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October 29, 2020

PARTIES OF RECORD

Re: Case No. 2020-00154

Attached is a copy of a memorandum, which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter.

If you have any questions, please contact Nancy Vinsel, Assistant General Counsel at 502-782-2582.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lindsey L. Flora".

Lindsey L. Flora
Deputy Executive Director

njv

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2020-00154

FROM: Nancy J. Vinsel, Assistant General Counsel

DATE: October 29, 2020

RE: Informal Conference of October 29, 2020

A video informal conference (“IC”) was conducted on October 29, 2020. Attached is a copy of the attendance roster.

The purpose of the IC was to discuss the financial and operational information contained in the October 2020 board packet that was filed into the case record on October 26, 2020.

Commission Staff asked for clarification about the following:

1. Regarding the financials:
 - a. Page 3B-4: Reconcile the discrepancy between the \$502,272 balance for historical outstanding vendor debt in the filing made on Monday, and the unchanged balance of \$475,377 in the board packet emailed to Staff and the parties on Tuesday.
 - i. Clarification: Some vendor balance summaries had not been updated to remove interest. The Tuesday graph is the correct graph with \$475,377 balance of outstanding vendor debt.
 - b. Page 5A-4 states there were two tap ons in September, but the treasury report only shows \$1,000 collected for September. It appears that the second tap charged in August because the September board packet shows just over \$10,000 collected for taps, but only 2 tap ons for August. Also, clarify whether these were larger sized meters.
 - i. Clarification: \$10,000 collected for taps reflects larger taps installed. Additionally, there is a difference between billing and collection. Martin County Water District allows customers to establish a payment plan and not pay full amount of tap on fee up front.
 - c. Page 5A-8 Explain why the utility received a credit from Fast Change for \$352.87, which appears to be the amounts charged above it.
 - i. Clarification: \$352.87 reflected a refund check from June, and was not related to service charges. Alliance will provide the detail next month.

2. Regarding operations

- a. Page 5A-4 shows 158 "Other/Investigates" for the month of September. Explain what these are and why there were so many.
 - i. Clarification: This reflects customer complaint work orders, which are currently reported under "Other/Investigates."
- b. Page 5A-4 shows meter reads of 3,484, but route book on 5B-2 shows 3,421. Reconcile the discrepancy.
 - i. Clarification: The correct number is 3,484. The 3,421 amount was an inadvertent error from a past Excel spreadsheet.

Martin County Concerned Citizens requested clarification of the following:

1. There are about 100 new customers added since Alliance started at the beginning of the year. Explain whether most of these due to finding people who were not on a meter before or actually new customers moving in.
 - a. Clarification: Combination of both new meters for non-metered customers, existing customers who moved within the service territory, and new customers. There is an ongoing effort to ensure that multiple residences receiving service on one meter are placed on their own meter.
2. Explain why the rent expense increased by around \$500 (p.3A-3).
 - a. Clarification: There is an existing \$50 per month easement rent to repay a customer for electricity to power a utility facility of which Alliance was unaware. Alliance made a nine-month catch up payment of \$50. Alliance plans to install a solar panel to power the facility.
3. Explain the \$161 in repair expense, and why that would not be included in Alliance's expenses (p.3A-3).
 - a. Clarification: \$89 was to Walker Communication, which is a monthly telephone service fee under a service contract, and \$72 for a Fast Change charge. Alliance will research, because Fast Change charge should be paid by Alliance.
4. Explain the \$4,583 in bad debt expense (p.3A-3).
 - a. Clarification: Ongoing monthly accrual for bad debt. Every month it is accrued into a monthly account for uncollectible debt. It spreads out exposure for bad debt over several months. At end of year, will be adjusted with auditors.

5. On page 3B-2, the Cash basis line for each month is consistently negative, but the numbers don't seem to be adding to overall debt. Based on past response, the utility is consistently paying bills late, but not before service charges are assessed, which would likely catch up over time. Explain why it does not appear that the persistent cash flow problem has not resulted in increased vendor debt.

a. Clarification: Vendor debt is one part of accounts payable; also have current accounts payable. Total accounts payable is \$1.1 million. Most of the current accounts payment is due to Alliance. As a result, accounts payment is increasing. Martin County Water District is two months behind in payment to Alliance because Alliance payment is deferred to pay other debts, including utility bills.

6. Explain whether it is proper to add the Cash basis line together to derive overall revenue shortfall for the year.

a. Clarification: There could be a collection issue which could drive a negative cash basis.

7. From the information you've given us so far regarding the impact of COVID and the moratorium on revenues, it seems that as many as 20% of customers are now in arrears and the total arrearage amount is around \$285,000. Just comparing that number with the sum of the cash basis shortfalls for 2020, that appears to account for about 66% of the revenue shortfall. Is it proper to think of it in this way?

a. Clarification: \$285,000 reflects customers in arrears, some of which were in arrears before COVID and arrearages since March 2020. Arrearages are accounts receivable, so increase in arrearages are reflected in revenue shortfall.

There being no further discussion, the IC was then adjourned.

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC MARTIN COUNTY WATER)	
DISTRICT MANAGEMENT AND OPERATION)	CASE NO.
MONITORING PURSUANT TO KRS 278.250)	2020-00154

October 29, 2020

Please sign in:

NAME	REPRESENTING
Nancy Vinsel	PSC – Legal
Ariel Miller	PSC – FA
Craig Miller	Martin County Water District/Alliance
Keith Onysio	Martin County Water District/Alliance
Mary Cromer	Martin County Concerned Citizens
Nina McCoy	Martin County Concerned Citizens
John Paul Hensley	Martin County Water District Board

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