

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

APPLICATION OF SANDY HOOK WATER)
DISTRICT FOR RATE ADJUSTMENT) CASE NO. 2016-00265
PURSUANT TO 807 KAR 5:076)

**ATTORNEY GENERAL'S COMMENTS ON COMMISSION
STAFF'S AMENDED REPORT**

Comes now the Intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits the following Comments in response to the Commission's January 26, 2017 Order.

On July 19, 2016, Sandy Hook Water District ("Sandy Hook") filed an application with the Commission requesting a revenue increase of 25.56 percent.¹ After a limited financial review, Commission Staff initially recommended Sandy Hook increase revenues by 26.82 percent across all customer classes.² Sandy Hook elected not to request the higher recommended rate and renewed its request for a 25.56% increase.³ The Attorney General filed comments on the Staff Report on November 29, 2016, raising concerns about the effect of such a large rate increase on residential customers, operational expenses, and the effect of employee compensation policies on the stated need for a rate increase.⁴ On January 26, 2017, the Commission entered an Order including amendments to the original Staff Report ("Amended Staff Report") and instructing the parties to

¹ Application, ARF Form-1 - Attachment RR.-DC September 2011, Revenue Requirement Calculation- Debt Coverage Method.

² Case No. 2016-00265, Commission's Staff Report on Sandy Hook Water District (Ky. PSC Nov. 15, 2016) at 3 (hereinafter, "Staff Report").

³ Case No. 2016-00265, Sandy Hook Water District Notice of Acceptance and Waiving of Hearing (Ky. PSC Nov. 22, 2016) (hereinafter, "Sandy Hook Response").

⁴ Case No. 2016-00265, Attorney General's Comments (Ky. PSC Nov. 29, 2016).

respond with any comments or objections.⁵ The Amended Staff Report concluded that it had incorrectly calculated that Sandy Hook could support an increase in revenues of 26.82 percent.⁶ After removing \$47,970 from Overall Revenue Requirements, Staff recommends a 19.04 percent across-the-board increase instead.⁷ Sandy Hook did not object to the findings of the Amended Staff Report and accepted the revised rates as proposed by Commission Staff.⁸

The Attorney General reiterates the concerns raised in his initial Comments, especially that Sandy Hook remain cognizant of its financial condition when considering annual raises or other changes to compensation, since even the recommended 19.04% increase may have a large impact on Sandy Hook's customers. If Sandy Hook's operating revenues are insufficient to meet necessary expenses, its own policies recognize that annual raises may be inappropriate.⁹ As stated in his initial comments, the Attorney General supports the recommendation that any increase in rates be applied evenly across customer classes in the absence of a cost of service study.¹⁰ The Attorney General does not believe that a formal hearing or informal conference is necessary in this case.

WHEREFORE, the Attorney General defers to the Commission, based upon the evidentiary record, to set a fair, just, and reasonable rate for the customers of Sandy Hook, and respectfully requests that the Commission consider the concerns raised by the Attorney General in his earlier Comments.

⁵ Case No. 2016-00265, Order (Ky. PSC Jan. 26, 2017) at 2.

⁶ *Id.*, Amended Staff Report at 6.

⁷ *Id.*, Amended Staff Report at 2.

⁸ Case No. 2016-00265, Sandy Hook Water District Notice of Acceptance of Findings and Recommendations (Ky. PSC Feb. 2, 2017).

⁹ See, Attorney General's Comments at 3-4; See, also, Sandy Hook's Response to AG-2(a)(i-ii), April 9, 2015 Minutes ("Motion by Darren, 2nd by Estill to increase Bridgett to \$15 per hour effective immediately. Motion to table other annual raises by Philip, 2nd by Darren because it was explained that the policy states annual raise up to 5% unless financial difficulties or employee has poor performance.")

¹⁰ Attorney General's Comments at 8.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



S. MORGAN FAULKNER
KENT CHANDLER
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
700 CAPITAL AVE, SUITE 20
FRANKFORT, KY 40601-8204
PHONE: (502)696-5453
FAX: (502)573-1005
Samantha.Faulkner@ky.gov
Kent.Chandler@ky.gov
Rebecca.Goodman@ky.gov

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Talina Mathews, Acting Executive Directors, 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 to:

Holly Nicholas
Kentucky Eng Group PLLC
P.O. Box 1034
Versailles, KENTUCKY 40383

Sandy Hook Water District
1000 Howard's Creek Road
P. O. Box 726
Sandy Hook, KY 41171

this 9th day of February 2017.



Assistant Attorney General