

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF CENTER RIDGE WATER )  
DISTRICT, INC. FOR AN ADJUSTMENT OF )  
RATES PURSUANT TO THE ALTERNATIVE )  
RATE FILING PROCEDURE FOR SMALL )  
UTILITIES )

Case No. 2010-00397

ATTORNEY GENERAL'S RESPONSE  
TO APPLICANT'S REHEARING REQUEST

The Attorney General submits his response to the Applicant's request for a rehearing of this Commission's 11 August 2011 Order. In support of his request that the Commission deny rehearing, the Attorney General provides the following arguments.

The identified recent cost mandates by the Kentucky Division of Water do not support a rehearing in this proceeding. If the Applicant is concerned that there might be a failure of reasonable service in the absence of the installation of this equipment, then the Applicant should consider a surcharge application or otherwise a separate filing for seeking recovery of this cost item.

First, the prudence of the compliance plan has not been established. Second, whether the compliance plan is the least-cost/cost-effective solution has not been established. Rehearing in this proceeding is not the appropriate forum for answering these questions. It is untested information too remote from the test period. If the

Commission grants rehearing on this point, then Applicant should make any increase in rates associated with this cost item prospective (with any recovery authorized from the date of an order on rehearing). The cost item is not truly associated with the underlying rate proceeding and should be considered separately.

With regard to transportation expense, Applicant's evidence does not meet the criteria of being evidence that could not have, with reasonable diligence, been offered in the original case. Thus, the evidence does not support rehearing.

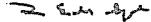
With regard to the retainer arrangement, it is a post-test year (and basically post-rate case) change subsequent to the Commission's 11 August 2011 Order (which already grants an owner/manager fee of \$9,000.00). The letter proposal dated 22 August 2011 reflects activity, essentially, outside of the rate case (not simply outside of the test period). If the Applicant wanted to enter into this type of arrangement and have it considered as part of the rate application, then Applicant could have done so.

In that the Applicant had, in every sense of the word, control over the evidence that is now offered, the failure to have offered it prior to the Commission's deliberations on the record does go to the issue of reasonable diligence. The Commission should not consider this post-test year development because it encourages hedging of material information bearing upon the reasonableness of other expenses. If the Commission opts to consider it, then it should likewise rehear the reasonableness of the \$9,000.00 owner/manager fee in light of the change in operations of the Applicant.

WHEREFORE, the Attorney General submits this response and requests that the Commission deny the rehearing request.

Respectfully submitted,

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Counsel certifies that an original and ten copies of this Response to Rehearing Request were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601. A copy was served on the Applicant by United States Mail, first-class, postage-prepaid, to William M. Duncan, Center Ridge Water District No. 2, 69 Marguerite Blvd, New Concord, Kentucky 42076. The filing and service took place on 6 September 2010.

  
Assistant Attorney General