

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**MONROE COUNTY WATER DISTRICT'S POST-HEARING REQUESTS  
FOR INFORMATION TO COMMISSION STAFF**

Pursuant to the Commission's Order of October 31, 2017, Monroe County Water District ("Monroe District") respectfully submits the following requests for information to Commission Staff, to be answered no later than November 17, 2017.

**Instructions**

1. As used herein, "Documents" include all correspondence, memoranda, notes, email, maps, drawings, surveys or other written or recorded materials, whether external or internal, of every kind or description in the possession of, or accessible to, Commission Staff, its witnesses, or its counsel.
2. Please identify by name, title, position, and responsibility the person or persons answering each of these data requests.
3. These requests shall be deemed continuing so as to require further and supplemental responses if Commission Staff receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted herein.
4. To the extent that the specific document, work paper, or information as requested does not exist, but a similar document, work paper, or information does exist, provide the similar document, work paper, or information.

5. To the extent that any request may be answered by a computer printout, spreadsheet, or other form of electronic media, please identify each variable contained in the document or file that would not be self-evident to a person not familiar with the document or file.

6. If Commission Staff objects to any request on the ground that the requested information is proprietary in nature, or for any other reason, please notify the undersigned counsel as soon as possible.

7. For any document withheld on the ground of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown or explained; and the nature and legal basis for the privilege asserted.

8. In the event any document requested has been destroyed or transferred beyond the control of Commission Staff, its counsel, or its witnesses, state: the identity of the person by whom it was destroyed or transferred and the person authorizing the destruction or transfer; the time, place and method of destruction or transfer; and the reason(s) for its destruction or transfer. If such a document was destroyed or transferred by reason of a document retention policy, describe in detail the document retention policy.

9. If a document responsive to a request is a matter of public record, please produce a copy of the document rather than a reference to the record where the document is located.

### **Requests for Information**

1. Provide the work papers that Mr. Scott Lawless compiled and used to prepare his portion of the Staff Report in Case No. 2017-00070.

2. List each employee, agent or professional services provider with whom Mr. Lawless interviewed or spoke in the course of the preparation of his portion of the Staff Report in Case No. 2017-00070 and state the date(s) of each interview(s).

3. For each person identified in the response to Item 2, provide all existing notes, written summaries, memoranda, and recordings of the conversation or interview that Mr. Lawless conducted.

4. a. State the total number of cases involving a water, gas or electric utility in which the Public Service Commission has entered a final decision on or after February 2, 2017.

b. Of these cases, list the cases by case number in which the Public Service Commission disallowed a portion of the utility's employee health insurance costs because the utility's portion of these costs exceeded the "national average employee contribution rate."

5. Provide a copy of all current written procedures and protocols for conducting Commission Staff site inspections or field reviews in conjunction with the preparation of a written report on an application for rate adjustment pursuant to 807 KAR 5:076.

6. Provide a copy of all current written procedures and protocols for the preparation of a Commission Staff report on an application for rate adjustment pursuant to 807 KAR 5:076.

7. State whether Mr. Lawless reviewed Monroe District's asset management plan or its capital replacement plan in the course of preparing his portion of the Commission Staff report on Monroe District's application for rate adjustment.

8. State whether when conducting field reviews in conjunction with the preparation of a written report on a water utility's application for rate adjustment pursuant to 807 KAR 5:076 Commission Staff requests a copy of the applicant's asset management or capital replacement plan.

9. State whether the Public Service Commission requires a water utility of Monroe District's size in terms of customers and revenues to have an asset management plan or a capital replacement plan. If such requirement exists, identify the statute, regulation or Public Service Commission Order that is the source of this requirement.

10. State whether Commission Staff is of the opinion that most water utilities that are of Monroe District's size in number of customers and annual revenues and that are subject to Public Service Commission have an asset management plan or a capital replacement plan. State the basis of Commission Staff's opinion.

11. State whether Mr. Lawless requested that Monroe District provide specific or detailed information regarding water main breaks or requested to view Monroe District's records regarding water main breaks at any time prior to the issuance of the Commission Staff Report.

12. List all publications, studies, reports and other documents that Mr. Lawless relied upon to make his finding and recommendations regarding the useful life of Monroe District's water transmission and distribution mains.

13. Refer to Monroe District Hearing Exhibit 7, which contains several "Analysis of Asset Service Lives" prepared by professional engineers assigned to the Public Service Commission's Engineering Division in a proceeding reviewing a water utility's request for rate adjustment pursuant to 807 KAR 5:076. Each of these analyses contains a recommendation that a useful life of 50 years be used for transmission and distribution mains. The authors of the Commission Staff report in each of these cases accepted the useful life for water transmission and distribution mains recommended by the Commission Staff engineer.

a. For each of the analyses, list and describe the differences in that analysis from Mr. Stigall's Affidavit (found at Tab 22 of the Application) that led the authors of the Commission Staff to accept the Commission Staff engineers' recommendation of a 50-year useful life for water mains but to reject Mr. Stigall's recommendation in the current case. More specifically, list the evidence, if any, that the Commission Staff noted in its report or in the "Analysis of Asset Service Lives" in each case to find and recommend the use of a useful life of 50 years.

b. In each of the analyses in Monroe District Hearing Exhibit 7, Commission Staff found the water utility used a useful life for water mains below the range specified in the NARUC Guide and recommended a useful life of 50 years, not 62.5 years. In each case, the Public Service Commission accepted the findings and recommendations set forth in the Commission Staff report. Explain how Mr. Lawless's statement that "[w]hen no evidence exists to support a specific life that is inside or outside the NARUC ranges, the Commission has used the mid-point of the NARUC ranges to depreciate utility plant" is consistent with the actions of the Public Service Commission and the Commission Staff in those cases.

14. State how Mr. Lawless and Ms. Miller took into account each of the following factors in reaching their determination that the appropriate useful life of Monroe District's water mains was 62.5 years:

- a. Climate;
- b. Soil Conditions;
- c. Area Topography; and,
- d. Excessive water loss.

15. State whether Ms. Miller believes that a water main with a useful life of 50 years should be experiencing a significant number of water breaks or water loss upon being in service 40 years. If yes, provide the basis for such opinion, including all studies, reports, and other publications upon which Ms. Miller relies.

16. Refer to page 28 of the Commission Staff report on Monroe District's application.
- a. Provide the calculations to support the contention that Monroe District proposed in its application a useful life of 49.75 years for transmission and distribution mains.
  - b. Refer to Tab 21 of Monroe District's Application.

(1) Confirm that Monroe District projected depreciation expense for mains for the year ending December 31, 2016 as \$174,234.

(2) Confirm that Monroe District listed its asset account balance for transmission and distribution mains as of December 31, 2016 as \$8,711,692.

(3) Confirm that dividing \$174,234 (depreciation expense) by \$8,711,692 (asset account balance for transmission and distribution mains as of December 31, 2016) produces a depreciation rate of 0.02.

(4) Confirm that a depreciation rate of 0.02 is the equivalent of a 50-year useful life.

17. Identify all studies and publications that Mr. Lawless used to develop his findings regarding the appropriate useful life for water distribution and transmission mains.

18. a. Explain how Commission Staff determined that the use of the mid-point of the useful life range set forth in NARUC Guide<sup>1</sup> for an asset group is appropriate when a utility fails to provide any other evidence. For example, why is the mid-point the appropriate point and not a point halfway between the lowest point and the mid-point of the range specified in the NARUC Guide?

b. List and describe the factors that Commission Staff uses to determine a point in the NARUC Guide's useful life range when it finds an applicant has failed to provide any evidence of an asset group's useful life. For each factor, state the weight that is given to the factor and the basis for according such weight to the factor.

c. State whether the selection of any point within the range of the NARUC Guide requires the use of engineering judgement. Explain.

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<sup>1</sup> National Association of Regulatory Utility Commissioners, *Depreciation Practices for Small Water Utilities* (Washington, D.C. Aug. 15, 1979).

19. In Case No. 2011-00272,<sup>2</sup> Commission Staff found that Monroe District's depreciation expense should be established using a useful life of 50 years for water transmission and distribution mains. In its Order of December 1, 2011, the Public Service Commission adopted and incorporated all of the findings and recommendations contained in the Commission Staff report. In his report, which Ms. Miller adopted, Mr. Lawless asserted that Monroe District had proposed changing the useful lives that the Public Service Commission found appropriate and had adopted in Case No. 2011-00272 and that no evidence existed to support this change. Assuming *arguendo* that Monroe District proposed to revise its useful lives and that no evidence was presented to support these revised lives, explain why Commission Staff did not use the useful life that the Public Service Commission found reasonable for water transmission and distribution mains in the last proceeding to establish Monroe District's depreciation expense in the absence of any new evidence to support a different useful life.

20. In her testimony, Ms. Miller stated that Monroe District's recent hiring of an employee as a Laborer I should not have a material effect on Monroe District's revenue requirement because the employee is a replacement, not an addition. (VR 10/25/2017 2:58:54).

a. If no Monroe District employee has provided written notice of his or her intent to retire or otherwise leave his or her employment with Monroe District within the next year or has provided a specific and definite oral statement to Monroe District management of his or her intent to retire or otherwise leave his or her employment, would Ms. Miller consider the recent hiring as a replacement hire and not an addition?

b. If utility management reviews the age composition of its workforce, determines that some employees may be eligible for retirement within a few years, and considers that contingency as well as other factors in determining whether to hire an additional employee,

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<sup>2</sup> *Application of the Monroe County Water District for the Approval of the Proposed Increase in Rates for Water Service*, Case No. 2011-00272 (Ky. PSC filed Aug. 15, 2011).

does consideration of that possibility render the added employee hire a replacement hire regardless of the other considerations leading to the decision to hire the employee?

c. Is Commission Staff's concern that the new hire is a replacement employee rather than an addition mitigated by Monroe District's representation in its application that another application for rate adjustment will be sought once the construction of its water treatment plant is completed and placed into service?

21. In those proceedings in which Commission Staff in its report on a utility's rate application recommended the disallowance of a portion of the utility's employee health insurance costs because the utility's portion of these costs exceeded the "national average employer contribution rate" or in which the Public Service Commission found such disallowance of a utility's health insurance costs should be made, list the studies that were considered to determine "national average employer contribution rate." Indicate in the Commission Staff report or Public Service Commission Order in each of these proceedings where an assessment or review of the respective studies is provided or discussed.

22. In those proceedings in which Commission Staff in its report on a utility's rate application recommended the disallowance of a portion of the utility's employee health insurance costs because the utility's portion of these costs exceeded the "national average employer contribution rate" or in which the Public Service Commission found such disallowance of a utility's health insurance costs should be made, explain why the "national average employer contribution rate" was based upon share of premiums paid by private industry employers and not civilian sector employers.

23. In those proceedings in which Commission Staff in its report on a utility's rate application recommended the disallowance of a portion of a water district's employee health insurance costs because the water district's portion of these costs exceeded the "national average



employee contribution rate” or in which the Public Service Commission found such disallowance of a utility’s health insurance costs should be made, explain why the “national average employee contribution rate” was based upon share of premiums paid by private industry employers and not local and state government employers.

24. In those proceedings in which Commission Staff in its report on a utility’s rate application recommended the disallowance of a portion of the utility’s employee health insurance costs because the utility’s portion of these costs exceeded the “national average employer contribution rate” or in which the Public Service Commission found such disallowance of a utility’s health insurance costs should be made, explain why the “national average employer contribution rate” was based upon share of premiums paid by all private industry employers and not limited to utility industry employers.

25. In those proceedings in which Commission Staff in its report on a utility’s rate application recommended the disallowance of a portion of the utility’s employee health insurance costs because the utility’s portion of these costs exceeded the “national average employer contribution rate” or in which the Public Service Commission found such disallowance of a utility’s health insurance costs should be made, describe the consideration given to the utility’s efforts to reduce health insurance costs through wellness program initiatives or the restructuring of its health insurance coverage.

26. In those proceedings in which Commission Staff in its report on a utility’s rate application recommended the disallowance of a portion of the utility’s employee health insurance costs because the utility’s portion of these costs exceeded the “national average employer contribution rate” or in which the Public Service Commission found such disallowance of a utility’s health insurance costs should be made, describe the extent of the Public Service

Commission's and Commission Staff's review of the features of the health insurance coverage provided to the utility's employees (e.g., deductibles, co-pays, items covered, network coverage).

27. In those proceedings in which Commission Staff in its report on a utility's rate application recommended the disallowance of a portion of the utility's employee health insurance costs because the utility's portion of these costs exceeded the "national average employer contribution rate" or in which the Public Service Commission found such disallowance of a utility's health insurance costs should be made, state the considerations given to the effect of requiring larger employee contributions to health insurance costs on

- a. Employee morale;
- b. Employee productivity; and,
- c. Employee recruitment and retention.

28. State whether Commission Staff is of the opinion that the national utility industry employer contribution rate towards employee health insurance costs, as reported in the Bureau of Labor Statistics publications "Employee Benefits in the United States – March 2016" and "Employee Benefits in the United States – March 2017" (Monroe District Exhibits Submission of 9/21/2017, Exhibits 14 and 15) is "skewed" and is not reflective of actual market conditions. (VR 10/25/2017 4:28:54). Explain.

29. In its Order in Case No. 2016-00367,<sup>3</sup> which is referenced in Commission Staff's report on Monroe District's Application, the Public Service Commission stated that a utility "should limit its contributions to its employees' health care plans to percentages that are marketplace competitive in order to reduce excessive expenses."

- a. How does Commission Staff interpret "marketplace competitive"?

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<sup>3</sup> *Application of Nolin Rural Electric Cooperative Corporation for a General Rate Increase*, Case No. 2016-00367 (Ky. PSC June 21, 2017) at 11.

b. Describe the marketplace (e.g., local, state, federal) in which water districts such as Monroe District must compete.

c. Explain why an employer's contribution as a percentage of the total cost should be given greater weight than the total amount of the employer's total cost for employee health insurance coverage.

d. Does Commission Staff agree that methods other than increasing the utility employee's contributions are available to reduce "excessive expenses" associated with employee health case? If not, why not?

e. If Commission Staff agrees that other methods exist to reduce excessive expenses, should a utility's use of these methods be examined and reviewed prior to any disallowance of the utility's employee health insurance cost on the basis that the employer's contribution to those costs exceeds the national average employer contribution rate?

30. List each state utility regulatory commission that currently uses the NARUC Guide to determine the useful life of a water utility's assets. For each listed commission, state whether it applies a rule requiring the use of the mid-point of a useful life range in the absence of any other evidence.

Dated: November 3, 2017

Respectfully submitted,



Gerald E. Wuetcher  
Stoll Keenon Ogden PLLC  
300 West Vine Street, Suite 2100  
Lexington, Kentucky 40507-1801  
gerald.wuetcher@skofirm.com  
Telephone: (859) 231-3017  
Fax: (859) 259-3517

*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 November 3, 2017 electronic filing of its Post-Hearing Requests for Information 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 November 3, 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 the Post-Hearing Requests for Information will be delivered to the Commission on or before November 7, 2017.



Gerald E. Wuetcher