

# Goss ■ Samford <sup>PLLC</sup>



Attorneys at Law

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David S. Samford

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August 12, 2013

*Via Hand-Delivery*

Mr. Jeffrey Derouen  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Re: In the Matter of: Application for Alternative Rate  
Filing of Fern Lake Company  
PSC Case No. 2013-00172

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of Fern Lake Company's Response and Limited Objection to Commission Staff Report. Please return a file-stamped copy to me.

Do not hesitate to contact me if you have any questions.

Very truly yours,

David S. Samford

Enclosures

M:\Clients\4100 - Fern Lake Company\2000 - Rate Adjustment\  
Correspondence\Ltr. to Jeff Derouen - 130812.docx

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COMMISSION

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

In the Matter of:

APPLICATION FOR ALTERNATIVE RATE ) CASE NO. 2013-00172  
FILING OF FERN LAKE COMPANY )

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FERN LAKE COMPANY'S RESPONSE AND  
LIMITED OBJECTION TO COMMISSION STAFF REPORT

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Comes now Fern Lake Company ("Fern Lake"), by counsel, and hereby provides its Response and Limited Objection to the Commission Staff Report filed on July 29, 2013 ("Staff Report"), pursuant to the Commission's Order of July 12, 2013 and other applicable law, respectfully stating as follows:

Fern Lake generally agrees with the items contained in the Staff Report. The Staff Report correctly recognizes that an increase in revenues of \$65,594.00 is necessary to satisfy Fern Lake's reasonable revenue requirement. Fern Lake accepts and agrees with this revenue requirement calculation. Fern Lake also accepts the adjustments to revenues and expenses recommended in the Staff Report, with two exceptions. First, the Staff Report does not address the case expenses associated with this alternative rate filing. Fern Lake would suggest that it be allowed to amortize these expenses over a three year period. Second, the Staff Report suggests that 50% of the total annual expenses incurred by Fern Lake in maintaining the reservoir and impoundment should be allocated to a private fishing club, the Fern Lake Fishing Club (the "Fishing Club"), that incidentally utilizes the lake. Thus, while Fern Lake's test year revenues were \$64,594 less than the revenue requirement recommended by the Staff Report, the rates

proposed in the Staff Report would in fact result in an annual \$6,232.00 *decrease* in Fern Lake's revenues. The factual support and rationale for this conclusion are not included in the Staff Report. Accordingly, Fern Lake objects to this portion of the Staff Report.

Fern Lake also respectfully submits the following additional information for the Commission Staff's consideration on the question of whether any portion of the revenue requirement should be allocated to the Fishing Club:

The Fishing Club has utilized the Fern Lake reservoir for over seventy years. When the current owners purchased Fern Lake, local citizens were concerned that the Fishing Club would be closed. In response to local requests, Fern Lake decided to allow the Fishing Club to continue to use the reservoir. The Fishing Club currently has 27 members. Returning members are charged an annual membership fee of \$200.00. New members are charged an annual membership fee of \$250.00. The Fishing Club has a separate bank account – which is owned and managed exclusively by the Fishing Club – for the membership fees to be deposited into and the fees are not commingled with Fern Lake funds. The membership fees from the Fishing Club are used for the expenses of the Fishing Club, such as purchasing fish to restock the lake, buying supplies, and paying for any maintenance required on property owned by the Fishing Club.

The Fishing Club uses a dock on the reservoir that is used to access the boats for fishing, and has access to an adjacent building. That building, however, is mostly used for storage by Fern Lake. The existence of the Fishing Club benefits Fern Lake by helping to control the fish population in the reservoir while offering an opportunity to stock the reservoir with carp fish. Carp is a species of fish which promotes a healthy aquatic environment (and, therefore, a healthy reservoir) by removing harmful plants that can grow in the reservoir and that would otherwise make the upkeep of the reservoir more costly and time-consuming. Because of the beneficial

nature of the Fishing Club's usage of the reservoir, no rent is charged to the Fishing Club. The employees of Fern Lake spend an average total of less than one hour per month on tasks associated with the Fishing Club. These tasks include maintaining the books and making deposits and occasionally checking on the boats, the dock and the Fishing Club's patrons. If any maintenance is required on the Fishing Club's boats, they are sent to a repair shop to be repaired by third parties with the repairs paid for by the Fishing Club's funds generated from membership dues. Fern Lake views the presence of the Fishing Club as a self-sustaining and beneficial usage of the reservoir. Since the Fishing Club is so small, it cannot reasonably be expected to cover any material portion of the operating expense of the reservoir. Its usage is entirely incidental and requires no expenditures by Fern Lake.

On the basis of the additional information set forth above, Fern Lake suggests that a 50% allocation of expenses to a private Fishing Club whose use of the Fern Lake reservoir is clearly minimal leads to a result that is unfair, unjust and unreasonable. Fern Lake does not believe that any apportionment of its revenue requirement should be apportioned to the Fishing Club. Fern Lake therefore requests the informal conference scheduled for August 26, 2013, and the formal hearing scheduled for September 10, 2013, to take place as scheduled. Fern Lake reserves the right to address any other issues with the Commission Staff's Report which may arise in discussions held at the informal conference or in the course of the formal hearing and requests the Commission to grant it the right to file any post-hearing briefs that may be necessary or helpful.

Respectfully submitted,



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*Counsel for Fern Lake Company*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing filing was served on the following via depositing same in the custody and care of the U.S. Mails, postage prepaid, this 12<sup>th</sup> day of August, 2013:

David Edward Spenard  
Jennifer B. Hans  
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