

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTH)	CASE NO.
NARSHALL WATER DISTRICT FOR A RATE)	2023-00134
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

RESPONSE TO COMMISSION STAFF REPORT

Pursuant to the Commission’s Order of September 7, 2023, the North Marshall Water District responds to the Commission Staff Report (“Report”) as follows:

1. The North Marshall Water District reserves the right to contest specific recommendations listed in the Report in future Commission proceedings but accepts for purposes of this proceeding the Report’s recommended revenue requirement and proposed rates. Provided that the Report’s recommended water service rates are accepted without change, the North Marshall Water District does not request a conference with Commission staff and waives its right to a hearing in this matter.

2. While the North Marshall Water District accepts for purposes of this proceeding the Report’s recommended revenue requirement and proposed rates, it does not agree with the Commission Staff’s recommended disallowance of employee health insurance expense as proposed. The staff report includes recommendations for putting a ceiling on the employer contribution to employee health care premiums based on the Bureau of Labor Statistics for Private Industry Workers. North Marshall currently pays 100% of a single employee health insurance plan premium, 75% of an employee with spouse/family plan premium and 100% of a dental plan premium. North Marshall Water District is situated in a highly competitive predominantly union area. Competition for employees with mechanical and electrical skill sets is strong. To attract capable employees, pay and benefits must compare favorably in the local job market. To our knowledge, the staff report did not include consideration of benefit schedules, deductibles, and co-pays associated with the plans provided by the district. In addition, the Report did not compare costs of the North Marshall plan premiums with similar plans statewide nor was there a comparison of employee compensation with the compensation of similar private and government sector jobs specific to our area for similar work.

The staff report recommends limiting the employer contribution for a single employee plan to 78% of the total premium and a spousal/family plan to 66% of the premium. The staff report also recommends dropping the employer’s contribution on dental plans to 40%.

Review of previous case orders suggests the Commission has some discretion in determining the allowable employer contributions. An example reviewed was the PSC final order in Case 2022-00160 page 11 which states:

Employee Benefits - To be consistent with Commission precedent regarding premiums paid for employee health benefits, Commission Staff recommended to reduce the employee insurance premiums paid by Union District from 100 percent to 66 percent for family/parent plus/couple health insurance coverage and from 100 percent to 60 percent for dental insurance coverage based on contribution rates reported by the Bureau of Labor Statistics and The Willis Benchmarking Survey, respectively.

3. While the North Marshall Water District accepts for purposes of this proceeding the Report's recommended revenue requirement and proposed rates, it does not agree with the Report's recommendation that labor costs related to the non-recurring charges listed in the Report be removed from those charges.
 - a. North Marshall Water District's non-recurring charges are consistent with 807 KAR 5:006, Section 9 which provides that utility may "make special nonrecurring charges to recover customer specific costs incurred that would otherwise result in monetary loss to the utility or increased rates to other customers to whom no benefits accrue from the service provided or action taken." The regulation does not limit a utility's recovery to marginal costs associated with the service provided. North Marshall has provided the basis for the costs currently in effect under the current tariff in the alternate rate filing application. The staff report states that "The Commission found that because district personnel are currently paid during normal business hours and the labor costs are recovered in the rates, estimated labor costs previously included in determining the amount of nonrecurring charges should be eliminated to avoid double recovery of the same expense." While the total labor expense is used to determine the total revenue requirement of the district, the total revenue of the system is obtained from various sources including miscellaneous service revenues such as non-recurring charges. The fees gained from miscellaneous service revenues are not included in the net revenue used to calculate the usage rates for the system.

The Willis Benchmarking Survey, 2015, at 62–63.
(https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf).

807 KAR 5:006, Section 9(1)
807 KAR 5:011, SECTION 1(4)

- b. The fees that are in our existing tariff are reasonable for the service provided. The cost of service is directed in a manner that charges for customer specific requests. With the proposed change, that may no longer be the case and all customers will be burdened with the costs associated with customer-specific needs. In addition, with the lower non-recurring charges associated with re-connection of service, we would anticipate a greater number of service requests. Our limited staffing does not provide for an employee (s) dedicated to customer service. Additional customer service requests will have a negative impact on maintenance planning and operations and could ultimately lead to the need for additional staffing.

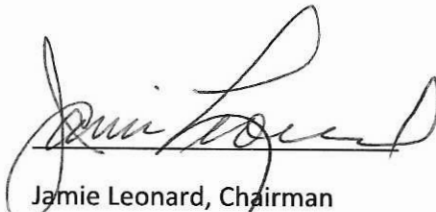
In summary, the district requests the Commission leave the current fee structure in place for non-recurring fees.

4. The North Marshall Water District does not object to Commission Staff's recommendations regarding the useful lives of various asset types but reserves the right to contest such recommendations in future rate proceedings. The North Marshall Water District takes no position on whether the Commission should require the Commission Staff-recommended useful lives be implemented for accounting purposes.

WHEREFORE, the North Marshall Water District requests that the Commission issue an Order approving the rates recommended in the Commission Staff Report.

DATED: September 20, 2023

Respectfully submitted:



Jamie Leonard, Chairman
North Marshall Water District