

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF NORTH |) | |
| MANCHESTER WATER ASSOCIATION, INC. |) | CASE NO. |
| FOR AN ALTERNATIVE RATE ADJUSTMENT |) | 2023-00183 |

ORDER

On July 7, 2023,¹ North Manchester Water Association, Inc. (North Manchester Water) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. North Manchester Water filed this proceeding in compliance with the final Order in Case No. 2021-00339.² In that proceeding, North Manchester Water was ordered to file an application by June 1, 2023, for either a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or for an alternative rate adjustment (ARF) pursuant to 807 KAR 5:076 to ensure its revenue is sufficient to support adequate and reliable service.

The Commission finds that a procedural schedule³ should be established to ensure the orderly review of North Manchester Water’s application. The procedural schedule is attached as an Appendix A to this Order.

¹ North Manchester Water tendered its application on June 1, 2023. By letter dated June 12, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on July 7, 2023.

² See Case No. 2021-00339, *Electronic Alleged Failure of North Manchester Water Association, Inc., Its Officers, Steve Davis, Carl Gregory Hoskins, Bobby Wolfe, Henry Smith, and Carl David Crawford to Comply with KRS 278.140, KRS 278.230, 807 KAR 5:006, Sec. 4, and KRS 278.990* (Ky. PSC Mar. 7, 2023).

³ No action is necessary to suspend the effective date of North Manchester Water’s proposed rates for service. Pursuant to 807 KAR 5:076, Section 7(1), an applicant who applies for a rate adjustment

In addition, North Manchester Water shall file on or before the date set forth in the procedural schedule its responses to the Commission Staff's request for information, attached to this Order as Appendix B, and shall respond to any future requests for information propounded by Commission Staff by the date or dates set forth on any such requests.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.

2. On or before the date set forth in the procedural schedule, North Manchester Water shall file its responses to the Commission Staff's request for information, attached to this Order as Appendix B.

3. North Manchester Water shall respond to any additional requests for information propounded by Commission Staff as provided in those requests.

4. No later than the date set forth in the procedural schedule, Commission Staff shall file with the Commission and serve upon all parties of record a written report (Commission Staff's Report) containing its findings and recommendations regarding North Manchester Water's requested rate adjustment.

5. No later than 14 days after the date of service of the Commission Staff's Report, each party of record shall file with the Commission:

a. Its written comments on and any objections to the findings contained in the Commission Staff's Report; and

pursuant to the procedures set for in 807 KAR 5:076 may not place its proposed rates into effect until the Commission approves those rates or six months from the date of the filing of its application.

b. Any additional evidence for the Commission to consider.

6. If Commission Staff recommends that North Manchester Water's financial condition supports a higher rate than North Manchester Water proposes or the assessment of an additional rate or charge not proposed in North Manchester Water's application, North Manchester Water in its response to the Commission Staff's Report shall also state its position in writing on whether the Commission should authorize the assessment of the higher rate or the additional rate or charge.

7. If Commission Staff recommends that changes should be made to the manner in which North Manchester Water accounts for the depreciation of North Manchester Water's assets, North Manchester Water in its response to the Commission Staff's Report shall also state its position in writing on whether the Commission should require North Manchester Water to implement the proposed change for accounting purposes.

8. A party's failure to file written objections to a recommendation contained in the Commission Staff's Report within 14 days after the date of the filing of the Commission Staff's Report shall be deemed a waiver of all objections to that finding.

9. If a party requests a hearing or informal conference, then the party shall make the request in its written comments and state the reason a hearing or informal conference is necessary.

10. A party's failure to request a hearing or informal conference in the party's written response shall be deemed a waiver of all rights to a hearing on the application and a request that the case stand submitted for decision.

11. A party's failure to file a written response within 14 days after the date of service of the Commission Staff's Report shall be deemed a waiver of all rights to a hearing on the application.

12. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding that is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of the utility consumed by the movant or a general statement regarding a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

13. Any motion to intervene filed after the date established in the procedural schedule attached as an Appendix to this Order shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

14. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085⁴ regarding filings with the Commission.

⁴ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

PUBLIC SERVICE COMMISSION

Kent Chul

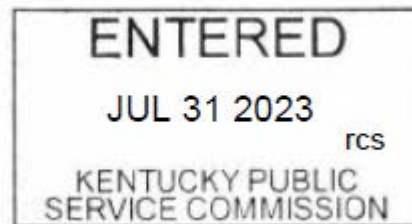
Chairman

John

Vice Chairman

Mary Pat Regan

Commissioner



ATTEST:

Linda C. Bridwell

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00183 DATED JUL 31 2023

- Requests for intervention shall be filed no later than08/14/2023
- All intervenor requests for information to North Manchester Water shall be filed no later than08/21/2023
- North Manchester Water shall file responses to Commission Staff's request for information no later than08/30/2023
- North Manchester Water shall file responses to intervenor requests for information no later than09/04/2023
- All supplemental requests for information to North Manchester Water shall be filed no later than09/15/2023
- North Manchester Water shall file responses to supplemental requests for information no later than10/02/2023
- Commission Staff's Report shall be filed no later than.....11/16/2023

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00183 DATED JUL 31 2023

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO NORTH MANCHESTER WATER ASSOCIATION, INC.

North Manchester Water Association, Inc. (North Manchester Water), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on August 30, 2023. The Commission directs North Manchester Water to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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.

North Manchester Water shall make timely amendment to any prior response if North Manchester Water obtains information that indicates the response was incorrect or

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which North Manchester Water fails or refuses to furnish all or part of the requested information, North Manchester 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 and scanned 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, North Manchester 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. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected. Employee names should be redacted from all documents.

a. The general ledger in Excel spreadsheet format for the years ended December 31, 2021, 2022, and year-to-date 2023.

b. The trial balance in Excel spreadsheet format for the years ended December 31, 2021, 2022, and year-to-date 2023.

2. Provide certificates of insurance and most recent invoices for general liability, workers' compensation, automobile, property, and casualty for 2021, 2022, and 2023.

3. Provide a description of all employee benefits, other than salaries and wages, paid to or on behalf of each employee for the calendar years 2022. Supplemental coverage for which the employee pays 100 percent of the cost should also be included. Employee names should be redacted from all documents.

a. Provide a copy of one invoice for 2023 for each employee benefit described above.

4. Using a table format, provide an Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected document that lists each position (Position 1, Position 2, etc.), job title, hours worked, pay rates, total wages paid, and total FICA cost for each employee on December 31, 2022, and as of June 30, 2023. Include the date the employee was hired and, if applicable, the employee's termination date. If a position is recently vacated but the intent is to fill it, note the vacancy and the amount of time that it has been vacant. The table should include a column for total wages by employee (regular wages and overtime) and a row for total wages for all employees. Employee names should be redacted from all documents.

a. Using the same table that lists each position and wage information, list each employee benefit (medical, dental, life, and others), the employee's contribution, the employer premium contribution, and the adjustment based on Bureau of Labor Statistics (BLS) contribution rates, if applicable. If health insurance is provided designate the coverage type (i.e., single, family, couple, or parent plus). If benefits other than medical insurance are provided, include a total column for the cost of all benefits excluding the BLS adjustment.

5. Provide the minutes from board of directors' meetings for the calendar years 2022, and year-to-date 2023.

6. Provide a document listing the names of each member of the Board of for each of the calendar year 2021, 2022, and year-to-date 2023 and state, individually, the total amount of each benefit paid to, or on the behalf of, each director during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.), their term (beginning and ending), and current authorized annual compensation.

7. Provide documentation that authorizes each Board members appointment and compensation.

8. Provide training records for each board member for 2021, 2022, and year-to-date 2023.

9. Refer to Response_to_Deficiency_Letter.pdf that was filed on June 22, 2023.

a. Provide the workpapers and other supporting documentation for each pro forma adjustment described in the References (A through I) of the Schedule of Adjusted Operations. Provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. State whether late fees and nonrecurring charges are included in Metered Water Sales in the Schedule of Adjusted Operations. If these amounts are not included in Metered Water Sales, state where they are classified.

10. Provide a detailed fixed asset listing for 2022.

11. Refer to the Application, Debt Instrument and Amortization Schedule, beginning on pdf page 22. Also refer to the 2022 Annual Report that was filed on April 1, 2023.

a. Provide a confirmation of the balance owed to the Clay Fiscal Court as of December 31, 2022 for the loan that is referred to as "KIA Loan B292-02".

b. Provide a current amortization schedule, including ending balance after each payment, from the Clay Fiscal Court for the remaining period of the loan.

12. Refer to the Application, Debt Instrument and Amortization Schedule, beginning on PDF page 22. Also refer to the 2022 Annual Report that was filed on April 1, 2023. Page 79 of the Application reflects a balance of \$501,486.02 after the December 1, 2022 payment. The 2022 Annual Report reflects a balance of \$913,483.88 on page 40.

a. State whether North Manchester Association is current on its payments for the loan.

b. If the loan is not current, state whether the terms of the loan have been revised and provide documentation to support the revised terms.

13. Refer to Application beginning on page 81 in which it reflects an amortization schedule for 72 months, page 83 on which it reflects a purchase order, and page 84 on which it reflects a "Retail Installment Sale Contract – Simple Finance Charge." Also refer to North Manchester Association's 2022 Annual Report in which it reflects a payable to GM Financial on page 43.

a. Provide a copy of the minutes where North Manchester Water's board of directors authorized the purchase.

b. Provide executed copies of the purchase order and Retail Installment Sale Contract.

c. Provide the case number and Final Order reference for the Commission's approval of the debt. If this information cannot be provided, provide an explanation for the absence of Commission approval for the debt.

d. Confirm that the debt reported on page 43 of the Annual Report is the debt that is represented by the Retail Installment Sale Contract.

14. Refer to North Manchester Association's 2022 Annual Report, Accounts and Notes Receivable, page 16.

a. Confirm whether "Previous Year" balance of \$150,962.61 was composed entirely of receivables from water sales.

b. Provide an analysis of "Current Year" balance of \$52,415.79 including discussion of why the reported balance decreased \$98,546.82 from "Previous Year."

c. State whether any receivable amounts were written off as uncollectible during 2022.

15. Provide the number of gallons of water purchased, the cost of purchases, and the average cost of purchases for each supplier and in total for the years ended December 31, 2021, 2022, and year-to-date 2023.

16. Provide the number of new meters that were installed during 2022 to replace existing meters.

17. Provide the number of occurrences and the dollar amount for late fees that were assessed during the calendar years 2021 and 2022.

18. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the calendar years 2021 and 2022.

19. Provide updated cost justification sheets for all nonrecurring charges listed in the current tariff.

20. Provide a copy of the current and proposed billing analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

21. Refer to North Manchester Water's current tariff dated February 2, 2019, Section II, Rules and Regulations, Item C, Billings, Meter Readings, and Related Information, item 4, Frequency of meter reading on page 12 (Sheet No. 11).

a. Provide the date that the billing cycle begins (meter read date).

b. State whether the date that the billing cycle begins is the date that would be best stated as the effective date of any order the Commission issues concerning rates in this case.

22. State the last time a cost of service study (COSS) was performed to review the appropriateness of its current rates and rate design.

a. Explain whether conducting a COSS was considered for the current rate application and the reasoning for not filing one.

b. Explain whether any material changes to the utility's system would cause a new COSS to be prepared since the last time one was completed.

c. If there have been no material changes to the utility's system, explain when preparation of a new COSS anticipated.

d. Provide a copy of the most recent COSS in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

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