

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)	

ORDER

On December 26, 2024,¹ Southern Water and Sewer District (Southern District) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076.

The Commission finds that a procedural schedule² should be established to ensure the orderly review of Southern District’s application. The procedural schedule is attached as Appendix A to this Order.

In addition, Southern District should 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 should respond to any future requests for information propounded by Commission Staff by the date or dates set forth on any such requests.

¹ Southern District tendered its application on September 25, 2024. By letter dated September 27, 2024, and Order dated October 11, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application was deemed filed on December 26, 2024.

² No action is necessary to suspend the effective date of Southern District’s proposed rates for service. Pursuant to 807 KAR 5:076, Section 7(1), an applicant who applies for a rate adjustment 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.

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, Southern District shall file its responses to the Commission Staff's request for information, attached to this Order as Appendix B.
3. Southern District 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 recommendations regarding Southern District'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:
6. Its written comments on and any objections to the findings contained in the Commission Staff's Report; and
7. Any additional evidence for the Commission to consider.
8. If Commission Staff recommends that Southern District's financial condition supports a higher rate than Southern District proposes or the assessment of an additional rate or charge not proposed in Southern District's application, Southern District 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.

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

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. Any motion to intervene filed after the date established in the procedural schedule attached as Appendix A 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.


16. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085³ regarding filings with the Commission.

³ 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).

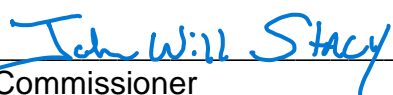
PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:

Executive Director

ENTERED
JAN 16 2025
AH
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00251 DATED JAN 16 2025

Requests for intervention shall be filed no later than 01/28/2025

All requests for information to Southern District
shall be filed no later than 02/04/2025

Southern District shall file responses to requests
for information no later than 02/25/2025

Commission Staff Field Review To Be Determined

All supplemental requests for information to
Southern District shall be filed no later than 03/18/2025

Southern District shall file responses to supplemental
requests for information no later than 04/01/2025

Commission Staff's Report shall be filed no later than..... 05/07/2025

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00251 DATED JAN 16 2025

COMMISSION STAFF'S FIRST 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 February 25, 2025. The Commission directs Southern 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 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

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).

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. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible. Employee names should be redacted from all documents.

a. The general ledger in Excel spreadsheet format with all transactions for each of the years ended December 31, 2023, and 2024.

b. The trial balance in Excel spreadsheet format with all transactions for each of the years ended December 31, 2023, and 2024.

c. Provide a cross reference that matches each test year general ledger account to each revenue and expense line that is reported in the Schedule of Adjusted Operations and reconcile each amount that does not match.

2. Provide the following information related to billing and general ledger software:

a. State whether the billing software and general ledger/financial management software are separate or integrated.

b. Provide the brand or common name for software.

c. State whether the software is locally installed on a utility-owned computer or is a subscription service that is internet based.

d. If locally installed, state the installation date.

e. State whether the system is still serviced by the manufacturer and whether the utility maintains a service contract.

3. Refer to the Remediated ARF Application, Schedule of Adjusted Operations (SAO), Revenue Requirements Calculation, SAO Adjustment References. Provide all schedules used to support each proposed adjustment in Excel format. Component details of a schedule should tie to the general ledger accounts that comprise the SAO line item including any adjustment for unreconciled amounts.

4. Using a table format, provide an Excel spreadsheet with all formulas, rows, and columns fully accessible and unprotected that lists each position (Position 1, Position 2, etc.) job title, hours worked, pay rate, total wages paid, and total FICA cost for each employee for the years ended December 31, 2023, and 2024. Overtime hours worked and paid at one and one-half times the straight time pay rate should be separated from on call hours paid. Include the date the employee was hired and, if applicable, the employee's termination date. The table should include a column for total wages by

employee (regular wages and overtime) and a row for total hours worked, wages, and FICA for all employees. Employee names should be redacted from all documents.

5. Provide calculations, by employee, that support pro forma wages of \$739,852. This may be provided as a separate table or combined with the table above. 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.

6. Provide a summary of overtime hours worked and identify costs included that were the result of vacant positions and will be eliminated when the vacant positions are filled.

7. 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. Provide a copy of one invoice for each calendar year 2023, 2024, and 2025 for each employee benefit described above.

b. 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.

8. Provide certificates of insurance and most recent invoices for general liability, workers' compensation, automobile, property, and casualty for 2023 and 2024.

9. Provide gallons purchased and cost, by month for the entire year, for each supplier, for calendar years 2023 and 2024.

a. Reconcile reported gallons purchased in the test year annual report water statistics and the purchased water expense reported in the test year.

10. Provide the minutes from Southern District's commissioner meetings for the calendar years 2023 and 2024.

a. Designate each action that authorizes hiring.

b. Designate each action that authorizes adjustments to wage rates and any other compensation or fringe benefit actions.

11. Provide a document that lists the name of each commissioner for each of the calendar years 2023 and 2024 and state, individually, the total amount of each benefit paid to, or on the behalf of, each commissioner 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.

a. Provide documentation from the Fiscal Court that authorizes each member of the Board of Commissioner's (Board) appointment and compensation.

b. Provide training records for each Board member for 2022, 2023, and 2024 or a statement that the individual has not attended training.

12. Refer to Remediated ARF Application, page 15 of 254, References, Item "B" which states that Southern District's test year water loss was 43.94 percent. The referenced amount is neither reflected in Southern District's 2023 Annual Report nor do

the Item “B” adjustments reflect this water loss percentage. State the source of this reference or whether it is erroneous.

13. Refer to Remediated ARF Application, page 20 of 254, Current Billing Analysis - Current Usage & Existing Rates which proposes a pro forma adjustment to decrease revenues by \$158,990. Provide an analysis of the components of the proposed decrease.

a. Include the 2024 impact of the Phase II tariff increase which became effective on August 22, 2023.

b. Provide details of amounts that should have been reclassified to either other revenue accounts or as offsets to expenses.

14. Provide the following with respect to the audited financial statements.

a. Copies of 2022 and 2023 audited financial statements which are not on file with the Commission.

b. If either year is not complete, state reasons it is not complete and provide the anticipated date that each will be issued.

c. Provide a list of the payment amounts, dates paid, and general ledger expense charged for payments to the auditor during 2023 and 2024.

d. Provide a list of all 2023 audit adjustments and description of the adjustments.

15. Refer to Remediated ARF Application, Table A, Depreciation Expense Adjustments.

a. Provide a detailed list of all asset items and note designation of segments as “entire group”.

b. Provide total for "Original Cost" column and accumulated depreciation for each of the assets as of December 31, 2023.

c. Reconcile original cost, accumulated depreciation, and net book value of assets to amounts reported in the 2023 Annual Report Balance sheet.

16. Provide the following with respect to capital expenditures and assets placed in service from 2020 through 2024.

a. Capital expenditures and funding source for each year.

b. Total amount placed in service by year and annual depreciation based upon the asset's useful life.

c. Amount of unexpended dollars on capital projects in process, by project, at the end of 2024 and the estimated date and total dollar value that the associated projects will be placed in service.

17. Provide the following with respect to accounts receivable and bad debt expense.

a. Provide an accounts receivable aging for December 31, 2023, and 2024 in the following format:

Accounts Receivable Aging

Description	Current (1 - 30)	31 - 60	61 - 90	91 +	Gross Amount	Reserve ()	Net Balance
<i>Dollars</i>							
Water							
Surcharge							
Garbage							
Sewer							
Other							
Totals	0	0	0	0	0	0	0

Gross and net amounts should tie to balance sheet for receivables.

b. Provide a list of amounts charged to bad debt reserve by customer (i.e. Customer 1, Customer 2, etc.) for 2023 including age of each amount. Customer information should be redacted from all documents as set out in the parenthetical.

c. State the amount of pro forma bad debt expense that is for amounts charged to reserve for bad debts versus the amount of accounts receivable that was directly written off to expense rather than charged to reserve for bad debts.

d. Provide the reasoning that bad debt expense (\$152,472) as a percentage of metered retail sales (\$3,103,160) of 4.91 percent will recur in the future.

18. Provide the following with respect to accounts payable and other non-wage and benefit accrued liabilities.

a. Provide an accounts payable and accrued liability aging for December 31, 2023 and 2024 in the following format:

Payables Aging

Description	Current (1 - 30)	31 - 60	61 - 90	91 +	Total
<i>Dollars</i> list each supplier					

Total Accounts Payable	0	0	0	0	0
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Other Amounts

examples accrued water purchases, capital expenditure items

19. Provide a redacted copy of a customer invoice that includes, water, sewer, garbage, surcharge, and taxes. Designate the general ledger accounts where each of the respective components are recorded.

20. Provide the following with respect to new tap installations.

a. Number of installations during the test year.

b. State whether labor costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

c. State whether material costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

21. Refer to Southern District's Tariff, PSC Ky. No. 1, Original Sheet No. 10, Billing, Meter Readings and Related Information, Frequency of meter reading.

a. Provide the date that Southern District's 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 Southern District performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.

a. Explain whether Southern District considered filing a COSS with the current rate application and the reasoning for not filing one.

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

c. If there have been no material changes to Southern District's system, explain when Southern District anticipates completing a new COSS.

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

23. Refer to the Remediated ARF Application, Current Billing Analysis 2023 Usage and Existing Rates and Proposed Billing Analysis 2023 Usage and Proposed Rates.

a. Provide the billing analysis in Excel Spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

b. Describe adjustments to the billing analysis and their justification.

c. Provide an analysis of the proposed pro forma adjustment to metered revenues.

24. Refer to the Remediated ARF Application, Schedule of Adjusted Operations. Provide an analysis of the components of Miscellaneous Service Revenues of \$33,943.

25. Provide the number of occurrences and dollar amounts for late fees that were recorded during the calendar years 2023 and 2024.

26. Provide a schedule listing the number of occurrences for each nonrecurring charge that were recorded during the test year and the total amount recorded for each nonrecurring charge. If the revenue for any nonrecurring charge was zero, include that charge and indicate that no revenue was recorded. Include the general ledger account numbers where each nonrecurring charge is recorded.

27. Provide updated cost justification sheets to support each nonrecurring charge listed in Southern District's tariff.

28. Provide the amount currently in the meter surcharge account and state how long Southern District anticipates until the full amount of new meters is assessed.

29. Refer to the Remediated ARF Application, Attachment 11, Table C.

a. Explain why the proposed rates differ than those proposed throughout the application and do not include the proposed water loss surcharge.

b. Explain whether Southern District's Board approved the proposed water loss surcharge amount. If the Board approved such action, provide the appropriate commission meeting minutes.

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