

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MONROE)
COUNTY WATER DISTRICT FOR RATE) CASE NO. 2017-00070
ADJUSTMENT PURSUANT TO 807 KAR 5:076)

RESPONSE OF MONROE COUNTY WATER DISTRICT
TO
ATTORNEY GENERAL'S INITIAL DATA REQUESTS
DATED MAY 1, 2017

FILED: MAY 19, 2017

MONROE COUNTY WATER DISTRICT

**Response To Attorney General’s Initial Data Request
May 1, 2017**

Case No. 2017-00070

Question No. 1

Witness: Jana Dubree/Richard O. Ross

- Q-1.** Refer to the Application, Tab 1, Reasons for Application. The District’s explanation for the proposed increase of several non-recurring charges is a significant increase in the cost of providing those services since the last adjustment to non-recurring charges. Describe the source, and thus justification, of the increased cost of providing the services covered by non-recurring charges.

- A-1.** Monroe County Water District’s (“Monroe District”) non-recurring charges were last adjusted in 2003. *See Application of Monroe County Water District to Increase Certain Non-recurring Charges*, Case No. 2003-00318 (Ky. PSC Sep. 11, 2003). Table 1 provides a comparison of the major expenses in non-recurring charges as reported in that proceeding and in the current proceeding.

TABLE 1

Charge	2017	2003	Increase (%)
Field Expense-Labor (Hourly Rate)	\$ 26.80	\$ 15.00	79
Clerical Expense-Labor (Hourly Rate)	\$ 21.69	\$ 10.00	117
Mileage	\$ 11.77	\$ 10.00	18
Water Meter (5/8"x3/4" Meter) - Materials Expense	\$552.41	\$ 253.00	118
Water Meter (5/8"x3/4" Meter) - Service Pipe Expense	\$ 17.50	\$ 17.50	0
Water Meter (5/8"x3/4" Meter) - Installation Equipment	\$ 477.50	\$ 80.00	497
Water Meter (5/8"x3/4" Meter) - Miscellaneous Expense	\$ 80.29	\$ 20.00	301
Water Meter (5/8"x3/4" Meter) - Installation Labor	\$ 402.00	\$ 135.00	198

Labor expense increase is due to inflation and to inclusion in the expense all labor-related expenses, such as employer retirement contributions, health insurance contributions, workers compensation insurance, Social Security and Medicare employer taxes. These cost components are not included in the current charges.

Monroe District has relatively stable work force. Many of its employees have been Monroe District employees for a lengthy period of time. Given the length of their employment, their wage level includes several cost of living adjustments and is higher

than in 2003. Moreover, because these employees are older, Monroe District's cost for health insurance coverage for these employees is higher.

The proposed charges also more accurately reflect the time required to perform the tasks involved in each service. In preparing its current application, Monroe District closely examined each charge and identified the tasks necessary to provide the related service and the time required to complete those tasks. For some services, such as meter connections, more clerical labor is now required because the number of available customer service options has increased and the customer service representative or billing clerk must spend a greater amount of time with a new customer when establishing a customer account to describe and explain those options. Table 2 provides a comparison of the labor time reported for each charge and the total labor cost.

TABLE 2

Fee	Field Expense Labor (Hrs)	Clerical Labor (Hrs)	2003 Field Expense Labor (Hrs)	2003 Clerical Labor (Hrs)	Increased Labor Cost(Hrs)*	Proposed Increase (\$)*
Connection Fee	1.5	1.5	1.0	1.0	\$ 47.29	50.00
Connection Fee (AH)	1.5	1.5	2.0	1.3	\$ 29.79	55.00
Field Collection Charge	1.5	0.5	1.0	0.5	\$ 30.60	40.00
Meter Relocation Charge	6.0	1.5	9.0	1.1	\$ 46.04	510.00
Meter Re-Read Charge	1.5	0.5	1.0	0.5	\$ 30.60	40.00
Meter Testing Charge	4.0	0.5	2.5	0.25	\$ 76.85	85.00
Reconnection Charge	1.5	0.5	1.0	0.5	\$ 30.60	85.00
Reconnection Charge (AH)	1.5	0.5	2.0	0.5	\$ 15.60	80.00
Returned Check Charge	0.0	1.5	0.0	1.0	\$ 22.54	15.00
Service Call Investigation Charge	2.0	0.5	1.0	0.5	\$ 43.85	55.00
Service Call Investigation Charge (AH)	2.0	0.5	2.0	0.5	\$ 28.85	55.00
Service Line Inspection	2.5	0.5	2.5	0.3	\$ 37.10	65.00
Tap-On Fee (5/8"x3/4" Meter)	15.0	1.5	9.0	2.2	\$ 273.04	1015.00

* Labor cost and proposed fee as stated in Monroe District's Application

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Question No. 2

Witness: Gerald E. Wuetcher

- Q-2. Refer to the Application, Tab 24, Comparison of Water District Wages. Provide copies of the referenced studies.

- A-2. Monroe County Water District ("Monroe District") is unable to provide a copy of the referenced studies as each is a copyrighted document. Monroe District will make these documents available for inspection at a date, time and location that is mutually convenient for the Attorney General's representatives and Monroe District's legal counsel.

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Question No. 3

Witness: Jana Dubree/Richard O. Ross

- Q-3. Refer to the Application, Tab 28, Calculation of Average Labor Cost. In calculating average labor costs for Operations and Administration, the District uses the hourly wage of all employees including managers to determine the cost of labor in non-recurring charges.
- a. Provide the District's justification for using the average hourly wage of all employees as the basis for cost-justification of non-recurring charges, including the reasonableness of assuming that managers are equally likely to perform services covered by non-recurring charges.
 - b. Provide all documentation supporting the justification provided in (a) above.
- A-3. a. Monroe County Water District's ("Monroe District") office manager actively supervises the water district's clerical personnel and is frequently involved in addressing their questions and dealing with customers who are seeking the services for which the proposed charges are assessed. Likewise, Monroe District's General Manager is a licensed distribution system operator and periodically assists in field work.

In light of the Attorney General's Request, Monroe District has calculated the average hourly wage excluding the hourly wage of its General Manager and Office Manager. These calculations show an average hourly wage of \$24.59 for operational or field employees and an average hourly wage of \$19.13 for administrative or clerical employees. The calculations are shown in Table 3. The effect of this exclusion on the proposed charges is shown in Table 4. Please note that use of this lower rate to determine the level of non-recurring charges will also require a reduction in the adjustment to Other Water Revenues (Adjustment E) and the adjustment to Salaries and Wages – Employees (Adjustment F).

- b. Monroe District has no documents that would reflect the frequency that its general manager or office manager performs labor to provide the services for which the proposed non-recurring charges are assessed.

TABLE 3

Employee Position	Hourly Wage	Average Hourly Wage	Average Overtime Wage
Operations:			
Laborer - Full Time	\$12.24		
Operator - Full Time	\$18.64		
Operator - Full Time	\$19.15		
Operator - Full Time	\$14.45		
Operator - Full Time	\$21.50		
Total	\$85.98	\$17.20	\$25.79
Administration:			
Utility Clerk - Full Time	\$10.71		
Utility Clerk - Full Time	\$12.19		
Utility Clerk - Full Time	\$15.88		
Utility Clerk - Part Time	\$11.45		
	\$50.23	\$12.56	\$18.84
Employee Benefit Costs			
Benefit	% of Wages		
Retirement	8.00		
Workers Comp	2.00		
FICA Taxes	6.20		
Medicare	1.45		
Utility Responsibility	17.65		
Health Insurance			
Annual Health Insurance Premium	\$74,937.24		
Divided By Test Period Hours	17,188.00		
Health Insurance Cost Per Hr		\$ 4.36	
Benefits Calculations:			
Operational (\$17.20 x 17.65%)		\$ 3.04	
Administrative (\$12.56 x 17.65%)		\$ 2.22	
Average Hourly Wage w/ Benefits			
Operational		\$24.59	\$34.71
Administrative		\$19.13	\$26.52

TABLE 4

Tab	Fee	Field Expense Labor	Clerical Labor	Decrease if Manager Wage Rate Removed (\$)
29	Connection Fee	1.5	1.5	6.71
30	Connection Fee (AH)	1.5	1.5	6.71
32	Field Collection Charge	1.5	0.5	4.15
33	Meter Relocation Charge	6.0	1.5	15.30
34	Meter Re-Read Charge	1.5	0.5	4.15
35	Meter Testing Charge	4.0	0.5	8.92
36	Reconnection Charge	1.5	0.5	4.15
37	Reconnection Charge (AH)	1.5	0.5	4.15
38	Returned Check Charge	0.0	1.5	3.84
39	Service Call Investigation Charge	2.0	0.5	5.10
40	Service Call Investigation Charge (AH)	2.0	0.5	5.10
41	Service Line Inspection	2.5	0.5	6.06
42	Tap-On Fee (5/8"x3/4" Meter)	15	1.5	32.49

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Question No. 4

Witness: Jana Dubree

- Q-4. Refer to the Application, Tab 29 and Tab 30, Connection Fee/Turn-on Charge and Connection Fee/Turn-On Charge (After Hours). Explain why these charges require significantly more Clerical and Office Labor than other non-recurring charges.
- A-4. The tasks associated with establishing a new connection are more numerous and require greater time than those for the other services. When a new account is established, the office personnel must: (1) Review the water service contract with customer and completes contract; (2) Review rate schedule with customer; (3) Prepare customer bank draft for automated billing and collection; (4) Intake information for automated text/calling system, enter it into the system, and prepare the required customer authorization; (5) If service is to farm, prepare documents for a farm exemption; (6) Prepare appropriate receipts for deposit and other payments; and (7) Prepare a meter card and enter meter information into the water district's automated records system.

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Question No. 5

Witness: Richard O. Ross

- Q-5. Refer to the Application, Tab 33, Meter Relocation Charge.
- a. Confirm that "Installation Equipment" does not include any items listed under "Field Expense Materials."
 - b. Describe how the average cost of "Installation Equipment" is calculated.
- A-5. a. "Installation Equipment" does not include any items listed under "Field Expense Materials."
- b. The calculation of the average cost of Installation Equipment is shown at page 2 of 3 of Tab 42 of the Application.

Monroe District rents a backhoe and contracts for boring services to perform meter connections. Attached at Tab 42 of the Application are the quotes that Monroe District obtained for such services. Based upon the lowest estimate received, the rental cost for a backhoe is \$65 per hour. Monroe District estimated the total rental cost of a backhoe to perform a service connection if the property to be served was located on the same side of the road or street as the water main ("Short Side Service") and if it was located on the opposite side of the road ("Long Side Service"). Monroe District determined that Short Side Service connection would require the use of a backhoe for two hours and a Long Side Service connection would require the use of a backhoe for three hours. It averaged these costs to obtain a unified charge for all connections. Monroe District performed the same calculations for the use of boring equipment. Based upon the lowest estimate received, the cost to bore under a road is \$15 per foot. Monroe District noted a difference in the width of a state road and a county road. It therefore averaged these widths to determine the cost for boring equipment. It then added the average backhoe rental cost and average boring cost to obtain the average cost of Installation Equipment.

After further review, Monroe District has revised its calculations. In its original calculations, it assumed that boring equipment would be used on Short Side Service connections. While boring may be required in limited circumstances, it is generally not required for these types of connections. Boring Costs, therefore, should be included only in the cost of Long Side Service Connections. The revised calculation of Installation Equipment Costs is shown in Table 5:

TABLE 5

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
A. Long Side Service [(a + b) ÷ 2]			\$510.00
a. Backhoe	3.0	\$65.00	\$195.00
b. Boring Machine (Average) [(b1 + b2) ÷ 2]			\$315.00
(1) County Road	15 ft	\$14.00/ft	\$210.00
(2) State Road	30 ft	\$14.00/ft	\$420.00
B. Short Side Service (Backhoe Only)	2.0	\$65.00	\$130.00
Installation Equipment [(A + B) ÷ 2]			\$320.00

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Question No. 6

Witness: Jana Dubree

- Q-6. Refer to the Application, Tab 36, Reconnection Charge. The District's tariff allows collection of the cost of disconnect in the same non-recurring charge that covers reconnection. Confirm that customers are not charged for a previous tenant or owner's disconnection.
- A-6. Customers are not assessed a reconnection charge for a previous tenant or owner's disconnection, but are assessed a connection fee under Monroe County Water District's current rate schedules.

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Question No. 7

Witness: Jana Dubree/Richard O. Ross

- Q-7. Refer to the Application, Tabs 30, 37, and 40, dealing with After Hours service. The District uses overtime average labor costs for both Field Labor Expense and Clerical and Office Labor Expense.
- a. Explain why field work performed outside of regular business hours is assumed to require overtime rather than an adjustment to work schedules, and provide documentation for overtime required to perform that work.
 - b. Explain why the clerical work corresponding with field work performed outside of regular maintenance hours must also be performed outside of regular business hours.
 - c. If the answer to (b), above, is that clerical work for field work performed outside of regular maintenance hours must also be performed outside of regular business hours, provide documentation for the overtime required to perform that work.
- A-7. a. In calculating Connection Fee (After Hours), Reconnection Charge (After Hours) and Service Call Investigation Charge (After Hours), Monroe County Water District ("Monroe District") assumes that any employee performing any of the services associated with these charges would do so in addition to his or her normal work hours. Monroe District does not have a policy requiring the adjustment of an employee's work schedule if he or she has performed work during non-business hours. Federal employment laws limit such adjustment to the employee's current pay period and thus, depending upon when the employee is called upon to provide the service, may render such an adjustment unlawful. Furthermore, if critical or mission-essential work has been scheduled during the employee's current pay period, Monroe District may lack the flexibility to adjust the employee's work schedule. The additional work could only be performed through the use of overtime.

Monroe District has researched prior Commission decisions regarding the charges for such After Hours Services and has not located any decision in which the Commission required a utility to adopt a policy to adjust an employee's work schedule to avoid incurring overtime costs.

Please note that during the test period there were only five instances in which these fees were assessed for a total amount of \$380. See Tab 3 to Application, References, Attachment I. As Monroe District does not maintain automated work records and as the

request would require an extensive review of work orders for the entire test period, Monroe District believes that the request is unduly burdensome and respectfully declines to perform that review.

b. In preparing its cost justification sheets, Monroe District followed the general practice of assuming that the clerical tasks for after-hours services would be performed outside of normal business hours. After further review, Monroe District believes that these tasks can generally be performed during business hours. It has no objection to calculating the cost of clerical labor component for after-hours services using the normal average hourly wage rate without any overtime adjustment.

c. Not applicable.