

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MARTIN)	CASE NO.
COUNTY WATER DISTRICT FOR AN)	2021-00154
ALTERNATIVE RATE ADJUSTMENT)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO MARTIN COUNTY WATER DISTRICT

Martin County Water District (Martin District), 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 on June 24, 2021. The Commission directs Martin District 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.

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

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.

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

Martin District shall make timely amendment to any prior response if Martin District 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 Martin District fails or refuses to furnish all or part of the requested information, Martin District 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, Martin 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. State the last time Martin District performed a cost of service study (COSS) to review the appropriateness of its current rates and rate design.
 - a. Explain whether any material changes to Martin District's system would cause a new COSS to be prepared since the last time Martin District completed one.
 - b. If there have been no material changes to Martin District's system, explain when Martin District anticipates completing a new COSS.

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

2. a. State whether Martin District has selected an auditor to perform Martin District's annual audit for the calendar year ended December 31, 2021.

b. If the response to 2.a. can be confirmed, provide the name of the auditing firm Martin District has selected.

c. Provide any estimates that have been provided to Martin District to perform the audit for 2021.

3. Provide the current amount and supporting invoice or rental contract for the monthly rent Martin District must pay to maintain its billing office in the Collier Center.

4. Provide the amount and supporting invoices for any capital expenditures paid by Martin District in the test period.

5. State whether and explain why Martin District should or should not record, as an asset, the amounts expended by Alliance to purchase the INCODE software.

6. Refer to Martin District's filing of May 20, 2021, revised Schedule of Adjusted Operations that appears on page 2 of the PDF.

a. The schedule reflects Bad Debt Expense of \$118,530.

(1) Provide the total of any amounts included in Bad Debt Expense that were written off as a result of accounts receivable deemed uncollectible from a prior period.

(2) State whether this is the expected level of bad debt that will continue to be expensed in future periods for a calendar year.

(3) The percentage of bad debt is approximately 5.5 percent of Martin District's Sales of Water for the test year. Confirm whether this level of bad debt expense is typical for a water utility.

b. Martin District reported \$320,969 for Purchased Power for the test period. Reconcile this amount with the amount reported in Martin District's Application, Attachment 4(g), page 5, entitled "Water Treatment Production Costs," which reflects a total energy cost of \$294,668 for 2020.

7. Refer to the Excel spreadsheet filed in response to Commission Staff's First Request (Staff's First Request), Item 1.a., entitled "05.18.10_Excel_1a1_2020_MCW_Detail_GL_(2020).xls." Line 4833 of the spreadsheet includes a debit entry to Account 6030, Repairs & Maintenance, in the amount of \$3,810.58 with a note that the purpose of the entry was to "Adjust Inventory to Actual." State the reason for the entry and whether this will be a recurring annual expense to Martin District.

8. Refer to the response to Staff's First Request, Item 5.a. Explain, in detail, specifically how Martin District's proposed rates were calculated using the factors provided in its response.

9. Explain why an across the board percentage increase in Martin District's current rates would not be a more equitable way of increasing rates to its customers.

10. Provide the cost justification for all nonrecurring charges listed in Martin District's tariff.

11. Refer to the response to Staff's First Request, Item 8.a. Martin District states that pro forma revenues from water sales are \$2,539,382.28 after reducing test

period revenues by \$175,217.38 due to billing adjustments, and that test period revenues are \$2,364,164.90. Clarify that test period revenues and pro forma revenues in Martin District's response should be \$2,539,382.28 and \$2,364,164.90, respectively.

12. Refer to the response to Staff's First Request, Items 8 and 9.a. Provide a billing analysis, using the INCODE billing software, for the six-month period from January 2021 to June 2021. Provide the information in the same format that was given in response to item 8 of Staff's First Request.

13. During the hearing regarding the emergency rate relief requests on May 27, 2021, Craig Miller testified that Martin District was performing total system flushing two times per year per AWWA standards.²

a. Confirm Martin District is flushing its whole system pursuant to the AWWA guidelines as testified to by Craig Miller.

b. Confirm that per 807 KAR 5:066, Section 8(2), mains with dead ends are being flushed at least once each year pursuant to the policy testified to by Craig Miller.

c. State whether there is a requirement to flush Martin District's system in its entirety, or if this is a standard practice as recommended by AWWA.

d. In consideration of Martin District's water loss of approximately 65 to 75 percent, explain why the practice of performing a total system flushing two times a year is reasonable.

² Hearing Video Transcript of the May 27, 2021 Hearing. 2:41:24–2:42:03.



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DATED JUN 09 2021

cc: Parties of Record

Case No. 2021-00154

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