

Commonwealth of Kentucky  
Before the Public Service Commission

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

CLASSIC CONSTRUCTION, INC.'S )  
APPLICATION FOR RATE ADJUSTMENT ) Case No. 2013-00258  
FOR SMALL UTILITIES PURSUANT TO )  
807 KAR 5:076 )

ATTORNEY GENERAL'S FORMAL NOTICE REGARDING THE  
5 DECEMBER 2013 MEMORANDUM UPDATING  
COMMISSION STAFF REPORT FINDINGS

In an effort to assist the Commission's review of the Application, the Attorney General ("AG"), by counsel, provides this formal notice regarding the 5 December 2013 Memorandum updating the Commission Staff Report findings. The AG did not object to the Staff Report, issued on 31 October 2013, and he does not now object to the updated Staff Report findings, issued through the 5 December 2013 Memorandum. The AG does not request an additional Informal Conference or Public Hearing and believes this matter may be submitted for decision based on the existing record.

On 3 July 2013 Classic Construction Inc. filed an application for an adjustment in rates using the alternative rate adjustment procedure for small utilities (807 KAR 5:076). On 31 October 2013 the Commission Staff Report was filed into the record in this proceeding. Commission Staff noted in their report

that "Classic Construction did not receive and retain vendor invoices for all test-year expenditures. Classic Construction should keep all source documents supporting all transactions."<sup>1</sup> Because Commission Staff was not able to review all source documents and invoices, they determined that a 2.46% increase to rates was appropriate, based on adjustments to the test year that were known and measurable. However, Commission staff afforded Classic Construction opportunity to file additional documents with the Commission that would support a higher revenue increase.

On 25 November 2013 the AG filed his Comments on Commission Staff Report. The AG supported the staff's findings and stated that the matter may be submitted for decision based on the existing record. On 26 November 2013 Classic Construction filed its comments on the Commission Staff Report and requested a formal Hearing. Classic Construction included with its comments approximately 150 pages of documentation purporting to support a higher revenue increase.

An Informal Conference was held on 4 December 2013 at the office of the Commission. During the conference, Commission Staff informed parties that they were revising their recommendation of a 2.46% revenue increase to a 23.67% increase in Classic Construction's revenue based on documents provided by

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<sup>1</sup> Commission Staff's Report at page 3.

Classic Construction.<sup>2</sup> These adjustments as estimated by Commission Staff would result in an increase of Classic Construction's flat rate from \$29.57 to \$36.57 per month.<sup>3</sup>

The AG stated in his Response to Commission Staff's Report that he had concerns with Classic Construction's request for undocumented or insufficiently documented expenses to be built into rate base. Commission Staff shared this concern, as evidenced by the adjustments made and the accompanying rationale in the Commission Staff Report. Commission staff made adjustments to their recommendations based on the documentation that Classic Construction provided. These adjustments resulted in a higher revenue recommendation, but only where Classic Construction was able to adequately document the expenses. As such, the AG does not object to the adjustments made by Commission Staff to their revenue recommendation.

The AG stated in his comments filed 25 November 2013 that the matter may be submitted for decision based on the record. In Classic Construction's filing dated 26 November 2013, it requested an evidentiary hearing. The AG is again submitting this case for decision based on the record. Should Classic Construction maintain its request for a Public Hearing, the AG reserves his right to participate fully.

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<sup>2</sup> Inta-Agency Memorandum filed December 5, 2013, at page 2.

<sup>3</sup> *Id.*

WHEREFORE, the Attorney General provides formal notice concerning the Commission Staff Report and updated Staff Report findings; he does not seek an additional informal conference or Public Hearing. He does not object to the amended revenue recommendation and he requests submission of the matter for a decision.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL



Gregory T. Dutton  
Jennifer Black Hans  
Assistant Attorneys General  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204  
T 502 696-5457

*Notice of Filing, Certifications, and Notice of Service*

Counsel certifies that an original and 5 photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Russell Givens  
President  
Classic Construction, Inc.  
P.O. Box 4113  
Frankfort, KY 40604

Honorable Robert C Moore  
Attorney At Law  
Hazelrigg & Cox, LLP  
P.O. Box 676  
Frankfort, KY 40602

this 16th day of December, 2013



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Gregory T. Dutton  
Assistant Attorney General