

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO THE)	CASE NO.
FINANCIAL AND OPERATIONAL CONDITION OF)	2021-00211
THE UNION COUNTY WATER DISTRICT)	

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of analyzing the financial and operational conditions of the Union County Water District (Union District). On May 4, 2021, the Commission received affidavits from Union District in Case No. 2021-00180¹ outlining operational and financial hardships Union District had experienced and would experience should a refund be required in that matter.² These affidavits noted Union District had lost incomes of approximately \$31,113.30 due to the emergency pause of service terminations, had charged unauthorized rates to customers since January 1, 2021, and would suffer grave financial harm should the overcharge be refunded to their customers.³ Union District therefore requested authorization to retain the overcharges due to their financial situation.

Commission Staff (Staff) conducted an evaluation of Union District’s financial records and annual reports. Staff’s evaluation found Union District had not sought a general base rate adjustment since 1986 and had only addressed needed adjustments

¹ Case No. 2021-00180, *Electronic Purchased Water Adjustment Filing of Union County Water District* (filed May 4, 2021).

² *Id.* See attached Appendix B, Affidavits from Union County Water District (filed May 4, 2021).

³ *Id.*

through the purchased water adjustment procedure. The Commission, in Case No. 2019-00041, outlined the issues associated with utilities avoiding financial record review by relying on financing cases in lieu of general base rate adjustments.⁴ Additionally, Staff found Union District had been operating with a negative net income for each of the past five years. This negative net income indicates that Union District's cash needs may have been supplemented by depreciation reserves. Staff also notes Union District has unaccounted-for water loss of 17.35 percent for the period of their most recent filing. Reduction of unaccounted-for water loss would result in and approximate \$21,329.29 decrease to purchased water expense.⁵

To provide clarity in the case record of this proceeding, the Commission, on its own motion, finds the case records of Case No. 2021-00180 should be incorporated by reference into this proceeding.

Based upon a review of the affidavits in Case No. 2021-00180, the financial records and annual reports, and the lack of a general rate adjustment case since 1986, there is a reasonable basis to question whether Union District's financial and operational condition allows it to provide safe and reliable water service. There are also questions as to whether Union District has the financial and operational capability to refund the overcharged rates, the amount of such a refund, and the procedure through which Union District proposes to refund the overcharged rates.

⁴ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities*, Final Order (Ky. PSC Nov. 22, 2019).

⁵ Case No. 2021-00180, *Electronic Purchased Water Adjustment Filing of Union County Water District*, Final Order (Ky. PSC June 7, 2021).

The Commission finds that:

1. There is a reasonable basis to believe Union District's financial and operational conditions may prevent it from providing safe and reliable service to customers.

2. There are open questions as to whether Union District has the financial and operational capability to refund the overcharged rates, the amount of such a refund, and the procedure through which Union District proposes to refund the overcharged rates.

3. By June 21, 2021, Union District should file responses to the attached Requests for Information in the Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. This case is opened to investigate Union District's operational and financial status.

2. The record of Case No. 2021-00180 is incorporated by reference into this proceeding.

3. The information requested in the Appendix to this Order is due by June 21, 2021.

a. 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.

b. 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.

c. Union District shall make timely amendment to any prior response if Union District obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which Union District fails or refuses to furnish all or part of the requested information, Union District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. 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.

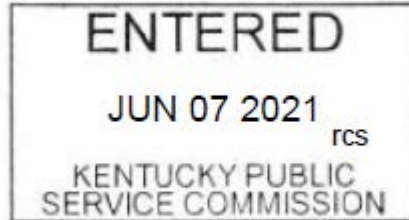
f. When filing a paper containing personal information, Union District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

4. Any party filing a paper with the Commission shall file an original in paper medium and an electronic copy in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8. The original 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. The Commission

directs the parties to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085⁶ 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.

⁶ 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.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00211 DATED JUN 07 2021

1. Provide when the city of Morganfield (Morganfield) notified Union District of its increase to the wholesale rate charged to Union District.
2. Provide any documentation Morganfield sent to Union District concerning the date the increase would go into effect and amount of the increase.
3. Provide when Union District began charging the rates provided in the notice in the application in Case No. 2021-0018.¹
4. Provide any basis for Union District to retain the overcharged amounts that supports its position that it would be financially detrimental for Union District to refund these overcharges.
5. Explain why Union District failed to properly file the application in Case No. 2021-00180 in December 2020 via the Electronic procedures outlined and required in Case No. 2020-00085 on electronic filing during the State of Emergency.²

¹ Case No. 2021-00180, *Electronic Purchased Water Adjustment Filing of Union County Water District* (filed Apr. 23, 2021), Application, Exhibit C.

² 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.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00211 DATED JUN 07 2021

SIXTEEN PAGES TO FOLLOW

PSC FILINGS

NOTICE OF FILING

COMES the Union County Water District and does hereby provide notice of the filing of two (2) affidavits attached hereto and respectfully requests the Public Service Commission to consider the filing of December 10, 2020 to satisfy 807 KAR 5:068, Section 4.

Respectfully Submitted,

ARNETT LAW OFFICE, PLLC

109 South Morgan Street
P.O. Box 419
Morganfield, Kentucky 42437
Telephone: (270) 389-2006
Facsimile: (270) 389-2007
Attorney for Plaintiff

/s/ Stephen M. Arnett
Stephen M. Arnett

CERTIFICATE OF SERVICE

I certify that a true copy of the forgoing document was electronically sent to the PSC by e-mail PSCfilings@ky.gov on this 4 day of May, 2021.

Copies to:

Jeb.pinney@ky.gov

Jesse.fries@ky.gov

/s/ Stephen M. Arnett
Stephen M. Arnett

AFFIDAVIT

Submitted by the Union County Water District to the Kentucky PSC

Comes the Affiant, Gary Sheffer, and after being duly sworn deposes and states that he is the Manager of the Union County Water District. The Affiant states that he had provided to Kemper CPA all necessary documents to submit an application for a rate increase in December 2020. The Affiant states that this rate increase was from a base rate of 2.5242 to 2.5542. The Affiant states that this rate increase was necessitated due to a rate increase by the City of Morganfield.

The Affiant states that the Union County Water District purchases all of its water from the City of Morganfield and the Union County Water District has been charging the new rate of 2.5542 since January 1, 2021.

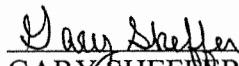
The Affiant states that currently the Union County Water District has 2,294 individual customers. The Affiant further states that their current software manager has indicated that the software would not be able to recalculate any over-payments for the months of January, February, March, and April. The Affiant states that the only way of calculating any potential over-payment would be on an individual basis and would involve many man hours in order to do the recalculation. The Affiant further states that the Union County Water District has only 2 clerical employees and to recalculate any potential over-payment would be a substantial hardship on the Union County Water District.

The Affiant further states that for the month of December, the Union County Water District lost money due to the bills generated by the Union County Water District were lost or substantially delayed due to those bills having to be processed in Evansville, Indiana. The Affiant states that Evansville, Indiana postal service was overwhelmed with mail in December 2020 due to understaffing related to COVID issues.

The Affiant further states that due to the mandate issued by the Commonwealth of Kentucky, due to COVID hardships, the Union County Water District lost income in the approximate amount of \$31,113.30, due to the water district's inability to terminate service in the year 2020. (See attached calculation.)

The Affiant states that to re-calculate any potential over-payment would be a massive undertaking by the office staff of the Union County Water District. This situation was not created due to any malfeasance on the part of the Union County Water District and the Affiant respectfully requests the PSC Commission to consider this hardship in its determination.

Further the Affiant sayeth naught.


GARYSHEFFER
Manager, Union County Water District

VERIFICATION OF AFFIANT

The affiant states that he has read the foregoing and that the statements contained therein are true and correct to the best of his knowledge and belief.

Gary Sheffer
GARY SHEFFER

) STATE OF KENTUCKY
) COUNTY OF UNION

Subscribed, sworn to, and acknowledged before me, a Notary Public in the state and county aforesaid, by the Affiant on this the 30 day of April 2021.

Caroline Skinner Morris
NOTARY PUBLIC, STATE AT LARGE
Commission Expires: 7/11/2024
Notary ID #: 10460

To Base Averages:
ACTUAL DOLLARS

Penalty Billed:

Jan-21 \$ 1,719.00
Feb-21 \$ 1,602.00
Mar-21 \$ 1,408.00
Total \$ 4,729.00
Mo. Avg \$ 1,576.33

To Calculate Estimated Revenue
Loss: AVERAGES

Months Penalty Not Billed:

Mar-20 \$ 1,576.33
Apr-20 \$ 1,576.33
May-20 \$ 1,576.33
Jun-20 \$ 1,576.33
Jul-20 \$ 1,576.33
Aug-20 \$ 1,576.33
Sep-20 \$ 1,576.33
Oct-20 \$ 1,576.33
Nov-20 \$ 1,576.33
Dec-20 \$ 1,576.33
TOTAL \$15,763.30

PENALTY LOST \$15,763.30
M/R FEES LOST \$13,850.00
BAD DEBT FROM
NOT BEING ABLE \$ 1,500.00
TO L/O:

This \$1500 is only counting accounts locked in
November 2020 when allowed by PSC.
More were done throughout the months
at landlords request, etc but no way to
track those due to log not being kept.

Meter Reading Charges

Oct-20 \$ 6,690.00
Nov-20 \$ 5,880.00
Dec-20 \$ 8,880.00
Jan-21 \$ 5,820.00
Feb-21 \$ 8,070.00
Mar-21 \$ 6,210.00
Total \$41,550.00
Mo. Avg \$ 6,925.00

Months M/R Charges Not
Billed:

Mar-20 \$ 6,925.00
Apr-20 \$ 6,925.00
TOTAL \$13,850.00

TOTAL ESTIMATED
REVENUE LOSS

TO COVID19 \$31,113.30

*Due to postal
problems month
of Dec 2020/Jan 2021 (bills)
we did not do
lock-outs bc so
many people never got bills in Dec.*

AFFIDAVIT

Submitted by the Union County Water District to the Kentucky PSC

COMES the Affiant, Robert Baird, CPA, Kemper CPA Group, LLP, and after being duly sworn deposes and states that he is an accountant with Kemper CPA Group of 101 East Main Street, Morganfield, Union County, Kentucky. The Affiant states that he has been the Certified Public Accountant who for the past several years has submitted rate increases and/or rate decreases to the Kentucky Public Service Commission on behalf of the Union County Water District.

The Affiant states that the 2021 UCWD PWA form and support (a copy of which is attached hereto and made a part hereof and marked Exhibit A) was mailed to the Kentucky PSC at 211 Sower Boulevard, Frankfort, Kentucky 40602-0615 on December 10, 2020. The Affiant states that this file is not sent certified mail but in the future, all correspondence with the PSC will be sent by certified mail.

The Affiant states that not until April 15, 2021, did the Affiant become aware that the PSC had not received the PWA form attached hereto. On April 21, 2021, the Affiant says that the PSC was sent the Notice of Intent to electronically file the delinquent PWA form. A copy of the confirmation is attached hereto and made a part hereof and marked Exhibit B. The Affiant states that on Friday, April 23, 2021, he received confirmation that the documents had been successfully filed with the PSC (a copy of that confirmation is attached hereto and made a part hereof and marked Exhibit C).

On April 26, 2021, the Union County Water District received a Notice of Filing Deficiency (a copy of that Notice is attached hereto and made a part hereof and marked Exhibit D).

The Affiant states that he is also the CPA for the City of Morganfield and is aware that the City of Morganfield submitted and obtained a rate increase from the PSC effective January 1, 2021. The Affiant states that the Union County Water District does not refine its own water and purchases all of its water from the City of Morganfield. Attached hereto and made a part hereof and marked Exhibit E, is an itemization of the water purchased and the water sold by the Union County Water District from January 1, 2021 to March 31, 2021.

Attached hereto and made a part hereof and marked Exhibit F, is an approximation of the amount of deficiency that would be incurred by the Union County Water District by purchasing water at the new rate and selling the water at the old rate. This is an approximation based upon past years usage during the same monthly periods.

Further the Affiant sayeth naught.



ROBERT BAIRD

VERIFICATION OF AFFIANT


The affiant states that he has read the foregoing and that the statements contained therein are true and correct to the best of his knowledge and belief.



ROBERT BAIRD

) STATE OF KENTUCKY
) COUNTY OF UNION

Subscribed, sworn to, and acknowledged before me, a Notary Public in the state and county aforesaid, by the Affiant on this the 30 day of April 2021.



NOTARY PUBLIC, STATE AT LARGE
Commission Expires: 7/11/2024
Notary ID #: 10460

PURCHASED WATER ADJUSTMENT FOR
WATER DISTRICTS AND WATER ASSOCIATIONS
(807 KAR 5:068)

Name of Utility	UNION COUNTY WATER DISTRICT	
Date	DECEMBER 08, 2020	
Address	P.O. BOX 146 409 NORTH COURT STREET	
City, State, Zip	MORGANFIELD, KY	42437
Telephone Number	270-389-3868	
Email Address	ucwdgarysheffer@yahoo.com	

1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

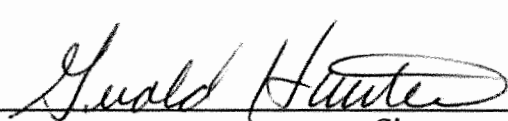
Supplier(s)	Base Rate	Changed Rate
CITY OF MORGANFIELD, KY	2.5242	2.5542

1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit A

2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

From	November 2019	through	October 2020
	(month and year)		(month and year)

3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.

Supplier(s)	Gallons Purchased during 12 month period
CITY OF MORGANFIELD, KY	354,306,000
TOTAL PURCHASES	354,306,000
4. Total gallons sold for the 12 month period	292,569,515
5. Increased water cost	\$10,629
<p>The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate. The calculation and all supporting documents used to determine the change in purchased water costs sufficient to determine the accuracy of the calculation is attached as Exhibit B</p>	
6. Purchased water adjustment factor	\$.04
<p>The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold.</p> <p>Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice.</p>	
7. A schedule listing the current and proposed rates is attached as Exhibit C	
8. A copy of the resolution or other document of the utility's governing body authorizing the proposed rates is attached as Exhibit D	
9. Proposed effective date	JANUARY 1, 2021
 Signature of Utility Officer	
CHAIRMAN	
Title	

Andy Beshear
Governor

Rebecca W. Goodman
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Michael J. Schmitt
Chairman

Kent A. Chandler
Vice Chairman

Talina R. Mathews
Commissioner

April 21, 2021

PARTIES OF RECORD

RE: Case No. **2021-00180**

Union County Water District
(Purchased Water Adjustment)

This letter is to acknowledge receipt of notice of election of use of electronic filing procedures to file an application in the above case. The notice was date-stamped received April 21, 2021, and has been assigned Case No. 2021-00180. In all future correspondence or filings in connection with this case, please reference the above case number.

All documents submitted to the Commission in this proceeding must comply with the rules of procedure adopted by the Commission found in 807 KAR 5:001. Any deviation from these rules must be submitted in writing to the Commission for consideration. Additionally, confidential treatment of any material submitted must follow the requirements found in 807 KAR 5:001 (13).

Materials submitted to the Commission which do not comply with the rules of procedure, or that do not have an approved deviation, are subject to rejection by Commission pursuant to 807 KAR 5:001 (3). In order to insure cases are processed in a timely manner and accurate reliable records are created, please make sure that the rules of procedure are followed. Should you have any questions, please contact Brandon Bruner in the Filings Branch at 502-564-3940.

Sincerely,

A handwritten signature in black ink that reads "Linda C. Bridwell".

Linda C. Bridwell
Executive Director

LCB/AH

KentuckyUnbridledSpirit.com



An Equal Opportunity Employer M/F/D

*Robert Baird
CPA

*Gary Sheffer
Manager
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Kara Bickett
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Denotes Served by Email

Service List for Case 2021-00180

Robert Baird

From: KY_PSC Filings <pscfilings@ky.gov>
Sent: Friday, April 23, 2021 2:45 PM
To: Robert Baird
Subject: KY-PSC Electronic Filing Center Notification for Case #2021-00180

EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe.

Confirmation of Posting.

This notification is sent regarding the recent filing for case#: 2021-00180 on 4/23/2021 at 3:45 PM

Filed By: Robert P Baird

Date/Time Filed: 4/23/2021 3:45:05 PM

The following documents have been accepted and posted to the Electronic Case File:

File Name	Document Description
2021_UCWD_PWA_Form_and_Support.pdf	PWA and supporting documentation

https://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2021-00180

FILERS COPY

Robert Baird

From: KY_PSC Filings <pscfilings@ky.gov>
Sent: Friday, April 23, 2021 2:51 PM
To: Robert Baird
Subject: KY-PSC Electronic Filing Center Notification for Case #2021-00180

EXTERNAL EMAIL: Do not click any links or open any attachments unless you trust the sender and know the content is safe.

Confirmation of Posting.

This notification is sent regarding the recent filing for case#: 2021-00180 on 4/23/2021 at 3:51 PM

Filed By: Robert P Baird

Date/Time Filed: 4/23/2021 3:51:06 PM

The following documents have been accepted and posted to the Electronic Case File:

File Name	Document Description
Read1st.pdf	Read first

https://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2021-00180

FILERS COPY



Andy Beshear
Governor

Rebecca W. Goodman
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Michael J. Schmitt
Chairman

Kent A. Chandler
Vice Chairman

Talina R. Mathews
Commissioner

April 26, 2021

Gary Sheffer
Union County Water District
P.O. Box 146
Morganfield, KY 42437

RE: Union County Water District
Case No. 2021-00180 - Filing Deficiency

The Commission Staff has reviewed the application in the above case. This filing is rejected for the reason set forth below.

Filing deficiency pursuant to:

- (1) 807 KAR 5:068, Section 4: Satisfactorily completed Purchased Water Adjustment Form 1; Water Purchases and Sales have timed out. Therefore, utility should file updated information less than 90 days of the requested effective date of their proposed rates.

You are requested to submit the information necessary to cure the deficiencies within 20 days of the date of this letter.

If you need further assistance, please contact my staff at 502-564-3940.

Sincerely,

Linda C. Birdwell
Executive Director

Robert Baird
CPA

*Gary Sheffer
Manager
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Kara Bickett
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Denotes Served by Email

Service List for Case 2021-00180

Union County Water District

Year to date water purchased and sold for 2021

	Purchased	Sold
January	32,985,000	20,805,088
February	31,569,000	23,415,010
March	30,979,000	18,294,413
Totals	95,533,000	62,514,511

Union County Water District

Year to date water purchased and sold for 2021

	<u>Purchased</u>	<u>Sold</u>
January	32,985,000	20,805,088
February	31,569,000	23,415,010
March	<u>30,979,000</u>	<u>18,294,413</u>
Totals	<u>95,533,000</u>	<u>62,514,511</u>

Cost of water purchased at 2021 rate (2.5542 per 1,000 gal) from City of Morganfield for above 3 months: \$ 244,010

The estimated additional revenue the District would generate from the 0.04 increase per 1,000 gallons for the above 3 months sold would be approximately: \$ 2,501

***Assuming the District is unable to charge the additional pass through water rate adjustment of 0.04 per 1,000 gallons an estimated loss of revenue would be equivalent to the \$2,501 for the first 3 months of 2021.

*Stephen Arnett
Arnett Law Office, PLLC
P.O. Box 419
109 South Main St
Morganfield, KENTUCKY 42437

*Robert Baird
CPA

*Kara Bickett
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437

*Union County Water District
Union County Water District
409 North Court Street
P. O. Box 146
Morganfield, KY 42437