

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GREEN-)	
TAYLOR WATER DISTRICT FOR A RATE)	CASE NO.
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	2022-00246

GREEN-TAYLOR WATER DISTRICT COMMENTS

Green-Taylor Water District (“GTWD”), by and through counsel, hereby submits the following comments regarding the Commission Staff Report dated February 24, 2023:

1. We disagree with the proposed adjustment for reducing the allowed cost of the pension expense (Staff Report, page 13, Paragraph G). The GASB 68 requirement was implemented to recognize the long-term obligation as an expense and recognize the annual cost as it is incurred based on independent actuarial calculations. It wants to make evident costs that have typically been deferred and pushed to the future, by trying to match the expense to the current period based on the current known factors.

The funding requirements are not determined by us and are driven by circumstances outside of our control. As you referred to in your staff report referencing the Marion 2016 Case as the reason for using contributions as the basis for the expense, “contributions to CERS have historically been constant”, that may be more because it would have made put many participants in financial distress to do otherwise, rather than a true arbiter of the costs.

The pension expense calculation under GASB 68 is not perfect and can fluctuate considerably, but it is a more reliable indicator of incurred costs and trends than relying on contribution levels to a pension system that is historically underfunded significantly and responds with a “political lag”. Using contribution levels in this case does not indicate a true level of costs.

Since using a single time period might distort the true nature of the overhanging cumulative pension obligation, we look at the annual recognized expense for the last three years as an average to smooth out any wide fluctuations that might occur using the actuarial calculations in considering any pro forma adjustment. For the years 2021, 2020 and 2019, recognized pension expense was \$176,066, \$319,823 and \$324,526 per the audited financial statements. The average for those 3 years was \$273,472 as an indicator of a more indicative “constant” cost. This number exceeds the average contributions required by approximately \$190,000 for each year.

Using this perspective, we believe it too optimistic to say that real recognized expense will be closer to funding flows than to projected expense.

2. Staff recommendation for the pro forma Employee salaries and wages expense of \$420,052 fails to adequately fund GTWD’s necessary and reasonable requirements to operate the company (Staff Report, page 12, Paragraph E). As of March 3, 2023, GTWD has the following positions filled:

	Hours	OT	2023 wages	Total
Bookkeeper	2080	24	18.15	\$38,405.40
Manager	2080	0	28.85	\$60,008.00
Operator	2080	284	20.2	\$50,621.20
Office Manager	2080	39.5	23.14	\$49,502.25
Bookkeeper	2080	0	18.15	\$37,752.00
Bookkeeper	2080	0	16.45	\$34,216.00
Operator	2080	322	21.94	\$56,232.22
Operator in training	2080	96	15	\$33,360.00
Operator in training	2080	96	15	\$33,360.00
Crew leader	1248		25	\$31,200.00
Crew leader	1248		25	\$31,200.00
				\$455,857.07

Additionally, GTWD voted at its last meeting held on Tuesday, March 8, 2023, to hire yet one more operator and Assistant Office Manager in the next four weeks to support and provide backup to their strained work team. The initial starting pay for the new

operators is \$15.00, but they will be increased by \$1.00 per hour with each advancement in experience by passing Certified Water Operator Classes I, II and III. Ultimately, these new employees will be paid \$18.00 per hour. With the new employees and the projected raises, GTWD's payroll should be \$534,193.07 for the purpose of this rate analysis (see Exhibit A, excel spreadsheet illustrating calculations for this Comment and the following Comment regarding Payroll taxes);

3. Payroll taxes (Staff Report, page 19, Paragraph L). By virtue of the increased payroll, the correct FICA contribution should be calculated as \$552,393.07 (including the Commissioner salaries) multiplied by 0.0765, or \$42,258.07 representing an increase of \$3,808.07;

4. From reviewing several comments made by other water districts, it is fairly clear that no one agrees with the Staff recommendation to remove labor expenses from the nonrecurring charges (Staff Report, page 5, Paragraph 3). Accordingly, GTWD also objects to the Staff's position with respect to its charges for meter reread, reconnection and service charges. GTWD is a rural district that serves customers spread out over an area that measures approximately 25 miles both north/south/east/west. When its employees are tasked with these services, their time and availability for the regular water maintenance of the system is diminished. For this reason, the labor attributed to these nonrecurring charges should be considered above and beyond the regular wages for running the system and should not be excluded from our rate analysis;

5. Inflation. We are all painfully aware of our society's on-going battle with inflation. For calendar year 2022, the inflation rate was 7.08%.¹ Considering the test year for this rate analysis is 2021, it should be quite clear that our fairly static income has been stretched due to the effects of inflation on our costs and on our ability to find staffing at rates prevailing at that time. Of course, these same inflationary pressures apply to our

¹ <https://www.ssa.gov/oact/STATS/avgcpi.html>

employees and their families which will ultimately require GTWD to increase wages to keep pace. Failure to consider the current inflation situation will most certainly impair the company's ability to effectively operate its system and to retain/attract qualified employees.

CONCLUSION

GTWD requests the Commission to strongly reconsider the company's current labor requirements along with a re-analysis of its pension liabilities. The combination of these two significant issues along with ample consideration of the effects of inflation should persuade the Commission to declare our current rate structure as reasonable with definitely no need to *lessen* rates. This is especially true when considering the likelihood of the company having to file for a rate increase when the actual 2022 and 2023 higher costs will be reflected. Even if we disagree on the range of costs to include, the amount is too small to require a rate adjustment that will surely be reversed in very short order.

GTWD does waive its right to a formal hearing on these issues but will ask for an informal conference to further discuss the company's position by separate motion.

DATED this 8th day of March, 2023.

s/ John D. Henderson

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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that this document was submitted electronically to the Public Service Commission on March 3, 2023, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

s/ John D. Henderson

John D. Henderson

Green-Taylor Water District
Case No. 2022-00246

EXHIBIT A

<u>Current employees</u>	Hours	OT	2023 wages	Total
Bookkeeper	2080	24	18.15	\$38,405.40
Manager	2080	0	28.85	\$60,008.00
Operator	2080	284	20.2	\$50,621.20
Office Manager	2080	39.5	23.14	\$49,502.25
Bookkeeper	2080	0	18.15	\$37,752.00
Bookkeeper	2080	0	16.45	\$34,216.00
Operator	2080	322	21.94	\$56,232.22
Operator in training	2080	96	15	\$33,360.00
Operater in training	2080	96	15	\$33,360.00
Crew leader	1248		25	\$31,200.00
Crew leader	1248		25	\$31,200.00
				\$455,857.07
<u>Prospective, immediate hires:</u>				
Assistant Office Manager	2080		12	\$24,960.00
New hire, operator in training	2080	96	15	\$33,360.00
By third year:	2080	96	18	\$40,032.00
			Add this amount per new perator	\$6,672.00
				\$20,016.00
			Employee payroll	\$534,193.07
			Plus Commissioners	\$18,200.00
			Total subject to FICA	\$552,393.07
			FICA	\$42,258.07
			Test FICA	\$38,450.00
			Difference	\$3,808.07