

Commonwealth of Kentucky  
Before the Public Service Commission

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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  
WRITTEN COMMENTS ON STAFF REPORT

The Attorney General ("AG"), by counsel, submits his comments on the report filed by Commission Staff. Classic Construction Inc. has proposed an increase to its flat monthly rate from \$29.57 to \$45. This is an increase of \$15.43 or 52.18 percent. Commission Staff has recommended an increase in the monthly rate from \$29.57 to \$30.30, an increase of 2.5%. As explained below, the Attorney General concurs with the Commission Staff's revenue recommendation. The Attorney General reserves the right to participate in any additional proceedings the Commission has or may order in this matter, he does not request an evidentiary hearing and notes that the matter may be submitted for a decision based upon the existing record.

## 1. Classic Construction's Lack of Documentation

The AG concurs with Staff's decisions in making pro forma adjustments to Classic Construction's proposed revenue requirement and rates.<sup>1</sup> The OAG initially had serious concerns with the lack of documentation Classic Construction provided to justify their proposed rates. Commission Staff repeatedly references this lack of evidentiary support for the revenue increase sought by Classic Construction in Classic Construction's application as Staff's rationale for the adjustments they made. Disallowing alleged expenditures from rate base sets the appropriate public policy of preventing a reward to utilities via higher rate bases when utilities do not sufficiently document their expenses.

## 2. Billing and Collection Fees

Classic Construction proposed a billing and collection expense of \$8,667. Dividing that expense among Classic Construction's 107 customers results in a per customer cost of \$81 per year just to have basic billing and collection work conducted. The Commission has previously determined that an increase in billing and collection fee due to an increase in rates, without any new or additional service being provided, is unreasonable.<sup>2</sup> The AG strongly concurs with Commission Staff's recommendation that Classic Construction should not

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<sup>1</sup> See Commission Staff discussion of Unsupported Expenditures on Staff Report pages 9-10.

<sup>2</sup> See Case No. 2007-00436, *Application of Farmdale Development Corporation for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Order July 30, 2008).

be allowed rate recovery of an increase in billing and collection expense solely based on a Commission authorized rate increase.<sup>3</sup>

### **3. Standard of Reasonableness**

The AG notes that, if in response to the Commission Staff Report, Classic Construction produces documents supporting expenses listed in Commission Staff Report Attachment B, these expenses must be vigilantly reviewed to ensure that any adjustment granted would result in fair, just and reasonable rates. The significant and seemingly non-seasonal variability of Classic Construction's electric utility bills, for instance, raise serious questions regarding the accuracy of the company's book keeping and what caused the unusual fluctuations in expense. Additionally, the AG would urge a careful review of the Company's fence building expenditure, which does not appear facially reasonable. While Commission Staff found that the fence replacement was appropriate,<sup>4</sup> there is a lack of evidence supporting the reasonableness of a \$5,518 cost to replace the fence<sup>5</sup>. Based on the apparent lack of detail given to Classic Construction's bookkeeping and record keeping, the AG urges the Commission to use all due care in reviewing the reasonableness of Classic Construction's expenses.

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<sup>3</sup> See Commission Staff Report at page 13: "The Commission has long found that billing and collection fees that are set equal to 15 percent of revenues are unreasonable."

<sup>4</sup> Commission Staff Report at 29.

<sup>5</sup> See Commission Staff Discussion of Depreciation Expense on Staff Report at pages 17-18

#### 4. Conclusion

The Attorney General supports the Commission Staff's revenue recommendation of an increase in Classic Construction Inc.'s flat monthly rates from \$29.57 to \$30.30 per customer, which is a decrease of nearly \$15 from the increase the Company requested. This is an increase of 2.5% per month to each customer's bill.

WHEREFORE, the Attorney General submits this motion.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL

  
Gregory T. Dutton

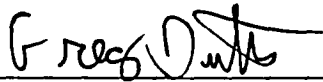
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*Notice of Filing, Certifications, and Notice of Service*

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, KENTUCKY 40604	Honorable Robert C Moore Attorney At Law Hazelrigg & Cox, LLP 415 West Main Street P.O. Box 676 Frankfort, KENTUCKY 40602
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this 25th day of November, 2013



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Gregory T. Dutton  
Assistant Attorney General