

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO THE)	
OPERATION AND MANAGEMENT OF WESTERN)	CASE NO.
LEWIS-RECTORVILLE WATER AND GAS)	2019-00028
DISTRICT PURSUANT TO KRS 74 AND KRS 278)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO WESTERN LEWIS-RECTORVILLE WATER AND GAS DISTRICT

Western Lewis-Rectorville Water and Gas District (Western Lewis-Rectorville District), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested is due within 20 days of the date of this request. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and the original in paper medium and an electronic version filed with the Commission. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and

accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Western Lewis-Rectorville District shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Western Lewis-Rectorville District fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Western Lewis-Rectorville District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Confirm that Chad Clark is a part-time employee.
2. Provide copies of Mr. Clark's time records for September, October, November, and December 2018; and January 2019.
3. Refer to the response to the Appendix to the Commission's January 23, 2019 Order, Request for Information (Request for Information), Item 3, which states that Western Lewis-Rectorville District tracks and records all employees work hours. Provide copies of the 2017 and 2018 employee time-study spreadsheets in paper format, and Excel spreadsheet format with formulas intact and unprotected, and all tabs, rows, and columns fully accessible.

4. Refer to the response to issues (Response to Issues) filed in response to the Commission's January 23, 2019 Order, ordering paragraph 4.

a. Western Lewis-Rectorville District states that its general manager was being paid \$1,400 per week in 2017. Using the average hours attributed to the general manager in the 2017 time study provided in Item 3 above and the 2017 weekly general manager salary, calculate the general manager's average hourly wage rate for 2017.

b. Using the average hours attributed to the general manager in the 2018 time study provided in Item 3 above and the 2018 weekly general manager salary, calculate the general manager's average hourly wage rate for 2018.

c. Identify the two neighboring water districts referenced in Western Lewis-Rectorville District's response. Provide the number of customers that each district provides water or sewer service. Provide the actual salaries that each district general manager is paid in 2017 and 2018.

d. Assuming that the managers of the two neighboring water districts are full-time employees that work 2,080 annual hours, calculate the hourly 2017 and 2018 wage rate for each manager. Provide copies of all workpapers, assumptions, and calculations used by Western Lewis-Rectorville District in calculating the hourly wage rates.

e. Western Lewis-Rectorville District states the salary being paid to Mr. Clark is the same that was paid to his predecessor. Explain whether Mr. Clark's predecessor was a full-time employee of the district. Provide the number of annual hours the former general manager worked during the last five years of employment.

5. Refer to the response to Request for Information, item 5, which states that Mr. Clark is contracted on an as needed basis with two other water districts. In Case No. 2017-00074, Mr. Clark denied that he managed any other utility as either contract labor or on a part-time basis.¹ Provide the names of the two water districts that contract with Mr. Clark, the services Mr. Clark typically performs under those contracts, and the average number of hours Mr. Clark worked per week for each district between September 1, 2018, and January 31, 2019.

6. Refer to the Response to Issues, Accuracy of AMR Reporting and Billing.

a. Explain in specific detail why customer usage is billed by rounding to the lowest 1,000, rather than billing customer usage for the actual amount of water used.

b. Explain whether the rounding function to the lowest 1,000 gallons is determined by the customer billing software or the AMR meters.

c. Explain whether Western Lewis-Rectorville District can modify the rounding function.

7. Refer to the Response to Issues, Accuracy of AMR Reporting and Billing. Assume that a Western Lewis-Rectorville District customer uses 4,657 gallons in a month, using the current rates for a 3/4 Inch by 5/8 Inch Meter.

a. Calculate the amount that the customer should be billed over six months if the customer was billed on actual usage.

b. Calculate the amount that the customer should be billed over six months under the current system with rounding of usage.

¹ Case No. 2017-00074, *Application of Western Lewis Rectorville Water and Gas District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (filed Aug. 1, 2017) at Item 16.

c. Provide the journal entries Western Lewis-Rectorville District would record on its books to document the amount billed and the amount that it actually collects.

8. Refer to the Response to Issues, Accuracy of AMR Reporting and Billing. Also refer to Case No. 2018-00321, Staff Report and Response to Staff Report.²

a. Provide a reconciliation of the difference between the normalized revenue from Staff's Billing Analysis of \$864,706,³ which was based on the billing information provided by Western Lewis-Rectorville District in Case No. 2018-00321, and \$834,281⁴ that was posted to Western Lewis-Rectorville District's water collections general ledger, which reflected cash basis accounting entries.

b. Provide a reconciliation of the difference between the normalized revenue from Staff's Billing Analysis of \$864,706 and \$799,611⁵ used in the GAAP financial statements on Western Lewis-Rectorville District's general ledger, which reflected accrual basis entries.

c. Provide a reconciliation of the difference between the normalized revenue from Staff's Billing Analysis of \$864,706 and \$813,191⁶ that was used as the Operating Revenues Total Sales of Water in the application in Case No. 2018-00321.

² Case No. 2018-00321, *Application of Western Lewis-Rectorville Water and Gas District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076*, Staff Report (filed Jan. 7, 2019); Case No. 2018-00321, Response to Staff Report (filed Jan. 18, 2019), Item 1, Pro Forma Operating Statement Responses and Adjustments.

³ Case No. 2018-00321, Staff Report at Item 5.

⁴ Response to Issues, Accuracy of AMR Reporting and Billing.

⁵ *Id.*

⁶ Case No. 2018-00321, Application, Attachment SAO-W at 1.

d. Provide a reconciliation of the difference between the normalized revenue from Staff's Billing Analysis of \$864,706 and \$849,706⁷ that Western Lewis-Rectorville District proposed the Commission use as the normalized revenue in Case No. 2018-00321.

9. Provide a copy of the Excel spreadsheet titled *Allocations of Profit and Loss* created by the office of Jeffery D. Newman, CPA, LLC, to convert Western Lewis-Rectorville District's 2017 accounting records from cash basis to accrual basis, in paper format and in Excel spreadsheet format, with formulas intact and unprotected, and all tabs, rows and columns fully accessible in the Excel spreadsheet format.

10. Refer to the response to Request for Information, Item 6, which states that Western Lewis-Rectorville District maintains its accounting records on a cash basis throughout the year, and then converts the accounting records to accrual basis to comply with accounting standards.

a. Explain why Western Lewis-Rectorville District uses cash basis accounting instead of accrual basis and what benefit, if any, is gained by using cash basis instead of accrual basis accounting.

b. Provide the annual cost to convert accounting records from cash basis to accrual basis for the past three calendar years.

c. Confirm that Western Lewis-Rectorville District converts its accounting records from cash basis to accrual basis to comply with the Uniform System for Class A and B Water Districts, which states, "Monthly accounting using the accrual method is required."

⁷ *Id.* at Response to Staff Report, Item 1, Pro Forma Operating Statement Responses and Adjustments.

d. If this cannot be confirmed, explain what accounting standard requires Western Lewis-Rectorville District to convert its records from cash basis to accrual basis.

11. Explain the process that Western Lewis-Rectorville District uses to track its aged accounts receivable.

12. Provide a copy of Western Lewis-Rectorville District's aged schedule of accounts receivable for December 31, 2016, December 31, 2017, and December 31, 2018.

13. Refer to the response to Request for Information, Item 7. Western Lewis-Rectorville District states, "we then use the percentage of customer method, required by PSC, to allocate the residential and commercial sales between the water and gas divisions." Provide a citation to the Commission Order, Commission Staff Report, statute, or regulation that required Western Lewis-Rectorville District to allocate its operating revenues from rates (gas or water) between its two divisions based on the percentage customer method.

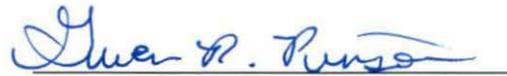
14. In the Response to Issues, Western Lewis-Rectorville District describes the methodology used to estimate its system flushing.

a. Explain whether Western Lewis-Rectorville District maintains a log or journal in which it tracks and calculates its system flushing.

b. If a log or journal is not maintained, explain how Western Lewis-Rectorville District tracks the number of mains flushed in a year, the time each line is flushed, and the number of gallons used when flushing the mains.

c. If a log or journal is maintained, provide a copy of Western Lewis-Rectorville District's log or journal for calendar years 2016, 2017, and 2018.

d. Provide detailed calculations to support Western Lewis-Rectorville District's system flushing for the calendar years 2016, 2017, and 2018.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
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DATED: FEB 28 2019

cc: Parties of Record

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