

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------------|---|------------|
| ALTERNATIVE RATE ADJUSTMENT FILING OF |) | CASE NO. |
| EDMONSON COUNTY WATER DISTRICT |) | 2021-00013 |

RESPONSE OF EDMONSON COUNTY WATER DISTRICT
TO THE COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION DATED MARCH 19, 2021

Filed: April 2, 2021

Edmonson County Water District
Case No. 2021-00013
Commission Staff's Third Request for Information issued March 19, 2021

Items 1 – 9.b & 10
Witness: Tony Sanders

Item 9.c
Witness: Alan Vilines

1. Refer to Edmonson District's responses to Commission Staff's First Request for Information (Staff's First Request), Item 8. For each employee listed in the response, describe how Edmonson District allocated each employee's payroll and payroll overhead charges between the sewer and water divisions in the calendar year 2019. This response should include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

Response: In 2019 \$478.75 was paid in sewer payroll and sewer payroll tax expenses. Sewer hours worked are coded as such by the department head on the timecards. The bookkeeper enters the hours as regular or overtime depending on the number of hours worked and then codes them as GL#14200 in the water division general ledger. On a monthly basis a spreadsheet is created reimbursing the water division for sewer payroll expenses. Each month the water division is reimbursed for sewer payroll, sewer payroll taxes, and sewer sales taxes paid. At the time of reimbursement GL#14200 is left with a \$0 balance. At this time health insurance premiums, pension costs, and other employee benefits are not charged to the sewer division. See file: Item #1 Sewer Payroll Hours

2. a. List all joint or shared costs that Edmonson District incurred during the calendar year 2019. For each cost allocated between the sewer and the water division, provide a schedule listing the total expense amount, the amounts allocated per division, and the basis for the allocation.

Response: With the exclusion of payroll expenses discussed in Item #1 there are not shared costs between the water and sewer divisions. Sewer expenses are paid separately from the sewer operation and maintenance account.

b. Describe the procedures used by Edmonson District to allocate joint and shared costs between the sewer and water divisions for the calendar year 2019.

Response: Sewer expenses (sewer treatment, electric bills, etc.) are charged directly to the sewer division. There are no regularly occurring shared expenses between the water and sewer division.

c. Provide copies of all of Edmonson District's internal memoranda, policy statements, correspondence, and documents related to the allocation of joint and shared costs between its sewer and water divisions.

Response: See file: Item #2C

3. Provide copies of the cost justification sheets Edmonson District filed with the Commission to support its \$600 Tap-on Fee for its water division and its Residential and Commercial/Industrial Tap-on Fees for Edmonson District's sewer division.

Response: See file: Item #3 Cost Justification

4. Refer to Edmonson District's responses to Staff's First Request, Item 1, 2019 General Ledger.

a. Confirm that all reconnect charges collected and billed by Edmonson District in the calendar year 2019 were recorded in Account No. 47100-000, Miscellaneous Service revenues.

Response: All reconnect charges collected are entered in GL#47100. Reconnect fees are not billed but are charged at the time of reinstatement of services.

b. If the response to 4.a is no, identify the account and the amount of reconnect charges billed to that account.

Response: Not applicable

c. Identify the number of reconnect charges billed by Edmonson District in the calendar year 2019 and the total dollar amount collected.

Response: There were 636 reconnections and \$31,800 was collected.

d. Confirm that the cost justification sheets Edmonson District filed to support its \$50 reconnect charge totaled \$60.93 and are listed in the table below.

| | |
|-------------------------------------|-----------------|
| Field Expense - Labor | \$ 41.40 |
| Clerical and Office Expense - Labor | 9.53 |
| Transportation | 10.00 |
| Total Reconnect Fee | <u>\$ 60.93</u> |

Response: The above figures are confirmed.

e. Provide a detailed explanation as to why Edmonson District chose to charge a reconnect fee of \$50 rather than \$60.93 that its cost justification sheets supported.

Response: A detailed explanation of why the reconnect fee was changed from \$60.93 to \$50.00 cannot be found. There is no information given in the minutes from 2010 or 2011, or any other documentation that can be found to give an explanation as to why the fee was changed from \$60.93 to \$50.00.

f. Confirm that Edmonson District charges a 10 percent penalty for payment of water bills past the due date.

Response: The District does charge a 10% penalty fee for water bills paid past the due date.

g. Provide a schedule listing each late payment penalty Edmonson District billed and collected in the calendar year 2019.

Response: See attached files:

- Item #4G Penalty List Part 1
- Item #4G Penalty List Part 2
- Item #4G Penalty List Part 3
- Item #4G Penalty List Part 4

h. For each expenditure listed in the Appendix attached to this request, provide the following: a detailed description of the expenditure; identify if any of the expenditure has been capitalized; and copies of all invoices or work orders related to that expenditure.

Response: None of the expenditures were capitalized. See the following files:

- Item #4H Descriptions
- Item #4H A thru J
- Item #4H K
- Item #4H L
- Item #4H M
- Item #4H N
- Item #4H O
- Item #4H P
- Item #4H Q
- Item #4H R
- Item #4H S
- Item #4H T thru Z
- Item #4H AA thru AZ

5. Refer to Edmonson District's responses to Staff's First Request, Item 2, 2019 Adjusted Trial Balance. Provide a detailed explanation for each audit adjustment listed in the table below. Where it is applicable, include an itemized schedule to support the adjustment.

| | Gen. Ledger Account No. | Description/Account Title | Credit/ Debit | Amount |
|----|----------------------------|---------------------------|------------------|-----------|
| a. | 47100-00 | Misc. Service Revenues | Debit | 5,425.00 |
| b. | 60131-00 | Sal & Wages/Brn Plt Oper | Debit | 627.00 |
| c. | 60132-00 | Sal & Wages/Wax Plt Oper | Debit | 128.00 |
| d. | 60150-00 | Sal & Wages/Trans&Dist Op | Credit | 2,572.00 |
| e. | 60170-00 | Sal & Wages/Cust Accts | Debit | 666.00 |
| f. | 60180-00 | Sal & Wages/Admin & Gen | Debit | 4,298.00 |
| g. | 60580-00 | Post Empl Ret Ben/Admin | Debit | 13,432.00 |

Response: See file: Item #5 Explanation of Audit Entries

6. Refer to Edmonson District's Responses to Staff's First Request, Item 17.d, Ret Health Payments, Deposits and Interest. The table below contains the annual payments, the interest earned, and annual withdrawals from the Grantor Trust fund for Edmonson District's retiree health insurance plan

| Year | Deposits | Interest | Withdrawals |
|------|------------|-----------|-------------|
| 2005 | 233,808.68 | 5,524.63 | 0.00 |
| 2006 | 9,408.00 | 13,474.20 | 4,239.82 |
| 2007 | 9,408.00 | 13,474.20 | 4,239.82 |
| 2008 | 20,710.00 | 12,321.04 | 12,966.10 |
| 2009 | 18,468.00 | 6,232.89 | 12,401.41 |
| 2010 | 12,636.00 | 4,877.83 | 10,057.36 |
| 2011 | 0.00 | 6,380.24 | 3,452.55 |
| 2012 | 12,312.00 | 1,775.90 | 3,849.85 |
| 2013 | 18,792.00 | 1,680.83 | 4,284.72 |
| 2014 | 19,440.00 | 1,779.11 | 4,416.69 |
| 2015 | 9,072.00 | 2,750.99 | 4,022.27 |
| 2016 | 13,716.00 | 1,920.33 | 1,899.84 |
| 2017 | 0.00 | 2,227.66 | 7,185.70 |
| 2018 | 0.00 | 3,414.17 | 17,350.00 |
| 2019 | 0.00 | 5,657.60 | 17,275.64 |
| 2020 | 12,312.00 | 5,355.93 | 16,804.31 |

a. From 2007 to 2008 the annual amount withdrawn from the trust account increased from \$4,240 to \$12,966 an increase of \$8,726 or 205.8 percent. Provide a detailed explanation for the 205.8 percent increase in the amounts withdrawn between the two years.

Response: In 2007 only one employee was receiving benefits from the Retiree Health Trust account. In 2008 they continued to receive benefits and an additional person (#07) began receiving benefits. Former employee (#07) had higher insurance premiums.

b. From 2010 to 2011 the annual amount withdrawn from the trust account decreased from \$10,057 to \$3,453 a decrease of \$6,605 or 65.7 percent. Provide a detailed explanation for the 65.7 percent decrease in the amounts withdrawn between the two years.

Response: In 2011 an employee that had retired and was receiving benefits returned to work (#061). Therefore, his Retiree Health Trust benefits stopped and he was added back to the health insurance offered to ECWD employees. In addition, former employee (#07) had a decrease in his insurance premium and his payments switched from monthly to quarterly.

c. From 2017 to 2018 the annual amount withdrawn from the trust account increased from \$7,186 to \$17,350 an increase of \$10,164 or 141.5 percent. Provide a detailed explanation for the 141.5 percent increase in the amounts withdrawn between the two years.

Response: For most of the year in 2017 there were only two former employees receiving Retiree Health benefits (#07) and (#04) both of these former employees only required quarterly payments to be made. In September of 2017 (#016) began receiving monthly benefits and in March of 2018 (#012) began receiving monthly benefits. This increased the withdrawals for year 2018. For most of 2017 only 2 people received benefits while 4 people received benefits for most of 2018.

d. Provide a detailed explanation describing the process used to determine when Edmonson District is required to make deposits into the Grantor Trust and how the amount of the required deposit is determined.

Response: Each year a “funding report” is created. This is a spreadsheet with all employees listed as well as their years of service. Retirees are only eligible to receive retiree health benefits after they have been employed for 25 years and are 55 years of age or older. Each retiree that is eligible can receive up to \$32,400 in benefits. An employee would need to have \$1,296 per year of service in the retiree health account. For current employees their years of service multiplied by \$1,296 is used to determine the funding amount. For former employees their remaining balance at year end is added to determine funding needed for the year. See file: Item #6D Retiree Health Funding Report

7. Refer to the Application, Attachment 5, Schedule of Adjusted Operations, References E, Retiree Health Insurance Plan and to Edmonson District’s responses to Staff’s First Request, Item 17.d, Ret Health Payments, Deposits and Interest.

a. Edmonson District explains that in 2020, contributions to the trust are required from operations and will amount to \$12,312 for the year. Provide documentation of the amount that Edmonson District will be required to deposit into the Grantor Trust in calendar year 2021.

Response: See file: Item #7A Retiree Health Funding Report 2021

b. The 10-year average of Edmonson District's deposits in the Grantor Trust for the period 2011 through 2020 is \$8,564. Given the fluctuations of Edmonson District's annual deposits into the Grantor Trust since its inception as shown in the table in Item 6 above, provide a detailed explanation as to why the 10-year average would not be more appropriate to use rather than the amount paid in 2020.

Response: There were no deposits made in 2017, 2018, and 2019. This was due to the account being fully funded for those years. When long term employees leave without being eligible for benefits the account can become overfunded. Two such employees left in 2017. The lack of deposits for those years causes the ten-year average to be lower than typical. If a ten-year average was used for 2021 the account would not be fully funded for all employees. Per the spreadsheet in 7A, \$11,186.66 is needed to fund the account for the year, while the ten year average was only \$8,726.

8. Refer to Edmonson District's responses to Staff's First Request, Item 9, Employee Hours Worked and to Edmonson District's responses to Staff's First Request, Item 15, Meter Installation Labor.

a. Identify each Edmonson District employee that was responsible for meter installations or service installations in the calendar year 2019.

Response: The following employees were responsible for meter and service installations in 2019 #0065,#0067, #0068, #0070, #0071, #0081, #0082, #0083, #0084, and #0086.

b. Explain if the regular work hours reported for the calendar year 2019 in Edmonson District's response to Item 9 was net of the hours that are coded for meter installation or service installation.

Response: The regular hours reported in Item #9 of the first request are gross regular hours. Hours are coded as regular or overtime and then are broken down by category (service installation, meter installation, admin, distribution, accounts & collecting, etc.).

c. For each employee identified in 8.a, provide the number of hours that was coded in the payroll system as either service installation or meter installation.

Response: See file: Item #8C&D Meter & Service Installation Hours

d. If the response to 8.b was no, provide a revised Excel Spreadsheet for 2019 where the hours coded as meter installations or service installations have been eliminated.

Response: See file: Item #8C&D Meter & Service Installation Hours

e. The two Edmonson District's employees listed in the table below worked in excess of 2,080 regular hours in the calendar year 2019. Provide a detailed explanation as to why this occurred.

| Emp No. | Position Discription | Reg. Hrs. |
|---------|-------------------------------------|-----------|
| #0008 | Treatment Plant Operator/Supervisor | 2,200 |
| #0013 | Manager | 2,192 |

Response: The two employees that are listed, are employees with a tenure of 25 years. On an employee's 25th anniversary hire date, 25 days of vacation are earned. Vacation days may be accumulated up to 100 days, for the purpose of illness or other emergencies requiring extended time off. If all 100 accumulated days have been saved, the Water District will pay the employee for vacation days in excess of two weeks of vacation time not taken.

f. The five Edmonson District's employees listed in the table below worked less than 2,080 regular hours in the calendar year 2019. Provide a detailed explanation as to why this occurred.

| Emp No. | Position Discription | Reg. Hrs. |
|---------|------------------------------------|-----------|
| #0017 | Office Manager | 2,059 |
| #0043 | Inventory Clerk | 1,939 |
| #0058 | Billing Clerk | 1,627 |
| #0061 | Certified Treatment Plant Operator | 1,759 |
| #0066 | Billing Clerk | 2,037 |

Response: The employees and hours listed in the table provided were for 2020.

#0017 Office Manager- The office manager was off without pay for doctor appointments for herself and her elderly mother. These appointments were excused due to having doctor's notes.

#0043 Inventory Clerk- The inventory clerk was off without pay for doctor's appointments and also had surgery in November of 2019. She was off the rest of November and all of December of that year. These absences were excused due to her providing doctor's notes. The absences were without pay but excused. In addition, she had one day of suspension without pay due to having excessive tardiness.

#0058 Billing Clerk- The billing clerk was off due to doctor's appointments for herself and her child. She also got hurt outside of work and was off until she was released by her doctor to return to work without restrictions. The absences were without pay but excused. In addition, she had one day of suspension without pay due to having excessive tardiness.

#0066 Billing Clerk- This billing clerk was off due to doctor's appointments for herself and her young child. The absences were without pay but excused.

9. Refer to the Application, Attachment 5, Schedule of Adjusted Operations, References C, Employee Wage Increases and to Edmonson District's Responses to Staff's First Request, Item 16.c, Need for Wage Increases.

a. Edmonson District states that after comparing its employee wages with other water districts, utilizing the 2019 Kentucky Rural Water Associations compensation survey, Edmonson District decided to give its employees wage increases to aid in retaining an experienced work force. Provide copies of the salary analysis referenced in Edmonson District's application.

Response: See attached file: Item #9A KRWA Wage Chart

b. Explain whether Edmonson District, through an outside consultant or otherwise, performed a study or survey to compare its wages, salaries, benefits, and other compensation to other local or regional enterprises.

Response: The Edmonson District did not through an outside consultant or otherwise, perform a study or survey to compare its wages, salaries, benefits, and other compensation to other local or regional enterprise.

(1) If comparisons were made, provide and discuss the results of such comparisons. Include the results of the study or survey with your response, including all work papers.

Response: Not applicable.

(2) If comparisons were not made, explain why such comparisons were not performed.

Response: Although other private consultant studies and surveys were not employed, the KRWA Compensation Survey which studies similar size utilities and discussions with fellow managers at area Districts concerning a competitive pay scale were utilized to establish the need for a pay increase to maintain the current experienced work force. Additionally, implementing a wage increase would, by and large, solve a lack of applicants and loss of employees, due to the absence of a competitive wage the last three to four years to other careers and other Water Districts. With only one to two applicants, the ability to fill positions on the distribution system and, more so, the treatment plants, it becomes almost impossible to fill positions with employees who are both well suited and capable. By using the proposed evidence, Edmonson District is attempting to bring a fair compensation with the wage increase, as always, to bring better service to the District's customers through current and future dedicated employees.

c. Given that the Commission has traditionally limited how far outside the test year it will allow post-test-year expense adjustments, explain in detail why wage increases Edmonson District granted to its employees in 2021 approximately two years outside of the 2019 test year are reasonable and should be allowed as a pro forma adjustment to a 2019 test year.

Response: The wage increase adjustments were not two years outside the 2019 test year. The test year ended on December 31, 2019, and the wage rates used in the adjustment were effective January 1, 2021. That is just one year and one day outside the test year. ARF applications are based on the most recently filed PSC Annual Report and the Audit Report. Due to issues out of the District's control, these reports are typically not completed until several months into the subsequent year. That means the subject wage increases occurred just several more months after the financial information for the test year became available. This was within a very narrow window of time. Furthermore, the regulations provide for "known and measurable" adjustments. The subject wage increases definitely meet those criteria.

10. Confirm that the proposed cost of service study does not contain any expenses that should be allocated to Edmonson District's sewer operations.

Response: The District's policy is to charge employee labor directly to the sewer division as it's expended, and the sewer division maintains its own inventory. Therefore, except for the expenses addressed in the above responses, the only other expenses which may be allocated are those for Commissioner's salaries. Because there are only 58 sewer customers compared to some 10,654 water customers and there has been no growth in the sewer division in years, allocations for expenses such as this are considered immaterial.