

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF RATTLESNAKE)	CASE NO.
RIDGE WATER DISTRICT FOR A RATE)	2023-00338
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO RATTLESNAKE RIDGE WATER DISTRICT

Rattlesnake Ridge Water District (Rattlesnake Ridge District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on February 27, 2024. The Commission directs Rattlesnake Ridge District 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

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).

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

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

For any request to which Rattlesnake Ridge District fails or refuses to furnish all or part of the requested information, Rattlesnake Ridge 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 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, Rattlesnake Ridge 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. Refer to the Application, Item 7, 7_Dep_schedule_2022.xls, line 93. Rattlesnake Ridge proposed to depreciate its meters over a 20-year service life, instead of the NARUC standard service lives. Provide any engineering reports, industry studies or manufacturer evidence that justify the establishment of a 20-year service life for Rattlesnake Ridge's meters.

2. Provide the most recent meter testing schedule and records, including the meter replacement schedule.

3. Explain the method Rattlesnake Ridge utilizes when it replaces a meter that is not fully depreciated and still has a book value, and how Rattlesnake Ridge accounts for the undepreciated value.

4. Refer to the Application, Attachment 4, Depreciation Expense Adjustments Table, and item 7, 7_Dep_schedule_2022.xls. Also Refer to Rattlesnake Ridge's Response to Commission Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, cells H126 and K126. In the application exhibits, the test-year Depreciation Expense is reported to be \$970,891; however, in the Adjusted Trial Balance, the adjusted depreciation expense is reported as \$957,041. Reconcile and explain the difference between these amounts.

5. Refer to the Application, Attachment 4, Depreciation Expense Adjustments Table, and item 7, 7_Dep_schedule_2022.xls. Provide the cost, useful life, date in service, and if the asset is already included in the depreciation schedule the asset number of the following:

a. Each component of the 11 separate components for the projects in Case No. 2018-00371.²

b. Each component of the line replacement and meter replacement projects approved in Case No. 2022-00426.³

² Case No. 2018-00371 *Application of the Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Dec. 4, 2018).

³ Case No. 2022-00426 *Electronic Application of Rattlesnake Ridge Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving*

c. Any other equipment, parts or vehicles placed in service since the test year.

6. Provide a list of all fixed assets added during 2022 and 2023.

7. Refer to the 2022 audited financial statements, page 5. Also refer to the application, exhibit 7, 7_Dep_schedule_12.31.22.xls, row 114.

a. Gross Capital Assets less Construction in Progress of \$26,099 equals \$40,690,515⁴ in the 2022 audited financial statements. However, the Depreciation Schedule reflects a total tax cost of \$38,639,965. Reconcile and explain the difference.

b. Accumulated Depreciation of \$19,901,194 in the 2022 audited financial statements. However, the Depreciation Schedule reflects a Tax End Depreciation of \$16,786,082.⁵ Reconcile and explain the difference.

c. Net capital assets of \$20,789,321 in the 2022 audited financial statements. However, the Depreciation Schedule reflects a Tax Net Book Value of \$21,853,883.⁶ Reconcile and explain the difference.

d. Explain why the proposed pro forma Depreciation Expense of \$618,933 is correct given that the reported net book value of the asset detail exceeds the

a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023 (Ky. PSC Feb. 17, 2023).

⁴ \$40,716,614 less: \$26,099 = \$40,690,515.

⁵ Application, Exhibit 7, 7_Dep_schedule_12.31.22.pdf, Column L subtotals. \$69,548 + \$6,416 + \$29,622 + \$1,994 + \$15,500 + \$92,263 + \$1,159 + \$27,565 + \$11,651,316 + \$13,069 + \$735,688 + \$37,745 + \$4,104,197 = \$16,786,082.

⁶ Application, Exhibit 7, 7_Dep_schedule_12.31.22.pdf, Column M subtotals. \$14,299 + \$4,812 + \$30,735 + \$4,655 + \$13,510 + \$12,401 + \$625 + \$15,723 + \$13,905,309 + \$10,693 + \$1,139,204 + \$2,119,707 + \$4,582,212 = \$21,853,883.

reported net book value in the 2022 audited financial statements by \$1,064,562,⁷ as shown in the table below.

	<u>Cost Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Book Vaule</u>
Audited Financial Statement - Gross Fixed Assets	\$ 40,716,614	\$ (19,901,194)	\$ 20,815,420
Less: Constuction in Process ()	<u>(26,099)</u>	<u>-</u>	<u>(26,099)</u>
Gross Fixed Assets	40,690,515	(19,901,194)	20,789,321
Less: Asset Detail Schedule ()	<u>(38,639,965)</u>	<u>(16,786,082)</u>	<u>(21,853,883)</u>
Difference	<u>\$ 2,050,550</u>	<u>\$ (36,687,276)</u>	<u>\$ (1,064,562)</u>

8. Refer to the Application, Exhibit 7, 7_Dep_schedule_12.31.22.pdf, cell F115. Also refer to Rattlesnake Ridge’s 2022 Annual Report, pages 26 and 27. In the Depreciation Schedule, Rattlesnake Ridge’s total assets for the test year is \$38,639,965; however, in the 2022 annual report it is reported as \$40,683,445. Explain and reconcile the difference between these.

9. Refer to Rattlesnake Ridge District’s response to Staff’s First Request, Item 1(c), 2023 Board Minutes for the month of July, specifically the following: “Purchase of new laptop \$17,387.28. Purchase of 200 more meters at cost of \$306.00 each totaling \$61,200.00. 100 excessive dig-outs of meters at \$20.00 each \$2000.00. Total comes to \$80,587.28.” Provide the invoices and documentation to support each expense listed individually.

10. Provide a monthly breakdown in both volume, per unit dollar amount, and total purchase amount of chemicals purchased during the test year by vendor, identifying all vendors from whom Rattlesnake Ridge District purchased chemicals.

⁷ \$21,853,883 less \$20,789,321 = \$1,064,562.

11. Provide the current rate charged by each vendor from whom Rattlesnake Ridge District purchases chemicals.

12. Refer to Rattlesnake Ridge's Response to Commission Staff's First Request, Item 1b, 1_b_2022_RRWD_Adjusted_TB.xlsx, row 166, account 8973 Interest expense; also refer to Rattlesnake Ridge's 2022 Annual Report to the Public Service Commission (2022 Annual Report) for the Calendar Year Ended December 31, 2021, page 20. In the 2022 Annual Report, Interest Expense is recorded as \$112,511; however, in the Adjusted Trial Balance the unadjusted interest expense is reported as \$159,080, while the adjusted balance is \$196,823. Reconcile and explain the difference between the trial balance amount and the annual report amount.

13. Provide updated amortization schedules for all current debt issuances. Also, identify the case number the debt was authorized by the Commission, specifically identify the debt from Case No. 2022-00426, Case No. 2018-00317, and Case No. 2020-00086⁸.

14. Refer to Rattlesnake Ridge District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 1(c), 2022 Board Minutes for the month of October, line 20.

a. Explain what a regulator adjustment is and include any tariff provision granting the authority for the charge and the line item reflecting the adjustments.

⁸ Case No. 2020-00086 *Electronic Application of the Rattlesnake Ridge Water District to Issue Securities in the Approximate Principal Amount of \$3,420,000 for The Purpose of Refunding Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jul. 13, 2020).

b. Provide a list of all regulator adjustments completed during the test year.

15. Refer to Rattlesnake Ridge District's Response to Staff's First Request, Item 1(c), 2022 Board Minutes for the 20th of September. Provide the executed contract with Big Sandy referenced in the minutes.

16. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 1(c), 2022 Board Minutes for the month of February. Provide the legal agreement with Carter County Fiscal Court referenced in the minutes.

17. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 1(c), 2023 Board Minutes for the month of April, specifically the following: "Late bills addressed; No late fees for the month of April, due to postal issues but we will proceed with shutoffs for non-payments." Provide the tariff provision that allowed for this action.

18. For the collection of school tax from each customer, explain how those funds are received, deposited, documented, and distributed. Including but not limited to the account numbers, method of distribution, and frequency of distribution.

19. Refer to Rattlesnake Ridge's response to Staff's First Request, Item 2. Commission Staff requested a copy of the most recent invoice for all employee benefits provided to employees. Rattlesnake Ridge District provided a payroll Register. This does not address Commission Staff's request. Provide a copy of the most recent invoice for all employee benefits provided to employees.

20. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 14. Explain the \$50 Administrative Expense including documentation of how Rattlesnake Ridge District calculated that amount for the cost justification sheet.

21. Refer to Rattlesnake Ridge District's response to Staff's First Request, Item 2.

(a) Provide a cost comparison to explain the components of the increase in the Reconnection Charge from \$45 to \$308.

(b) Explain Rattlesnake Ridge District's current procedure for reconnecting a customer that has been disconnected.

(c) Explain the procedure for water service to be disconnected.

(d) Explain the need to remove a meter for a water service that is being disconnected.

17. Provide an itemized list of the funding sources and corresponding expenditures for the projects approved in Case No. 2022-00426, including but not limited to amount of money spent, an accounting of any funds not disbursed but owed, and any remaining funds for use.

18. Provide any documentation of late fees charged, the total amount for the test year 2022 as well as whether this amount is included in the miscellaneous service adjustment.

19. Explain how Rattlesnake Ridge handled an account in bad standing in the test year of 2022.

20. Refer to the 2022 Audit Report, at 31, Aged Accounts Receivable table, Confirm that the total amount of accounts receivable from the test year was 432,108, in addition confirm how much of the \$432,108 receivables was considered as permanently uncollectable and officially "written off" during the test year.

21. Provide the test-year payroll register.

22. Refer to the application, Item 11-1, 11_1_Rattlesnake_Ridge_WD_Rate_Study.xlsx, Misc. service revenues tab, columns F and G. Provide a breakdown of the miscellaneous service revenues including whether or not the collection of that fee would be recurring or a one-off transaction.

23. Provide the monthly unaccounted for water loss calculations for calendar years 2022 and 2023.



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DATED FEB 22 2024

cc: Parties of Record

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