in Fleming Water's tariff.

Response: See file 31_Nonrecurring_Charges_Justifications

32. Provide updated cost justification sheets to support each Meter Connection/Tap-on Charge listed in Fleming Water's tariff.

Response: See file 32_Meter_Tap_Fee_Cost_Justification