

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GRAVES COUNTY)	Case. No.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2025-00060
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

RESPONSE OF GRAVES COUNTY WATER DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST
FOR INFORMATION DATED JUNE 16, 2025

**Graves County Water District
Case No. 2025-00060
Commission Staff's Second Request
for Information Dated June 16, 2025**

Witness: Brent Shultz

1. Refer to Graves District's response to Commission Staff's First Request for Information (Staff's First Request), Item 1a, 2023 General Ledger Account Number 620, Materials and Supplies. Refer also to the chart below listing entries from that account.

Date	Number	Vendor	Description	Amount
03/31/23	MAR23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS		7,094.29
08/31/23	AUG23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS		7,104.03
10/31/23	OCT23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS		10,048.03
11/30/23	NOV23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS	MATERIAL USED IN MAIN BREAK REPAIRS	16,878.22
11/30/23	NOV23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS		11,975.62
12/31/23	DEC23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS		9,365.90
12/31/23	DEC23MGT	MAYFIELD ELECTRIC & WATER SYSTEMS		8,550.36
Total				71,016.45

- a. Provide a copy of each invoice listed above

Response: See file: 1.a_Material_&_Supplies Invoices

- b. Describe each purchase and state whether each item should have been capitalized.

Response: The only item that Graves District can identify that should have been capitalized is a Chlorine Analyzer (NOV23MGT \$16,878.22 invoice) in the amount of \$ 3,626.51.

- c. For each purchase, if Graves District believes its classification as an expense is proper, explain the reasoning.

Response: All other items are clamps, fittings, couplings, PVC, blocks, topsoil etc. used to repair leaks and main breaks as part of routine maintenance or small pumps with a life of less than 18 months. Exception Note, there were 3 LMI chemical feed pumps purchased (2 on NOV23MGT \$11,975.62 invoice for \$4,679.00 and 1 on DEC23MGT \$8,550.36 invoice for \$2,736.00) that were not capitalized because they are not installed. The state mandated that we have backups of these pumps, so they are shelved in new condition.

- d. For each purchase, if an item should have been capitalized, provide the appropriate NARUC depreciation life for it.

Response: The Chlorine Analyzer has a depreciation life of 10 years.

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2. Refer to Graves District's response to Staff's First Request, Item 1a, 2023 General Ledger Account Number 610, Purchased Water and Item 5a, 2023 Purchased Water Excel. The purchased water costs between the referenced Items are not the same. Reconcile the amount submitted in Item 5a to the test year purchased water cost and provide an explanation for any adjustments.

610 - Purchased Water				
Date	Code	Vendor	Description	Amount
08/31/23	AUG23LKDET	MAYFIELD ELECTRIC & WATER SYSTEMS		7,798.13
10/23/23		TUCKER CONSTRUCTION	ROOF REPAIR	6,303.41

Response:

2023 Purchased Water as shown Item 5.a Excel	298,233.02		298,233.02
2023 Purchased Water GL Acct#610	312,334.56	(14,101.54) *	298,233.02
Difference	14,101.54	(14,101.54)	0.00

* Reconciliation

- 1) Misclassifications of the following entries to GL Account 610:

8/31/2023 AUG23LKDET MAYFIELD ELECTRIC & WATER 7,798.13
Should be GL Acct #634 Contractual Services – Mgt Fee for Leak Detection services

- 2) 10/23/2023 TUCKER CONSTRUCTION 6,303.41
Should be GL Acct #636 Contractual Services – Other for Roof Repair

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3. Refer to Graves District's response to Staff's First Request, Item 8. Graves District did not provide documentation from the Fiscal Court that authorizes each commissioner's compensation. If Graves District is unable to provide the documentation, provide an explanation why.

Response: The requested Fiscal Court minutes authorizing the commissioner's compensation were provided in Graves District response to Item 8 of the Commission's First Request for information the second page of the file: 8_2024_Commissioner_Apts_Fiscal_Court_Minutes. Although the fiscal court minutes were for the December 2023 meeting it was included in the 2024 file.

See file: 3_GCWD_Fiscal_Court_Minutes_Authorizing_Com._Comp

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4. Refer to Graves District's response to Staff's First Request, Item 14, 2023 Miscellaneous Service Revenues Excel Document, and Item 10. Graves District's response to Item 10 indicated it performed 36 tap-ons during the test period, while Item 14 indicates the tap-on fee was assessed 45 times. Provide an explanation for the difference between these two amounts..

Response: In 2023, Graves District assessed 45 tap-on fees and 36 tap-ons were performed. The difference in 9 meters is due to a developer paying in advance for 9 meter sets in 2023 for a planned subdivision. That subdivision development is on hold and the meters have not been set.

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5. Refer to Graves District's response to Staff's First Request, Item 19c and Application, Adjustment B. It states Graves District has not received any revenues from the Hickory Area surcharge since collection stopped in June 2021. Provide an explanation for why the \$7,225 amount, included as Adjustment B, was recognized as surcharge revenue during the test year. As part of this response, confirm that no customers were billed for this surcharge during the test year. If not confirmed, explain the reason for the billing.

Response: The \$7,225 in question was misclassified as Hickory Debt Surcharge revenue (GL Acct 474.1) but was actually Water Loss Reduction Surcharge revenue (GL 474.2). Graves District states that none of its customers were billed for Hickory Debt Surcharge in 2023 and no Hickory Debt Surcharge revenue was collected in 2023.

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6. Refer to Graves District's response to Staff's First Request, Item 21. If Graves District is failing to adequately fund its depreciation, explain how a five-year phase-in allows Graves District to adequately fund its depreciation while not recovering the full revenue requirement based on a 2023 test year until 2030, five years after its rates go into effect.

Response: The purpose for the phased in approach is to minimize the initial impact on the customer base. The water district is currently failing to adequately fund the depreciation for the water system. This results in the water system having to go into debt or wait for grant funding to address issues such as painting the storage tanks or replacing old equipment in the distribution system. Not maintaining adequate financial resources to address these types of issue is a significant problem given that the water system must maintain compliance with the Division of Water and Federal EPA regulations. Without adequate financial resources this may not be possible. Therefore, the water district is proposing to increase the cost for water to generate reserve funds for covering depreciation that can be used to address components within the existing system in a timely manner. The impact the 5-Year Phase-In will have on Graves District's reserve funds is shown in the table below.

	2025 Pro Forma 44.14%	2026 Phase 1 20.00%	2027 Phase 2 5.01%	2028 Phase 3 4.77%	2029 Phase 4 4.55%	2029 Phase 5 4.18%
Normalized Revenue Water Sales	\$ 1,876,973	\$ 1,881,341	\$ 2,257,609	\$ 2,370,647	\$ 2,483,685	\$ 2,596,723
Revenue from Rate Increase	828,418	376,268	113,038	113,038	113,038	108,668
Revenue Requirement from Water Sales	<u>\$ 2,705,391</u>	<u>\$ 2,257,609</u>	<u>\$ 2,370,647</u>	<u>\$ 2,483,685</u>	<u>\$ 2,596,723</u>	<u>\$ 2,705,391</u>
Revenue Requirement from Water Sales	\$ 2,705,391	\$ 2,257,609	\$ 2,370,647	\$ 2,483,685	\$ 2,596,723	\$ 2,705,391
Add: Forfeited Discounts	622	622	622	622	622	622
Misc. Service Revenues	104,961	104,961	104,961	104,961	104,961	104,961
Rents From Water Property	1,400	1,400	1,400	1,400	1,400	1,400
Other Water Revenues	707	707	707	707	707	707
Interest Income	15,172	15,172	15,172	15,172	15,172	15,172
Total Revenue Requirement	2,828,253	2,380,471	2,493,509	2,606,547	2,719,585	2,828,253
Less: Pro Forma Operating Expenses	(2,483,308)	(2,483,308)	(2,483,308)	(2,483,308)	(2,483,308)	(2,483,308)
Average Debt Service	(106,956)	(106,956)	(106,956)	(106,956)	(106,956)	(106,956)
Debt Service Coverage	(21,391)	(21,391)	(21,391)	(21,391)	(21,391)	(21,391)
Cost of Excess Water	(97,242)	(97,242)	(97,242)	(97,242)	(97,242)	(97,242)
Subtotal	119,356	(328,426)	(215,388)	(102,350)	10,688	119,356
Add: Non Cash Items: Depreciation Exp.	341,954	341,954	341,954	341,954	341,954	341,954
Reserve Funds - Cash	<u>\$ 461,310</u>	<u>\$ 13,528</u>	<u>\$ 126,566</u>	<u>\$ 239,604</u>	<u>\$ 352,642</u>	<u>\$ 461,310</u>

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7. Refer to Graves District's response to Staff's First Request, Item 14, 2023 Miscellaneous Service Revenues Excel, which states Graves District charges both a late payment fee of 10 percent, and a late payment notice charge of \$2.00. Explain why the late payment notice charge is assessed in addition to the late payment fee of 10 percent.

Response: A late payment notice charge of \$2.00 is assessed in addition to a late payment penalty fee of 10% for delinquent accounts when a Disconnect Notice (separate from and in addition to regular bill) is printed and mailed. This notice serves as an additional reminder to the delinquent customer of pending disconnect status. The \$2.00 fee covers the additional printing, postage and administrative costs associated with providing the notice.

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8. Refer to Graves District's response to Staff's First Request, Item 13. Staff's First Request asked for billing analysis information from 2023. However, Graves District's response states the billing analysis refers to 2022. Confirm that billing analysis provided by Graves District refers to 2022. If confirmed, explain why Graves District provided 2022 information in response to the data request. If not confirmed, explain what attachment 13_Billing_Analysis_Existing_&_Proposed_Rates represents..

Response: Graves District made a transcription error in its response to Item 13 of the Commission Staff's Second Request for Information. The customer usage data is for the calendar year 2023 and not calendar year 2022.

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9. Refer to Graves District's response to Staff's First Request, Item 6, Graves District's Board Minutes. The minutes provided did not have entries for June or December in 2023; June, October, or December in 2024; and only contained minutes through February 2025. Identify any and all Graves District board meetings held during the months listed above and since February 2025. If there were one or more Graves District board meetings during a month included in this request, provide the minutes from that meeting. If no minutes are available for a particular board meeting, explain why.

Response: Graves District did not provide copies of Board Minutes in the District's First Request Response for June and December 2023 as well as June and December 2024 and March 2025 as board meetings were not held during those months. The October 2024 Board Minutes were mislabeled and have been corrected and attached. Also find attached minutes for recently held April 2025 and May 2025 meetings. The June 2025 Board Minutes have not been approved and signed yet.

See files: 9_Oct_2024_Corrected__Board_Minutes
9_April_2025_Board_Minutes
9_May_2025_Board_Minutes

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10. Refer to Graves District's response to Staff's First Request, Item 13a. The Billing Analysis provided in the file 13_Billing_Analysis_Existing__Prposed_Rates, does not include the proposed Billing Analysis for each one of the phases proposed by Graves District. Provide the billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible for the Current Billing Analysis 2023 Usage and Existing Rates and Proposed Billing Analysis 2023 Usage and Proposed Rates for each of the five phases of the five year phase in increase requested by Graves District in the initial application.

Response: See file: 13_Billing_Analysis_Existing_Proposed_Phase-In_Rates

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11. Refer to Graves District's response to Staff's First Request, Item 18. Graves District provided updated cost justification sheets for its 5/8 X 3/4-Inch , 1-Inch, and 2-Inch Meter Connection/Tap-on Charge.

- a. Aside from these three charges, explain whether Graves District intends to maintain language in its Tariff as follows: "All larger meters require approval by the utility board and, if approved, will be installed at actual cost"

Response: Graves District prefers to maintain existing language in the tariff regarding larger meters to be installed at actual cost.

- b. Explain why Graves District does not intend to establish a set Meter Connection/Tap-on Charge for its 1 1/2-Inch Meter Size.

Response:. Graves District does not intend to establish a set Meter Connection/Tap-on Charge for its 1 1/2-inch meter size because it no longer purchases nor installs 1 1/2-inch meters.

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12. Refer to Graves District's response to Staff's First Request, Item 17. Graves District's provided updated cost justification sheets for Meter Relocation Fee, Damaged Meter Fee, and Damaged Radio Read Meter Fee..

- a. Explain whether Graves District wants to establish a specific dollar amount for each of the Nonrecurring Charges mentioned above or if Graves District prefers to leave them as Actual Cost as they appear in Graves District's current Tariff.

Response: Graves District prefers to leave the referenced Nonrecurring charges as Actual Cost as they appear in the current Tariff.

- b. If Graves District prefers to establish a specific dollar amount for each of the Nonrecurring Charges mentioned above, explain whether the labor for these charges is performed by a contractor or by the utility's employees.

Response: See Graves District's response to Item 12.a.