

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

ALTERNATIVE RATE FILING APPLICATION OF)
HILLRIDGE FACILITIES, INC.)

Case No. 2010-00426

ATTORNEY GENERAL'S RESPONSE
TO STAFF REPORT ON HILLRIDGE FACILITIES, INC.

The Attorney General, in response to the 7 March 2011 Staff Report on Hillridge Facilities, Inc., provides the following written comments.

1. The Applicant seeks an increase in the monthly rate from \$24.13 to \$32.50.

The Commission Staff Report recommends an amount (\$35.85) in excess of the amount requested by the Applicant. Commission Staff did not make a finding regarding whether the amount sought through the application would produce sufficient revenue (or whether the \$32.50 monthly rate is otherwise within the range of reasonableness). See, for comparison, *In the Matter of: Application of Corinth Water District for Approval of Increased Rates for Water Service*, Case No. 2010-00155, Order, 12 July 2010 (Staff Report on Corinth Water District); see also Order, 17 August 2010 (accepting application rates lower than Staff recommendation). Reserving the issue of whether the amount sought through the application is excessive, the

Commission should not accept a recommendation in excess of the amount sought through the application in the absence of a finding that expressly addresses the question of whether the rate sought through the application is outside the range of reasonableness.

2. The Attorney General agrees with the reasoning of the Staff Report regarding the proposed surcharge; however, the Attorney General expressly recommends that the surcharge be denied.
3. With regard to the Staff recommendation regarding Fuel & Power Expenses (adjustment E), Staff recommends a Pro forma amount (\$59,066) in excess of the Test Year amount (\$52,263), the the Hillridge Restated Income Statement amount (\$51,383) per the application, and the Adjusted Amount per the Application (\$57,219). The Staff Report notes the absence of billing invoices for two months of the year, yet the Report resolves the missing evidence issue in favor of the applicant. This is inappropriate for two reasons. One, resolving an unknown issue in favor of the party with the burden of proof and the control over the evidence unfairly shifts risks of the loss of the evidence to the customers. Two, the process of estimating the impact of the increase in electric rates on the missing electric bills is too speculative to meet the criteria of a known and

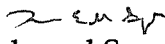
measurable change. The Commission should not utilize the Staff Recommendation for this Expense (and reject the speculative adjustment).

4. The Attorney General, acting under the 11 February 2011 Order of procedure, has yet to complete discovery (with the ability to serve requests for information until 28 March 2011). Accordingly, the Attorney General respectfully reserves the right to make further comment upon the Report of Commission Staff based upon additional evidence that is placed into the record.

WHEREFORE, the Attorney General submits his written comments.

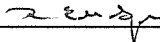
Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL


David Edward Spenard
Dennis G. Howard II
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
T 502 696-5457
F 502 573-8315

Notice Regarding Filing and Certificate of Service

Counsel certifies that an original and ten copies of his written comments 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 by United States Mail, first-class, postage-prepaid, to Sonja Ridge, Hillridge Facilities, Inc., 17825 Bradbe Road, Fisherville, Kentucky 40023; Robert C. Moore, Hazelrigg & Cox, LLP, P. O. Box 676, Frankfort, Kentucky 40602-0676; Janice M. Theriot, Zielke Law Firm PLLC, 1250 Meidinger Tower, Louisville, Kentucky 40202. The filing and service took place on 21 March 2011.



Assistant Attorney General