

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LEVEE)	
ROAD WATER ASSOCIATION, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A)	CASE NO.
SYSTEM IMPROVEMENTS PROJECT AND)	2021-00015
AN ORDER APPROVING A CHANGE IN)	
RATES AND AUTHORIZING THE ISSUANCE)	
OF SECURITIES PURSUANT TO KRS 278.023)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO LEVEE ROAD WATER ASSOCIATION, INC.

Levee Road Water Association, Inc. (Levee Road Water), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due within 5 days of the date of this request. The Commission directs Levee Road Water to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses 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.

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. 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.

Levee Road Water shall make timely amendment to any prior response if Levee Road Water obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Levee Road Water fails or refuses to furnish all or part of the requested information, Levee Road Water 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Levee Road Water shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Levee Road Water's response to Commission Staff's First Request for Information (Staff's First Request), Item 1, Excel Spreadsheet:

Customer_Analysis.xlsx, Tab “Proposed Rate Blocks.” Provide the expected annual revenue from water sales that will be produced at the United States Department of Agriculture Rural Development (RD) required rates as set out in the Letter of Conditions.²

2. Refer to Levee Road Water’s response to Staff’s First Request, Item 2, Excel Spreadsheet: Debt_Service_Coverage_Information, Tab “2017-2019.”

a. Levee Road Water states that the RD requires that it maintain a debt service coverage (DSC) of 1.1X. Provide copies of the RD loan agreements that require Levee Road Water to maintain a 1.1X DSC, and provide specific citations to the DSC requirement in each loan agreement.

b. In its DSC calculations for calendar year 2017 through 2019, Levee Road adds back Actuarial Pension/OPEB Expense (Pension/OPEB). Provide a detailed explanation for Levee Road Water’s Pension/OPEB adjustments.

c. Provide workpapers to support the calculation of each of Levee Road Water’s Pension/OPEB adjustments.

d. The table below is a comparison of the depreciation expense Levee Road Water included in its DSC calculations to the amounts that were reported in Levee Road Water’s 2018 Annual Report³ and 2019 Annual Report.⁴ Provide explanations for the noted differences.

² Application, Exhibit B, Item 32. Rates and Charges at 11.

³ *Annual Report of Levee Road Water Association to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 20.

⁴ *Annual Report of Levee Road Water Association to the Public Service Commission for the Calendar Year Ended December 31, 2019* (2019 Annual Report) at 20.

<u>Year</u>	<u>DSC Calculations</u>	<u>Annual Reports</u>	<u>Differences</u>
2018	56,662	65,572	(8,910)
2019	65,855	64,992	863

e. Provide a detailed explanation as to why Levee Road Water’s DSC calculation for calendar year 2017 and its 2017 Annual Report⁵ does not include depreciation expense.

3. Refer to Levee Road Water’s response to Staff’s First Request, Item 2, Excel Spreadsheet: Debt_Service_Coverage_Information, Tab “2017-2019” and Tab “2020-2024 wo depreciation.” The table below is a comparison of Levee Road Water’s reported actual operating revenues and expenses⁶ for calendar year 2019 to the projected 2020 operating revenues and expenses. Given the level of the increases between the actual and projected operating revenues and expenses, provide detailed workpapers and documentation to support Levee Road Water’s 2020 projections.

	2019	2020	<u>Difference</u>	
	<u>Actual</u>	<u>Projected</u>	<u>\$</u>	<u>%</u>
Operating Revenue	264,980	412,512	147,532	55.68%
Operating Expense Net of Depreciation	264,980	335,073	70,093	26.45%

⁵ *Annual Report of Levee Road Water Association to the Public Service Commission for the Calendar Year Ended December 31, 2017* (2017 Annual Report) at 20.

⁶ \$330,835 (2019 Operating Expenses) - \$65,855 (Depreciation Expense) = \$264,980 (Operating Expenses Net of Depreciation). 2019 Annual Report: \$253,197 (Operation and Maintenance Expense) + \$12,646 (Taxes Other Than Income Tax Expense) = \$265,843.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED APR 01 2021

cc: Parties of Record

Case No. 2021-00015

*Brenda Murphy
Secretary/treasurer
Levee Road Water Association, Inc.
4681 Levee Road
Mt. Sterling, KY 40353

*Levee Road Water Association, Inc.
4969 Levee Road
P. O. Box 770
Mt. Sterling, KY 40353

*Mark Upton
P.E.

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202