

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTHERN	)	
WATER AND SEWER DISTRICT FOR AN	)	CASE NO.
ALTERNATIVE RATE ADJUSTMENT PURSUANT	)	2024-00251
TO 807 KAR 5:076	)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION  
TO SOUTHERN WATER AND SEWER DISTRICT

Southern Water and Sewer District (Southern 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 April 1, 2025. The Commission directs Southern District to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> 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

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<sup>1</sup> 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.

Southern District shall make timely amendment to any prior response if Southern 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 Southern District fails or refuses to furnish all or part of the requested information, Southern 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, Southern 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 Commission Staff's First Request for Information, Item 7 (Staff's First Request) and Southern District's Second Amended Response to Staff's First Request, Item 7. The information requested was not provided as described below.

a. Provide a complete description of each employee benefit paid to or on behalf of each employee for the calendar years 2023 and 2024. 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 description of each benefit and supplemental coverage with employee contribution requirements to the supplemental coverage was not provided. A summary of spending of Dental, Life, and Medical, by supplier based on the 2023 General Ledger is presented below. Each of the benefits that are provided by each of the listed suppliers along with required employee contributions must be provided.

<b>Row Labels</b>	<b>Dental</b>	<b>Life</b>	<b>Medical</b>	<b>Grand Total</b>
AFLAC		4,867.83	3,913.57	8,781.40
ANTHEM			2,346.65	2,346.65
ASSURITY		891.26	1,345.22	2,236.48
COLONIAL		2,243.75	2,925.89	5,169.64
DELTA DENTAL	7,062.25			7,062.25
GLOBE LIFE		1,783.00	6,344.80	8,127.80
KLG			192,295.15	192,295.15
PAYROLL W/H		(686.40)	(29,939.04)	(30,625.44)
<b>Grand Total</b>	<b>7,062.25</b>	<b>9,099.44</b>	<b>179,232.24</b>	<b>195,393.93</b>

b. Item 7a. One invoice for 2023, 2024, and 2025 for each benefit was requested. Provide the requested information for each of the service providers listed in the table above for each year or state if a coverage component has either been terminated or there has been a change in providers. A listing of ACH debits for one of the health benefits is not an acceptable alternative and will not be considered responsive.

c. Item 7b. Excel file 7b\_Employee\_Benefits\_2023.xlsx provided in the Second Amended Response to Staff's First Request did not provide sufficient information nor did it reconcile to the amounts recorded in the 2023 General Ledger.

2. Provide the minutes from Southern District's Board of Commissioner (Board) meetings for calendar year 2025, to date. This is a continuing request for monthly minutes for any Board meetings through issuance of the final order.

3. Refer to Southern District's response to Staff's First Request, Item 11a. Southern District provided the documentation from the Fiscal Court that verified the appointment of Bob Shepherd, Steven Dawson, and Byron Scott. However, Southern District did not provide any records for the appointment of the remaining members of the Board, nor did it provide fiscal court minutes authorizing any compensation to the Board members. Provide the fiscal court minutes verifying the appointments for the remaining members, as well as authorization for compensation for board members.

4. Provide Southern District's current number of full-time employees and the number of part-time employees.

5. Provide Southern District's number of full-time employees and the number of part-time employees, representative of full staffing.

6. Refer to Southern District's Amended Response to Staff's First Request, Item 4, 4\_Employee\_Earnings\_2024.xlsx. State whether total hours reported for 2024 as shown in the chart below are a reasonable representation of recurring operations, without consideration of unanticipated events. If the amounts are not considered a reasonable representation, provide revised hour amounts and the reasoning for the revised amount.

Description	Hours
Overtime	3,884.5000
Wages	42,857.4618
Sick	16.0000
Holiday	1,840.0000
Personal	96.0000
Covid Pay	40.0000
Total	<u>48,733.9618</u>

7. Refer to Southern District’s Amended Response to Staff’s First Request, Item 4, 4\_Employee\_Earnings\_2023.xlsx. Also, refer to the general ledger for the year ended December 31, 2023 (2023 general ledger). Explain why only two commissioners are designated (C6 and C8) with pay totaling \$11,000 while general ledger account 73001, Commissioner’s Fee reflects a total of \$18,000.

8. Refer to Southern District’s Response to Staff’s First Request, Item 10, attachment 10\_Board\_Minutes\_2023, unnumbered page 29, Agenda Item I, which states “Motion to cease annual merit raises until resolution of rate case was made by Chairman Prater, seconded by Rr. Roberts, all in favor.”

a. State whether “annual merit raises” is reflective of individual performance adjustments, an inflation type across the board increase, or some other form of increase.

b. Provide Southern District’s written policy on how wage increases are determined and their frequency.

c. Explain when Southern District’s board of commissioners anticipates reinstating general wage increases and its reasoning for the timing.

9. Refer to Southern District’s response to Staff’s First Request, 10\_Board\_Minutes\_2023.pdf, November 28, 2023, Board minutes at unnumbered page

26 of 30, Item “E”. The agenda items describe a “Safety Performance Bonus” of “\$300 each and employees that have been here less than a year \$150 each.” Also refer to Southern District’s Amended Response to Staff’s First Request, 4\_Employee\_Earnings\_2023.xlsx which reflects a total “performance bonus” of \$5,551.60.

a. State whether a written policy exists for the Safety Performance Bonus designated in the minutes. If a written policy exists, provide a copy of the policy.

b. If no policy exists, state the reasoning for the amounts and the decision to award the bonus payments.

10. Refer to Southern District’s response to Staff’s First Request, Item 3 (rates excel file BA); also refer to 2023 Annual Report, Water Statistics at page 57 that was filed with the Commission; also, refer to the December 2023 Water Loss Report provided in Case No. 2020-00121.<sup>2</sup> The three referenced reports reflect different gallons sold as shown in the chart below.

a. Explain each reason for the discrepancy between the 2023 Annual Report and the amount submitted in this case.

b. Provide a reconciliation of the components of the discrepancy between the 249,253,487 submitted in this case and the 296,682,000 reported in the 2023 Annual Report.

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<sup>2</sup> Case No. 2020-00121, *Electronic Southern Water & Sewer District Meter Replacement Surcharge Monitoring* (filed Jan. 15, 2024), December 2023 Water Loss Report.

Description	2023 Annual Report	Surcharge Case 2020- 00121	2024-00251 Rate Study ExBA
Gallons Sold ('000s)	<u>296,682,000</u>	<u>273,361,000</u>	<u>249,253,487</u>
Difference to Annual Report		<u>(23,321,000)</u>	<u>(47,428,513)</u>

11. Refer to the 2023 general ledger, account number 47401, Other Income.
  - a. Provide a copy of the documents that support the journal entry for a deposit of \$31,872.17 that was recorded on March 24, 2023.
  - b. Explain the purpose of the deposit or its components.
  - c. State whether the amount will recur.
  
12. Refer to the 2023 general ledger, Account number 49001, Miscellaneous Income.
  - a. Provide a copy of the documents that support a journal entry for a deposit of \$100,000 that was recorded on August 7, 2023.
  - b. Explain the purpose of the deposit or its components.
  - c. Explain why the amount was not included in the test year of the schedule of adjusted operations.
  
13. Refer to Southern District's response to Staff's First Request, Item 26.
  - a. The response did not provide "the general ledger account numbers where each nonrecurring charge is recorded", as requested. Provide the information requested for all items except for Late Payment Penalties, which is self-evident based on Commission Staff's review of the general ledger.
  - b. The response reflected 3,403 occurrences of Late Payment Penalties and a reported amount of \$89,156.25 for an average late fee per occurrence of

\$26.20. Provide a calculation of the average bill per customer, the maximum possible late fee based on the calculated average bill and reconcile the difference between the calculated maximum late fee on an average bill and the amount reported in the response to Staff's First Request. If the occurrence number is determined to be incorrect, provide a revised response.

c. Southern District indicated 294 instances of assessing a "Disconnection Charge", but this charge is not listed in its current tariff. In response to Staff's First Request, Item 27, nonrecurring charge cost justification sheets, Southern District did not include a cost justification for a "disconnection charge." Explain if this is a new charge that Southern District is proposing to implement or if this charge has been omitted from its current tariff. If this is a new charge, provide cost justification for the charge.

14. Refer to Southern District's response to Staff's First Request, Item 26 as well as Southern District's current tariff.

a. Southern District recorded revenues of \$8,060 collected from its Connection/Turn-On Charge. Reconcile the number of times this charge was assessed (804) and the current charged listed in its tariff (\$20). Explain the discrepancy between the revenues, occurrences and charge.

b. Southern District recorded revenues of \$20 collected from its Connection/Turn-On Charge (After Hours). The number of times this charge was assessed (2) and the current charged listed in its tariff (\$88). Explain the discrepancy between the revenues, occurrences and charge.



c. Southern District recorded revenues of \$4,620 collected from its Reconnection Charge. The number of times this charge was assessed (462) and the current charged listed in its tariff (\$20). Explain the discrepancy between the revenues, occurrences and charge.

d. Southern District recorded revenues of \$180 collected from its Reconnection Charge (After Hours). The number of times this charge was assessed (18) and the current charged listed in its tariff (\$88). Explain the discrepancy between the revenues, occurrences and charge.

15. Refer to Southern District's response to Staff's First Request, Item 19, Customer Invoice. Southern District did not provide "the general ledger accounts where each of the respective components are recorded", as requested. Provide the information requested or explain why it cannot be provided.

16. Refer to Southern District's response to Staff's First Request, Item 9, 9\_Water\_Purchases.xlsx, a portion of which is shown in the chart below.

a. Explain why September and December quantities differ significantly from other months. If the quantities are determined to be incorrect, resubmit the revised file.

b. Explain why the average cost per thousand gallon for each month except September and December calculates to \$2.26 while September and December calculate to \$1.53 and \$1.30, respectively, per thousand gallons.

Pikeville City

2023

January	14,577,000	\$ 32,944.02
February	13,487,000	\$ 30,480.62
March	16,653,000	\$ 37,635.78
April	13,586,000	\$ 30,704.36
May	14,628,000	\$ 33,059.28
June	10,708,000	\$ 24,200.08
July	11,919,000	\$ 26,936.94
August	13,950,000	\$ 31,527.00
September	<b>20,605,846</b>	\$ 31,504.40
October	12,544,000	\$ 28,349.44
November	12,544,000	\$ 28,349.44
December	<b>20,605,846</b>	\$ 26,742.58
	<u>175,807,692</u>	<u>\$ 362,433.94</u>

17. Refer to the Application, at unnumbered page 14 of 254, Schedule of Adjusted Operations, Bad Debts.

a. Provide Southern District’s written policy, including required authorizations, for when a balance is determined uncollectible and will be written off. If a written policy does not exist, explain the process for determining when to write-off an amount.

b. Provide the reasoning for why the pro forma bad debt amount of \$152,472 is representative of recurring operations. Include in the response calculations, including trend analysis that supports the reasoning.

18. Refer to the 2023 general ledger and the general ledger for the year ended December 31, 2024 (2024 general ledger), account number 62000, Contract Labor – Water.

a. State what functions are performed by contract labor that are charged to this account.

b. Explain why the positions are not regular employees as part of their roles and responsibilities.

c. The reported expense decreased from \$54,009 in 2023 to \$40,054 in 2024. Explain the reasons for the decrease.

d. State whether 2023 or 2024 spending is considered more representative of recurring operations and explain the reasoning.

19. Refer to the 2023 and 2024 general ledgers, account number 61501, Management fees.

a. Provide a copy of the most recent contract between Southern Water and Utility Management Group (UMG).

b. Describe how each monthly payment is calculated.

c. Refer to the 2024 general ledger, account number 61501, Management Fees, November 20, 2024 posting. Provide an invoice supporting the November 20, 2024 posting in the amount \$16,817.81.

d. Given that 2023 management fees were \$229,148 and 2024 fees were \$197,492, state the annual amount that is representative of recurring operations and explain the basis for the amount



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DATED MAR 18 2025

cc: Parties of Record

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