

Knox County Utility Commission

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MAY 01 2020

PUBLIC SERVICE
COMMISSION

May 1, 2020

Via Electronic Filing

Kent Chandler
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: Case No. 2020-00020

Dear Mr. Chandler:

Enclosed please find for filing with the Commission in the above-referenced case Knox County Utility Commission's responses to the Commission's First Request for Information.

The original versions of the documents transmitted electronically will be filed with the Commission in paper medium within thirty days of the state of emergency being lifted.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Michelle Stewart, Office Manager



Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING)	CASE NO.
OF KNOX COUNTY UTILITY COMMISSION)	2020-00020

RESPONSE OF KNOX COUNTY UTILITY COMMISSION
TO THE PUBLIC SERVICE COMMISSION'S FIRST REQUEST FOR
INFORMATION DATED APRIL 21, 2020

Filed: May 1, 2020

**Knox County Utility Commission
Case No. 2020-00020
Public Service Commission's First Request for Information issued April 21, 2020**

- 1. Refer to the application, Attachment 4a. Provide a detailed calculation for each adjustment being proposed by Knox County Commission. Include documentation and support where necessary and outline any assumptions made.**

Response:

The References sheet included in the ARF application as Attachment 4a. describes the basis for all adjustments. Additional details and calculations for adjustments not fully explained are provided below. Reference designations used herein correspond to the designations used in the Schedule of Adjusted Operations and Attachment 4a.

Reference b.

Amounts for Forfeited Discounts, Misc. Service Revenues, and Rental Income were taken from the Utility Commission's 2018 Statement of Operations Report included as Attachment to Reference b. The amount for Misc. Service Revenues is the sum of Accounts 432, 435, 437 and 442.

Reference c.

The 2018 Statement of Operations Report indicates \$15,600 in tap fees were collected. As a substitute for the actual capital cost for meter installations, 30 percent of total tap fees was allocated to labor and 70 percent to materials.

Reference d.

Calculations for the adjustment attributable to the \$1.00 per hour across the board raise is are shown below. Total hours worked and overtime hours were taken from the 2018 Earnings History Report included as Attachment to Reference d.

		<u>Rate Increase</u>	<u>Wage Increase</u>
Total 2018 Man hours	22,469		
O.T. Hours	1,127	1.50	1,691
Regular Hours	21,342	1.00	<u>21,342</u>
Total Incr. in Wages			23,033

Reference e.

Calculations for the adjustment to Employee Pensions and Benefits is shown below. Retirement liability expenses were confirmed in an email from the Utility Commission's accountant included as Attachment to Reference e.

2018 Contribution *	68,192
Base wages **	335,581
Base Wages + Increase	358,614
x 7/1/19 CERS rate	<u>0.2406</u>
Projected 2019 Contrib.	86,282
2019 less 2018 Contribution	18,090
Liability Adjustment ***	<u>(103,653)</u>
Total Adjustment	(85,563)

* from p. 17 of Audit & 11/19/19 email

** from p. 17 of Audit

*** confirmed in email dated 11/19/19

Reference g.

The adjustment in payroll taxes was calculated as follows:

$$\text{Incr. in wages } (\$23,033) \times \text{FICA rate } (7.65\%) = \$1,762$$

Attachment to Reference b.

Current Year: 2018
 Comparative Year: 0
 Period: December
 Period Begin: 12/01/18
 Period End: 12/31/18

Knox County Utility Commission

Statement Of Income

Account	Title	Current Period	Current YTD Balance
	Sales-Residential Customers	\$81,385.36	1,226,080.61
	Sales-Commerical Customers	\$4,027.37	50,042.03
	Sales - Public Authorities	\$5,745.43	73,715.57
	Misc- Other Revenues	\$0.00	401.10
	Grant Revenue	\$0.00	8,552.70
	Tap Fee Revenue	\$1,200.00	15,600.00
	Penalties	\$2,911.30	39,179.64
	Non-metered water sales	\$0.00	105.89
	Connection/Turn On Charge	\$180.00	5,640.00
	Transfer/Cutoff Fees	\$180.00	10,190.00
	Field Collection Charge	\$0.00	15.00
	NSF Check Fees	\$25.00	875.00
	Meter Test Charge	\$0.00	80.00
	Materials Supply Sales	\$0.00	1,320.96
	Rental Income	\$100.00	1,200.00
	Bad Debt Recoveries	\$210.03	3,273.59
	Field Apparatus Penalty	\$0.00	144.65
	Gain On Asset Disposal	\$0.00	1,325.00
	Interest Income	\$512.31	6,251.44
	Total Revenues	\$96,476.80	1,443,993.18
	EXPENSES		
	Salaries & Wages	\$36,198.45	347,280.71
	Board Salaries	\$1,200.00	14,400.00
	Retirement Expense	\$114,610.16	171,844.55
	Payroll Taxes	(\$3,172.90)	29,752.03
	Health Insurance	\$11,413.54	141,664.60
	Disability Insurance	\$473.94	5,670.51
	Distribution	\$901.63	20,800.53
	Plant Maintenance	\$34.53	16,116.99
	Laboratory Supplies	\$136.50	3,051.48
	Chemicals	\$9,205.49	89,329.47
	Repairs	\$3,553.89	45,237.85
	Water Analysis Fees	\$196.00	12,715.00
	Vehicle Expense	\$2,330.87	31,918.29
	Office Supplies	\$134.74	1,471.15
	Office Expense	\$1,722.59	18,202.52
	Postage	\$1,107.48	14,158.62
	Uniform Service	\$0.00	2,843.27
	Purchased Water-Barbourville Utility	\$308.94	8,855.99
	Purchased Water-Corbin/City Utilities	\$13,371.00	184,993.00
	Purchased Water-Pineville Water Systems	\$1,874.49	30,636.58
	Telephone	\$369.75	4,497.77
	Utilities - Plant	\$4,000.33	41,063.44
	Utilities-Pump Stations	\$1,619.62	19,548.99
	Bank Charges	(\$10.00)	0.00

Account	Title	Current Period	Current YTD Balance
	Bad Debts	\$4,654.57	19,380.67
	Employee Training	\$0.00	1,006.49
	Advertising-Notices	\$13.75	2,007.50
	Equipment Maintenance	\$0.00	3,168.17
	Legal & Accounting	(\$13,340.00)	14,600.00
	Licenses & Fees	\$0.00	2,133.60
	PSC Assessment	\$0.00	2,934.95
	SPGE Assessment Fee	\$0.00	500.00
	Insurance-Workers Comp	(\$303.00)	16,420.75
	Insurance-Liability	\$0.00	17,226.39
	Insurance-Vehicles	\$0.00	8,043.21
	Insurance-Bonds	(\$713.00)	623.13
	Interest Expense-Bonds	\$6,009.38	72,112.56
	Interest on Water Deposits	\$15.70	162.02
	Depreciation Expense	\$19,360.00	216,760.00
	Amortization Expense	\$3,064.00	3,064.00
	Miscellaneous	\$448.59	494.30
	Total Expenses	\$220,791.03	1,636,691.08
	Net Profit/(Loss)	(\$124,314.23)	(192,697.90)
	Def O/F-Diff Expected & Actual Experienc	\$24,754.00	25,604.00
	Def O/F-Diff Projected & Actual Earnings	(\$8,478.00)	0.00
	Def O/F- Change of Assumptions	(\$49,775.00)	76,715.00
	Def O/F-Changes in Proportion	\$27,941.00	56,472.00
	Def O/F-Subsequent Contributions	\$5,232.00	26,989.00
	OPEB O/F - Changes of Assumptions	\$45,700.00	45,700.00
	OPEB O/F - Changes in Proportion	\$15,690.00	15,690.00
	OPEB O/F - Subsequent Contributions	\$8,752.00	8,752.00
	OPEB I/F - Diff Expected & Actual Exper	\$26,666.00	26,666.00
	OPEB I/F - Diff Projected & Actual Earn	\$15,761.00	15,761.00
	OPEB I/F - Changes of Assumptions	\$529.00	529.00
	OPEB I/F - Changes in Proportion	\$443.00	443.00
	Net OPEB Liability	\$228,824.00	228,824.00
	Def I/F-Diff Expected & Actual Experienc	(\$5,910.00)	11,490.00
	Def I/F-Diff Proj & Actual Earnings	\$9,412.00	9,412.00
	Def I/F-Changes in Proportion	(\$12,287.00)	5,038.00
	Net Pension Liability	\$99,498.00	784,979.00

Attachment to Reference d.

Knox County Utility Commission Earnings History Report

Department Code Range
Check Date Range
Report Format
Display Pay Rate Information

All Departments
 01/01/2018 To 12/31/2018
 Summary

Employee Number Range All Employee Numbers
Employee Name Range All Employees
Sort By Employee Name and Number

Employee	Check Number	Check Type	Earning Code	Department	Wage Date	Salary	Hours Worked	Hourly Rate	Gross Pay
Employee [REDACTED]			COMP Comp Time Taken				9.0000		\$130.95
			HOL Holiday				84.0000		\$1,206.20
			OVT Overtime				193.0000		\$4,188.26
			PER Personal				16.0000		\$232.80
			Reg Regular				1,932.0000		\$28,606.84
			VAC Vacation				40.0000		\$582.00
							2,274.0000		\$34,947.05
Employee [REDACTED]			Earnings Code				Hours		Gross Pay
			OVT Overtime				6.5000		\$70.69
			Reg Regular				67.5000		\$489.39
							74.0000		\$560.08
Employee [REDACTED]			Earnings Code				Hours		Gross Pay
			OVT Overtime				4.0000		\$101.17
			Reg Regular				1,191.0000		\$20,539.76
							1,195.0000		\$20,640.93
Employee [REDACTED]			Earnings Code				Hours		Gross Pay
			Reg Regular				0.0000		\$2,400.00
							0.0000		\$2,400.00
Employee [REDACTED]			Earnings Code				Hours		Gross Pay
			CALL On Call Pay				0.0000		\$50.00
			HOL Holiday				16.0000		\$124.00
			OVT Overtime				54.5000		\$603.59
			Reg Regular				776.0000		\$6,268.01
							846.5000		\$7,045.60
Employee [REDACTED]			Earnings Code				Hours		Gross Pay
			Reg Regular				0.0000		\$2,400.00
							0.0000		\$2,400.00
Employee [REDACTED]			Earnings Code				Hours		Gross Pay
			COMP Comp Time Taken				6.5000		\$66.63
			HOL Holiday				84.0000		\$845.00
			OVT Overtime				4.0000		\$61.51
			PER Personal				16.0000		\$164.01
			Reg Regular				1,801.0000		\$18,931.28
			SICK Sick Time				59.0000		\$604.75
			VAC Vacation				80.0000		\$820.00
							2,050.5000		\$21,493.18

Employee	Check Number	Check Type	Earning Code	Department	Wage Date	Salary	Hours Worked	Hourly Rate	Gross Pay
Employee			Earnings Code				Hours		Gross Pay
			CALL On Call Pay				0.0000		\$50.00
			HOL Holiday				84.0000		\$1,374.20
			OVT Overtime				69.0000		\$1,712.96
			PER Personal				16.0000		\$264.80
			Reg Regular				1,857.5000		\$31,212.67
			SICK Sick Time				45.5000		\$753.03
			VAC Vacation				77.0000		\$1,274.35
Employee			Earnings Code				Hours		Gross Pay
			CALL On Call Pay				0.0000		\$1,450.00
			COMP Comp Time Taken				49.5000		\$584.10
			HOL Holiday				84.0000		\$975.20
			OVT Overtime				113.5000		\$1,999.95
			PER Personal				16.0000		\$188.80
			Reg Regular				1,858.5000		\$22,401.30
			SICK Sick Time				35.5000		\$418.90
			VAC Vacation				80.0000		\$944.00
Employee			Earnings Code				Hours		Gross Pay
			HOL Holiday				84.0000		\$1,542.20
			OVT Overtime				132.0000		\$3,648.92
			PER Personal				16.0000		\$296.80
			Reg Regular				1,854.5000		\$34,896.99
			SICK Sick Time				5.5000		\$102.03
			VAC Vacation				120.0000		\$2,226.01
Employee			Earnings Code				Hours		Gross Pay
			CALL On Call Pay				0.0000		\$200.00
			HOL Holiday				84.0000		\$1,500.20
			OVT Overtime				317.5000		\$8,596.34
			PER Personal				16.0000		\$288.80
			Reg Regular				1,840.0000		\$33,707.09
			SICK Sick Time				19.0000		\$331.95
			VAC Vacation				121.0000		\$2,171.06
Employee			Earnings Code				Hours		Gross Pay
			CALL On Call Pay				0.0000		\$850.00
			COMP Comp Time Taken				17.0000		\$161.50
			HOL Holiday				84.0000		\$782.00
			OVT Overtime				176.0000		\$2,497.56
			PER Personal				16.0000		\$152.00
			Reg Regular				1,829.5000		\$17,876.25
			SICK Sick Time				43.5000		\$413.25
			VAC Vacation				80.0000		\$760.00
Employee			Earnings Code				Hours		Gross Pay
			Reg Regular				0.0000		\$2,400.00
							0.0000		\$2,400.00

Employee	Check Number	Check Type	Earning Code	Department	Wage Date	Salary	Hours Worked	Hourly Rate	Gross Pay
Employee			HOL Holiday				84.0000		\$0.00
Employee			PER Personal				4.0000		\$0.00
			Reg Regular				2,436.5000		\$56,719.00
			VAC Vacation				120.0000		\$3,246.00
							2,644.5000		\$59,965.00
Employee			Earnings Code				Hours		Gross Pay
			Reg Regular				0.0000		\$2,400.00
							0.0000		\$2,400.00
Employee			Earnings Code				Hours		Gross Pay
			Reg Regular				0.0000		\$2,400.00
							0.0000		\$2,400.00
Employee			Earnings Code				Hours		Gross Pay
			COMP Comp Time Taken				4.0000		\$77.84
			HOL Holiday				84.0000		\$1,618.64
			OVT Overtime				57.0000		\$1,663.85
			PER Personal				16.0000		\$311.36
			Reg Regular				1,910.0000		\$37,639.60
			VAC Vacation				72.0000		\$1,401.12
							2,143.0000		\$42,712.41
Employee			Earnings Code				Hours		Gross Pay
			Reg Regular				0.0000		\$2,400.00
							0.0000		\$2,400.00
Report Totals			Earnings Code				Hours		Gross Pay
			CALL On Call Pay				0.0000		\$2,600.00
			COMP Comp Time Taken				86.0000		\$1,021.02
			HOL Holiday				772.0000		\$9,967.64
			OVT Overtime				1,127.0000		\$25,144.80
			PER Personal				132.0000		\$1,899.37
			Reg Regular				19,354.0000		\$323,688.18
			SICK Sick Time				208.0000		\$2,623.91
			VAC Vacation				790.0000		\$13,424.54
							18 Employees	22,469.0000	\$380,369.46

Attachment to Reference e.

RE: Pension Question

1 message

Rita Morgan <rmorgan@christiansturgeon.com>
To: Alan Vilines <avilines@gmail.com>
Cc: Michelle Stewart <knoxcoutility@aol.com>

Tue, Nov 19, 2019 at 2:38 PM

Mr. Vilines,

I apologize. I completely misunderstood the original question.

The Employee Pensions and Benefits amount includes the following:

Retirement Expense	\$171,845
Health Insurance	141,665
Disability Insurance	<u>5,671</u>
Total	\$319,181

The retirement expense amount does include adjustments required by GASB 68 and GASB 75 to adjust the deferred outflows, deferred inflows, net pension liability, and net OPEB liability. The actual retirement expense for 2018 was \$68,192. This was adjusted by \$103,653 for the GASB 68/75 entries to arrive at the ending balance of \$171,845.

Therefore, I believe that the total "out of pocket expense" that you are looking for would be \$215,528 (\$68,192 retirement, \$141,665 health insurance, \$5,671 disability insurance).

Please let me know if you have any additional questions.

Thanks,
Rita Morgan

Rita D. Morgan, CPA

Supervisor



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