

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 POST-HEARING DATA REQUESTS
DATED OCTOBER 2, 2017

FILED: OCTOBER 16, 2017

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF MONROE)

The undersigned, Richard O. Ross, being duly sworn, deposes and says that he is the General Manager of Monroe County Water District, and that he has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Richard O. Ross

Richard O. Ross

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16 day of October 2017.

Jana DeBree (SEAL)

Notary Public

My Commission Expires: May 16, 2019

Notary ID: 441497



VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF MONROE)

The undersigned, Jana Dubree, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Jana Dubree
Jana Dubree

Subscribed and sworn to before me, a Notary Public in and before said County and State, this _____ day of October 2017.

Melissa A. Melton (SEAL)
Notary Public

My Commission Expires: 04/20/18


Notary ID: 509122



VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, Gerald E. Wuetcher, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Gerald E. Wuetcher

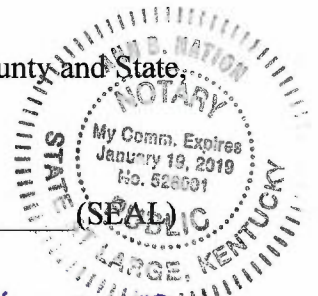
Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 16th day of October 2017.



Notary Public

My Commission Expires: 1-19-19

Notary ID: 526001



MONROE COUNTY WATER DISTRICT

**Response To Attorney General's Post-Hearing Data Request
October 2, 2017**

Case No. 2017-00070

Question No. 1

Responding: Gerald E. Wuetcher/Jana Dubree

- Q-1.** Refer to Monroe County Water District (the “District”)’s Third Supplement to Application. State whether the District intends for the Third Supplement to be relied upon as part of the record of evidence in determining the adjustment of rates in this matter.
- a. Clarify whether the District intends for the Third Supplement to amend the requested revenue requirement from that of the Application.
 - b. If the latest supplement is not intended to change the rates requested in the Application, explain whether the District is requesting that the Commission consider the supplemental information in determining the revenue requirement.
- A-1.** a. Monroe County Water District has not amended, nor has it proposed to amend, the request for the rates set forth in Attachment CPR (Tab 2) to its Application. Based upon Monroe County Water District’s calculations, these rates will generate total revenues from rates of \$1,932,500. Please refer to the Application at ¶ 11.

Monroe County Water District believes that an applicant has a continuing obligation to advise the Commission of significant changes that occur in its operation after the filing of its application. For this reason, Monroe County Water District has previously filed supplements to its Application to advise the Commission of significant changes such as the refinancing of certain debt instruments, additional rate case expenses, and the change in the level of employees and in employee wage rates.

Monroe County Water District recently experienced another such change. Following the September 27, 2017 hearing, one Monroe County Water District has resigned. This employee was an Accounts Receivable Clerk I who was initially employed on August 3, 2016. Her hourly wage at the time of her resignation was \$10.92. Monroe County Water District has updated the documents previously filed with the Commission (References F, G, and Q and supporting attachments) to show the effect of the loss of this employee on Monroe County Water District’s revenue requirement. These documents are attached to

this Response as Exhibit A. The overall effect of the employee's resignation is to reduce Monroe County Water District's pro forma operating expenses by \$26,674.87. In its Third Supplement, Monroe County Water District reported that the addition of new employees and a cost-of-living wage increase increased pro forma operating expenses by \$73,862.75. The total effect of these changes in the number of employees and wage increases since the filing of the application is \$47,187.88.

- b. 807 KAR 5:076, Section 3, requires that the Commission consider the information set forth in the Third Supplement in rendering its decision. Section 3 provides the Commission shall base its decision upon, *inter alia*, the Applicant's Application and the record of the hearing. The Third Supplement is part of the Application. Moreover, in her testimony at the hearing held on September 27, 2017, Ms. Dubree adopted the contents of the Third Supplement as part of her direct testimony.

REVISED REFERENCES F, G AND Q TO SCHEDULE SAO-W
(Bold Reflects Changes In Original Application)
Revised 10/16/2017

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. One employee, Accounts Receivable Clerk I, has resigned as of September 30, 2017. Her pay has been removed from the total. 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 (RESIGNED)	\$ 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		22,810	737.50	\$ 415,903.01

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 (RESIGNED)	\$10.71	\$ 10.92
Accounts Receivable (2017 Hire)	\$11.45	\$ 11.68

Adjusted Test Year Wages	\$415,903.01
Subtract: Calendar Year 2015 Wages	<u>\$350,184.00</u>
Adjustment For Wage Changes	\$ 65,719.01

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 (RESIGNED)	\$ 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	\$415,903.01	\$ 31,816.60

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 **\$31,110**. A summary of adjustments is shown below.

2017 Payroll Taxes	\$31,817
Add: Increased PSC Assessment	\$ 375
Subtract: Capitalize Payroll Taxes	<u>\$ 1,082</u>
Adjustment	\$31,110

ATTACHMENT 2
Employee Pension and Benefits
Revised 10/16/2017

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	\$ 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	\$ 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	\$ 0.00	\$ 10.65	\$ 127.80	\$ 2,155.88	\$ 11,086.28
Accounts Receivable I (RESIGNED)	\$ 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	\$ 8,949.35	\$ 107,392.20	\$ 212.38	\$ 2,548.56	\$ 177.03	\$ 2,124.36	\$ 33,272.25	\$ 145,337.37

MONROE COUNTY WATER DISTRICT

**Response To Attorney General's Post-Hearing Data Request
October 2, 2017**

Case No. 2017-00070

Question No. 2

Responding: Jana Dubree/Richard O. Ross/Gerald E. Wuetcher

- Q-2.** Refer to the District's Third Supplement to Application, Exhibit 1, pgs. 1–2. Explain whether the District considered the regular and overtime hours worked by employees in 2016 or 2017, as further known and measurable changes, when applying current wage rates. Provide these figures if known.
- a. Refer to the District's Hearing Exhibit 3. Explain why the District used hours worked data (including total overtime) from 2015 without supplying updates of more recent totals from 2016 or supplemented with hours-to-date in 2017.
 - b. Explain whether the District believes that overtime hours will continue as anticipated, regardless of the new hires provided in the supplement. If not, why not?
- A-2.** Monroe County Water District did not consider using employee regular and overtime hours from 2016 or 2017. It believed that use of 2016 employee hours would violate the matching principle. As Monroe County Water District filed its Application on March 22, 2017, it possessed little information regarding actual employee hours for 2017 and would have had to project employee hours based upon only two months of actual information. Monroe County Water District does not believe that such projections would satisfy the requirement that adjustments to test period operations be "known and measurable." Actual employee regular and overtime hours for the calendar year ending December 31, 2016 and for the nine month period ending September 30, 2017 are shown in Exhibit B to this Response.
- a. Monroe County Water District did not use 2016 or 2017 employee hours for the reasons set forth in its response to Question 2. Monroe District has updated Hearing Exhibit 3 to reflect the recent resignation of one of its Accounts Receivable Clerk I and to reflect 2016 employee hours. This revised version is attached as Exhibit C to this Response.
 - b. Monroe County Water District objects to the form of the question. The use of test period regular and overtime hours to calculate employee compensation expenses was not a prediction of future employee hours. Monroe County Water District

was merely adjusting test period conditions to reflect known and measurable increases in wage rates and the addition of two employees.

Monroe County Water District is uncertain whether employee overtime hours will significantly change. Mr. Ross testified at the September 27, 2017 hearing that the new employee, who is a Laborer I, will likely perform some overtime hours that would have been performed by the other field employees if the new employee had not been hired. The exact number of hours that will be performed by this employee instead of the other field employees is unclear since it depends upon the need giving rise to the overtime and the nature of the work to be performed. The new employee will not be performing overtime where the nature of the tasks to be performed requires a more experienced and skilled field employee. As Exhibit B to this Response shows, Monroe County Water District has experienced a greater number of overtime hours in 2016 and in 2017 than it experienced in the test period.

**MONROE COUNTY WATER DISTRICT
NUMBER OF EMPLOYEE HOURS WORKED
2016
(YEAR ENDING DECEMBER 31, 2016)**

Position Title	2016 Regular	2016 Overtime	Total Hours
General Manager	2080.0	10.0	2090.0
Office Manager	2080.0	90.0	2170.0
Distribution Crew Supervisor	2080.0	215.0	2295.0
Accounts Receivable III	2080.0	40.0	2120.0
Customer Service Rep Supervisor	2080.0	132.0	2212.0
Meter Tester/Equipment Operator II	2080.0	91.0	2171.0
Laborer II	2080.0	24.0	2104.0
Accounts Receivable II	2080.0	37.0	2117.0
Accounts Receivable I*	397.0	0.0	397.0
Laborer I	2080.0	116.0	2196.0
Accounts Receivable I**	1049.0	2.0	1051.0
Accounts Receivable I*	781.5	0.0	781.5
Total	20,947.5	757.0	21,704.5

*No longer an employee as of date of filing of Application (Mar. 16, 2017)

**Hired Aug. 3, 2016; resigned as of Sept. 30, 2017

**MONROE COUNTY WATER DISTRICT
NUMBER OF EMPLOYEE HOURS WORKED
2017
(AS OF SEPTEMBER 30, 2017)**

Position Title	2017 Regular	2017 Overtime	Total Hours
General Manager	1560.0	0.0	1560.0
Office Manager	1560.0	85.0	1,645.0
Distribution Crew Supervisor	1560.0	240.5	1800.5
Accounts Receivable III	1560.0	26.0	1586.0
Customer Service Rep Supervisor	1560.0	78.0	1638.0
Meter Tester/Equipment Operator II	1560.0	112.5	1672.5
Laborer II	1560.0	27.0	1587.0
Accounts Receivable II	1560.0	4.5	1564.5
Laborer I	1560.0	184.0	1744.0
Accounts Receivable I*	1535.5	2.0	1537.5
Accounts Receivable I**	1149.5	0.0	1149.5
Laborer I***	845.0	3.0	848.0
Total	17,570.0	762.5	18,332.5

*No longer an employee as of Sept. 30, 2017

**Hired as full-time employee in May 2017

***Employed as a part-time employee in 2017; hired as full-time employee in Sept. 2017

EMPLOYEE COMPENSATION COST
(With 2017 Hires – Pro Forma Test Period)
Revised 10/16/2017

Employee Wages	\$415,903.01
Add: Health Insurance Cost	\$107,392.20
Add: Dental Insurance Cost	\$ 2,548.56
Add: Life Insurance Cost	\$ 2,124.56
Add: FICA (7.65% of Wages)	\$ 31,816.60
Add: Retirement Contribution (8% of Wages)	\$ 33,272.24
Add: KaCo Workers Compensation	<u>\$ 11,122.80</u>
Equals: Total Compensation	\$604,179.97
Divided By Number of Hours Worked:	<u>23,547.5</u>
Employer Cost for Employee Compensation Cost	\$25.68