

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)

THIRD SUPPLEMENT TO APPLICATION

Monroe County Water District (“Monroe District”) supplements its Application with this filing to reflect changes to total employee compensation and the recent publication of the Kentucky Rural Water Association’s *KRWA Compensation and Benefit Results*.

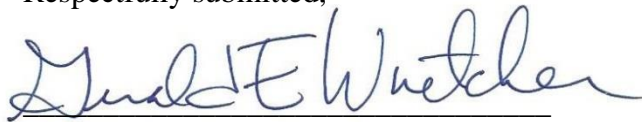
Employee Compensation. Since May 2017, Monroe District hired two additional full-time employees: an Accounts Receivable Clerk I and a Laborer I. The Accounts Receivable Clerk I was hired as a full-time employee in May at a starting wage of \$11.45. Monroe District hired the Laborer I in early September 2017. The Laborer I will have a starting hourly wage of \$11.22 and will receive life insurance coverage, but has waived health and dental insurance coverage. In addition, Monroe District’s Board of Commissioners voted to grant each employee two percent cost-of-living increase in his or her wages. As a result of these known and measurable changes to Monroe District’s operations, Monroe District revised References F, G, and Q to Schedule SAO-W (Tab 3 of Application) to reflect the addition of the new employees. The addition of these employees and the cost-of-living wage increase will increase pro forma operating expenses by \$73,862.75 and will require a corresponding increase in Monroe District’s revenue requirement. The revised version of References F, G, and Q and the supporting attachments are attached as Exhibit 1 to this supplement.

Salary and Wage Comparisons. In its Application, Monroe District provided a comparison of its current salary levels with those set forth in the *2016 AWWA Water Utility*

Compensation Survey: Rural Water and Wastewater Utilities (American Water Works Assn. Oct. 2016) and the *2015 KRWA Compensation and Benefit Results*. The Kentucky Rural Water Association has released the results of a new survey of its members. Monroe District has revised the comparison contained at Tab 24 of its Application to reflect the results of the most recent survey as well as the addition of two employees and the current wage levels of all Monroe District Employees. This revised comparison is attached as Exhibit 2 to this Supplement.

Dated: September 25, 2017

Respectfully submitted,



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Counsel for Monroe County Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Monroe County Water District's September 25, 2017 electronic filing of this Third Supplement to Application is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on September 25, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of this Third Supplement to Application will be delivered to the Commission on or before September 27, 2017.



Gerald E. Wuetcher

REVISED REFERENCES F, G AND Q TO SCHEDULE SAO-W
(Changes In Bold)

F. Salaries and Wages – Employees

In its Application, Monroe District adjusted Salaries and Wages – Employees to reflect wages as of March 16, 2017. Monroe District’s Board of Commissioners authorized cost-of-living and merit increases for its employees during 2015 and 2016. A copy of the minutes of the meetings in which these wage increases were awarded is at Tab 12. **On July 10, 2017, Monroe District’s Board of Commissioners granted authorized a cost-of-living increase for 2017. The minutes of the July 10, 2017 Board of Commissioners meeting are attached as Exhibit 3 to the Third Supplement to Application.** Adjusted total wages were determined by applying current wage rates to regular and overtime hours worked in 2015. **Note that two employees, Accounts Receivable Clerk I and Laborer I, were not employed until 2017. A 52-week work year is assumed for those two employees. Table 1 shows the calculation of adjusted total wages. Table 2 reflects the increase in current wage rate due to the 2017 cost-of-living wage increase.**

Table 1

Position Title	Current Wage Rate	2015 Regular	2015 Overtime	Total Pay
General Manager	\$ 28.00	2080	10.5	\$ 58,678.90
Office Manager	\$ 23.03	2080	109.0	\$ 51,671.39
Distribution Crew Supervisor	\$ 21.93	2080	214.0	\$ 52,653.93
Accounts Receivable III	\$ 16.20	2080	41.0	\$ 34,687.16
Customer Service Rep Supervisor	\$ 19.01	2080	108.0	\$ 42,626.70
Meter Tester/Equipment Operator II	\$ 19.53	2080	81.0	\$ 43,001.90
Laborer II	\$ 14.74	2080	25.0	\$ 31,209.83
Accounts Receivable II	\$ 12.43	2080	50.0	\$ 26,794.84
Laborer I	\$ 12.48	2010	99.0	\$ 26,948.44
Accounts Receivable I	\$ 10.92	2080	0.0	\$ 22,722.34
Accounts Receivable I (2017 Hire)	\$ 11.68	2080	0.0	\$ 24,292.32
Laborer (2017 Hire)	\$ 11.22	2080	0.0	\$ 23,337.60
Total				\$ 438,625.35

Table 2

Position Title	Wage Rate At Application	Wage Rate After COLA
General Manager	\$27.45	\$ 28.00
Office Manager	\$22.58	\$ 23.03
Distribution Crew Supervisor	\$21.50	\$ 21.93
Accounts Receivable III	\$15.88	\$ 16.20
Customer Service Rep Supervisor	\$18.64	\$ 19.01
Meter Tester/Equipment Operator II	\$19.15	\$ 19.53
Laborer II	\$14.45	\$ 14.74
Accounts Receivable II	\$12.19	\$ 12.43
Laborer I	\$12.24	\$ 12.48
Accounts Receivable I	\$10.71	\$ 10.92
Accounts Receivable (2017 Hire)	\$11.45	\$ 11.68

Adjusted Test Year Wages	\$438,625.35
Subtract: Calendar Year 2015 Wages	\$350,184.00
Adjustment For Wage Changes	\$ 88,441.35

Salaries and Wages – Employees was also adjusted to remove \$13,960 in wages associated with tap-on connection fees. These wages are capitalized rather than expensed. The labor expense associated with tap-on connection fees was determined first by determining the average field labor wage rate and average administrative labor wage rate including the cost of benefits. See Tab 28. Monroe District next determined the average field and administrative labor costs incurred to perform a tap-on connection. See Tabs 42-44. This cost was determined using the number of man-hours to perform a tap-on connection and the average wage rates. The cost for a tap-on connection was then allocated between the major wage cost components (wages, FICA, employee benefits, workers comp). **See Attachment 3 to References.** The total labor cost for tap-on was determined by multiplying these individual costs by the total number of tap-on connection fees during the test period.

G. Employee Pension and Benefits

In its 2015 Annual Report, Monroe District reported \$27,227 of payroll taxes as Employee Pension and Benefits. This amount has been removed from Employee Pension and Benefits and Taxes Other Than Income has been increased by \$27,227.

Employee Pension and Benefits was adjusted to reflect current wage rates and the current cost of benefits. The calculation of this adjustment is shown in **Attachment 2 to References.** An invoice reflecting the current monthly cost of health, dental and life insurance is found at Tab 13. Monroe District contributes eight percent of an employee’s pay to 457(b) retirement plan. See Tab 14.

Employee Pension and Benefits was also adjusted to remove \$4,571 in employee benefits associated with tap-on connection fees. This amount should be capitalized rather than expensed. **See Attachment 3 for the calculations to derive this amount.**

Q. Taxes Other than Income

On its 2015 Annual Report, Monroe District reports Taxes Other than Income of \$3,101. This amount represents the payment for the assessment for the maintenance of the Public Service Commission.

Monroe District has adjusted Taxes Other than Income to reflect an increase in the amount of the assessment for the maintenance of the Public Service Commission due to increased revenues. Applying the 2016 assessment rate of \$1.94 per \$1,000 (Tab 23) to adjusted operating revenues of \$1,792,327 results in an assessment of \$3,476, an increase of \$376 over the test period assessment.

\$1,792,327 x \$0.00194 =	\$3,477
Subtract 2015 PSC Assessment	<u>\$3,101</u>
Adjustment:	\$ 376

Taxes Other than Income was also adjusted to reflect the removal of \$27,227 of payroll taxes from Employee Benefits Expense and the current wage rate. The calculation of payroll taxes is shown below.

Position Title	Total Pay	FICA (7.65%)
General Manager	\$ 58,678.90	\$ 4,488.94
Office Manager	\$ 51,671.39	\$ 3,952.86
Distribution Crew Supervisor	\$ 52,653.93	\$ 4,028.03
Accounts Receivable III	\$ 34,687.16	\$ 2,653.57
Customer Service Rep Supervisor	\$ 42,626.70	\$ 3,260.94
Meter Tester/Equipment Operator II	\$ 43,001.90	\$ 3,289.65
Laborer II	\$ 31,209.83	\$ 2,387.55
Accounts Receivable II	\$ 26,794.84	\$ 2,049.81
Laborer I	\$ 26,948.44	\$ 2,061.56
Accounts Receivable I	\$ 22,722.34	\$ 1,738.26
Accounts Receivable I (2017 Hire)	\$ 24,292.32	\$ 1,858.36
Laborer (2017 Hired)	\$ 23,337.60	\$ 1,785.33
Total	\$438,625.35	\$ 33,554.84

Taxes Other than Income was also adjusted to remove \$1,082 in payroll taxes associated with tap-on connection fees. This amount should be capitalized rather than expensed. See Attachment 2 for the calculations to derive this amount.

Total adjustment to test period Taxes Other than Income was **\$32,848**. A summary of adjustments is shown below.

2017 Payroll Taxes	\$33,555
Add: Increased PSC Assessment	\$ 375
Subtract: Capitalize Payroll Taxes	<u>\$ 1,082</u>
Adjustment	\$32,848

**ATTACHMENT 2
Employee Pension and Benefits**

Position Title	Health Insurance		Dental Insurance		Life Insurance		Retirement	Total Annual
	Monthly	Annual	Monthly	Annual	Monthly	Annual		
General Manager	\$ 992.53	\$ 11,910.36	\$ 30.34	\$ 364.08	\$ 33.78	\$ 405.36	\$ 4,694.31	\$ 17,374.11
Office Manager	\$ 922.36	\$ 11,068.32	\$ 30.34	\$ 364.08	\$ 7.20	\$ 86.40	\$ 4,133.71	\$ 15,652.51
Distribution Crew Supervisor	\$ 733.55	\$ 8,802.60	\$ -	\$ 0.00	\$ 10.65	\$ 127.80	\$ 4,212.31	\$ 13,142.71
Accounts Receivable III	\$ 992.53	\$ 11,910.36	\$ 30.34	\$ 364.08	\$ 14.55	\$ 174.60	\$ 2,774.97	\$ 15,224.01
Customer Service Rep Supervisor	\$ 992.53	\$ 11,910.36	\$ 30.34	\$ 364.08	\$ 33.45	\$ 401.40	\$ 3,410.14	\$ 16,085.98
Meter Tester/Equipment Operator II	\$ 992.53	\$ 11,910.36	\$ -	\$ 0.00	\$ 24.60	\$ 295.20	\$ 3,440.15	\$ 15,645.71
Laborer II	\$ 992.53	\$ 11,910.36	\$ 30.34	\$ 364.08	\$ 33.45	\$ 401.40	\$ 2,496.79	\$ 15,172.63
Accounts Receivable II	\$ 807.55	\$ 9,690.60	\$ 30.34	\$ 364.08	\$ 2.70	\$ 32.40	\$ 2,143.59	\$ 12,230.67
Laborer I	\$ 733.55	\$ 8,802.60	\$ -	\$ 0.00	\$ 10.65	\$ 127.80	\$ 2,155.88	\$ 11,086.28
Accounts Receivable I	\$ 0.00	\$ 0.00	\$ 30.34	\$ 364.08	\$ 2.70	\$ 32.40	\$ 1,817.79	\$ 2,214.27
Accounts Receivable I (2017 Hire)	\$ 789.69	\$ 9,476.28	\$ 30.34	\$ 364.08	\$ 2.85	\$ 34.20	\$ 1,943.39	\$ 11,817.95
Laborer (2017 Hire)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 3.15	\$ 37.80	\$ 1,867.01	\$ 1,904.81
Total	\$ 8,159.66	\$ 97,915.92	\$ 212.38	\$ 2,548.56	\$ 176.88	\$ 2,122.56	\$ 32,533.32	\$ 147,551.63

TAB 24 (UPDATED 09/25/2017)
Comparison of Water District Wages with State and National Water Industry Wages/Salaries Rates

Position	Total Adjusted Pay	AWWA Guide Position	AWWA-50th Percentile	AWWA-Mid Average Salary	KRWVA Position	KRWVA Average
General Manager	\$ 58,678.90	Rural System General Mgr	\$81,120.00	\$84,708.00	Manager/Superintendent	\$64,063
Office Manager	\$ 51,671.39	Rural System Office Mgr	\$48,256.00	\$62,976.00	Office Manager	\$50,033
Distribution Crew Supervisor	\$ 52,653.93	Rural System Field Manager	\$56,000.00	\$58,506.00	Supervisor	\$46,522
Accounts Receivable III	\$ 34,687.16	Rural System Bookkeeper	\$47,966.00	\$58,126.00	Bookkeeper	\$35,394
Customer Service Rep Supervisor	\$ 42,626.70	Rural System Receptionist	\$32,365.00	\$34,773.00	Customer Service Rep	\$30,142
Meter Tester/Equipment Operator II	\$ 43,001.90	Rural System Maintenance Technician	\$47,000.00	\$47,603.00	Non-Certified Field Personnel	\$30,244
Laborer II	\$ 31,209.83	Rural System Laborer	\$37,950.00	\$41,873.00	Non-Certified Field Personnel	\$30,244
Accounts Receivable II	\$ 26,794.84	Rural System Accounting Clerk	\$38,833.00	\$41,582.00	Bookkeeper	\$35,394
Laborer I	\$ 26,948.44	Rural System Laborer	\$37,950.00	\$41,873.00	Non-Certified Field Personnel	\$30,244
Accounts Receivable I	\$ 22,722.34	Rural System Accounting Clerk	\$38,833.00	\$41,582.00	Bookkeeper	\$35,394
Accounts Receivable I (2017 Hire)	\$ 24,292.32	Rural System Accounting Clerk	\$38,833.00	\$41,582.00	Bookkeeper	\$35,394
Laborer I (2017 Hire)	\$ 23,337.60	Rural System Laborer	\$37,950.00	\$41,873.00	Non-Certified Field Personnel	\$30,244

Sources: 2016 AWWA Water Utility Compensation Survey: Rural Water and Wastewater Utilities (American Water Works Assn. Oct. 2016); 2017 KRWA Compensation and Benefit Results (Kentucky Rural Water Association May 25, 2017)

Employee Benefits Offered By Kentucky Rural Water Utilities

All Utilities	Percentage
Health Insurance	88
Life Insurance	68
Retirement	83
Vacation	95
Sick Pay	90
Incentive Pay	15

Utilities (2500 - 5999 Connections)	Percentage
Health Insurance	100
Life Insurance	80
Retirement	95
Vacation	98
Sick Pay	95
Incentive Pay	13

Source: 2017 KRWA Compensation and Benefit Results (Kentucky Rural Water Association May 25, 2017)

MINUTES OF
MONROE COUNTY WATER DISTRICT
MEETING

DATE: July 10, 2017
TIME: 7:00 P.M.
PLACE: Monroe County Water District Office

The meeting was called to order by Chairman Mark Williams. Present were Vice Chairman Mike Emberton, Secretary Dr. Kenneth Crabtree and Commissioner Johnny Miller. Also present were General Manager Ricky Ross, Office Manager Jana Dubree, County Judge Executive Tommy Willett, County Attorney Wes Stephens, Operator Kerry McPherson, Accounts Receivable Clerk Penny Pickerell, Robert Stigall, Attorney Gerald Wuetcher, Brent Billingsley CPA, Meter Reader Contractor Stephanie Young and husband Tom Young. Absent was Treasurer John Thompson,

A copy of the minutes from the June 12, 2017 meeting had been given to each Commissioner. The motion was made by Dr. Kenneth Crabtree and seconded by Mike Emberton to approve the minutes as written on June 12, 2017. The motion carried. (All voted aye.)

A copy of all bills due was given to each Commissioner. The motion was made by Dr. Kenneth Crabtree and seconded by Mike Emberton to pay all bills due. The motion carried. List of bills below: (All voted aye.)

AFLAC – <i>Employee w/h Ins.</i>	625.65
Anthem Blue Cross & Blue Shield – <i>Health, Life & Dental Ins.</i>	9,453.55
Aramark – <i>uniforms</i>	880.55
B&P Grocery – <i>sprayer & battery</i>	254.95
Bluegrass Cellular – <i>7 cell phones service/GPS Hot spot</i>	220.61
Bond Fund – <i>Sinking Acct transfer</i>	14,177.00
Bruton’s Supply – <i>Old Mulkey Pump Station parts (lightning strike) & etc.</i>	862.24
Cintas – <i>Med cabinet supplies</i>	127.69
City of Tompkinsville – <i>water resale 23,022,00 (05/01/17 – 06/01/17)</i>	51,799.50
City of Tompkinsville – <i>office & shop</i>	155.00
City of Tompkinsville – <i>2nd Qtr Occupational Taxes</i>	769.13
Department of Revenue – <i>School tax</i>	4,064.86
Emergency Operating Acct - <i>transfer</i>	1,000.00
Floormaster – <i>June buff</i>	45.00
Froedge Machine Supply – <i>Valve Pin</i>	2.98
G & C Supply - <i>supplies</i>	1,488.05
Kerry McPherson – <i>reimburse annual CDL physical</i>	90.00
Glasgow Water Co – <i>2 water samples (J Binkley-Gamaliel Rd)</i>	40.00
HD Supply – <i>supplies</i>	6,085.62
Integrity One Technologies – <i>monthly maintenance</i>	134.39
Jana Dubree – <i>cell reimburse</i>	75.00
KACo Workers Comp Fund – <i>Annual Renewal</i>	7,953.66

KACo Insurance Co – <i>Renew Property & Liability Insurance</i>	26,246.88
KACo Insurance Co – <i>Position Bond Renewal</i>	694.28
KIA Bond & Interest Fund – <i>transfer</i>	5,000.00
KY State Treasurer – <i>Employees’ state w/h taxes</i>	1,520.46
KY State Treasurer - <i>June Sales Tax</i>	347.95
KY State Treasurer – <i>PSC Assessment Tax</i>	3,602.57
KY Underground Protection – <i>47 tickets @1.60 May</i>	75.20
McCoy & McCoy – <i>BacT samples & Stage 2</i>	
MetLife Retirement – <i>4% employee 1522.65/ 8% employer 2485.29</i>	4,007.94
Monroe Co Treasurer – <i>2nd Qtr Occupational Taxes</i>	1,062.10
Monroe Co Press – <i>Print HAA5 PN & Envelopes</i>	963.47
NAPA – <i>T-case fluid; filter; sea foam; channel locks</i>	121.87
North Central Security Systems	29.95
Paul’s Lawn & Turf Inc – <i>mower blades & cones</i>	75.69
Petty Cash – <i>postage</i>	95.99
Sam’s Club – <i>office supplies & Commissioner meeting food</i>	80.54
SCRTC – <i>phone/2 DSL/cable</i>	412.23
Simmon’s Auto Repair – <i>04 Dodge Brakes, wheel bearings & repair</i>	447.17
Smith Manus – <i>Encroachment Permit Bond Renewal</i>	101.80
Speedway – <i>gallons fuel</i>	
Stephanie Young – <i>3480 meters @ 1.05</i>	3,654.00
Stoll Keenon Ogden PLLC – <i>2017 Rate case</i>	3,895.40
Stoll Keenon Ogden PLLC – <i>2016 PSC Annual Extension Application</i>	2,304.20
Travis Oil Company – <i>164.70 gallons fuel</i>	353.50
Tri County Electric	4,566.17
United States Postal Service – <i>billing postage</i>	607.04
VISA – <i>office supplies; BRADD meeting lunch</i>	270.42
Warner Fertilizer – <i>weed killer</i>	81.43

Mr. Stigall gave the Board an update on the Tompkinsville East Bypass, the project is moving along very quickly. He stated it is over 50% complete.

Mr. Stigall reported it has been a good month on the Water Treatment Plant project. The plant is at 68% complete and the total project is at 74% complete. The intake site work has started to pick up. The completion date is March 2018 but is ahead of schedule at this time. Mr. Stigall met with Steve Lindell with Tri County Electric today and expects work to begin first week of August but assured him the service would be there at the plant as planned.

Stephanie Young had been requested to be present at the July meeting by the Board to discuss the meter misread concerns discussed at the February and June meetings. Mrs. Young began with reasons the meter reader (Amy Jewell) may have had some misreads due to weeds, snakes, dogs etc. Ms. Young also stated the request for meters to be changed out and those meters have yet to be changed out as well as meters being changed out and the information not being updated to the handhelds and the meter readers trying to read without the corrected meter numbers and readings. She stated the lack of communication was a big problem and needed to improve. General Manager Ricky Ross requested Office Manager Jana Dubree to explain the Ryherd Dairy Farm meter that had been misread for two months. Ms. Dubree explained the customer had contacted the office and after confirming of the correct reading a credit was issued for two months in the amount of \$ 220.16. Office Clerk Penny Pickerell reported on a customer

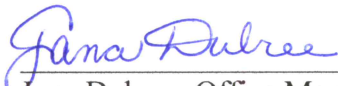
who had upgraded from a 3/4" to 1" meter and the reading received from the meter reader went along with the 3/4 " meter. After much discussion, Attorney Stephens stated the issues were apparent and needed to be corrected and the Board agreed for Ms. Young to fix the problem.

Attorney Gerald Wuetcher reported on the Public Service Commission Staff Report. He stated overall the issues in the report were good except for the section concerning depreciation. Mr. Brent Billingsley was in agreement that the depreciation was not fair and just for the utility. Mr. Wuetcher had a handout with five options for the Board to review and discuss. After much discussion, the motion was made by Dr. Kenneth Crabtree for Attorney Wuetcher to proceed with Option number 3 and have the objectives filed with Public Service Commission by July 14, 2017. The motion was seconded by Johnny Miller. The motion carried.
(All voted aye.)(See attached.)

Equipment Operator Kerry McPherson discussed with the Board the 90 day probation period for employee Ryan Gearlds. No action taken at this time tabled until next month.

The employee cost of living was discussed. The motion was made by Mike Emberton to give a 2% cost of living raise to the each employee. The motion was seconded by Johnny Miller. The motion carried.
(All voted aye.)

The motion was made by Johnny Miller and seconded by Dr. Kenneth Crabtree to adjourn. The motion passed. The next meeting will be Monday, August 14, 2017 at 7:00 p.m.
(All voted aye.)




Jana Dubree, Office Manager



Dr. Kenneth Crabtree, Secretary

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Monroe County Water District at a meeting held on the date shown below:

Monroe County Water District

By: 

Mark Williams, Chairman

8-14-2017

Date Approved