

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2003-00034

IN THE MATTER OF:

OHIO COUNTY WATER DISTRICT

TESTIMONY OF W. GERALD WATTS

This sworn testimony of W. Gerald Watts was taken at the law office of F. Marlin, Jr. on April 1, 2003.

W. Gerald Watts first being duly sworn, testified as follows:

Q. 1 Please state your name and business address.

A. W. Gerald Watts, partner, Clemens, Guthrie & Robinson, LLP, 130 Veller Drive, Beaver Dam, KY 42320.

Q. 2 Your business or profession.

A. I am a certified public accountant.

Q. 3 Give us some information about your education and background.

A. I received a Bachelor of Arts degree in business administration with an emphasis in accounting from Kentucky Wesleyan College in May, 1969. I became a certified public accountant in March, 1981.

Q. 4 What is your work experience?

A. I have 33 years of public accounting experience working in tax accounting, auditing and consulting.

Q. 5 What is your experience working with the Ohio County Water District?

A. Our firm provides various accounting, counseling, and auditing services on a contract basis for the Water District,

Q. 6 What is your purpose for giving testimony today?

A. The purpose of my testimony is to present financial information and schedules as required under §6 and §10 of 807 KAR 5:001 to support the water rate increase application of the District.

Q. 7 Do you prepare the annual financial reports of the Ohio County Water District?

A. I have compiled the financial reports.

Q. 8 Can you explain the rate changes or adjustments that the Water District is requesting in the case of PSC 2003-00034?

A. The District is seeking an increase in water rates sufficient to operate the District on a sound Financial basis.

Q. 9 Are the rates that have been determined and submitted for approval sufficient to support the bond issue proposed by the District?

A. Yes, the rates provide adequate revenue to support a \$1,890,000 bond issue and construction project.

Q. 10 Can you explain the rate calculations and increases for the various customer classes that will be proposed in this application?

A. The rate adjustments requested would result in an average of 19.7% increase in water revenues for the District. The rate and percentage increases by customer classes are as Follows:

Rate Classification	Existing Rates	Proposed Rates	Percentage Increase
Retail			
Minimum (2,000 Gal)	\$17.23	\$20.11	16.72%
Next 18,000 Gal (Per 1,000 Gal)	\$ 7.55	\$ 8.39	11.13%
Next 30,000 Gal (Per 1,000 Gal)	\$ 6.56	\$ 7.26	10.67%
Next 50,000 Gal (Per 1,000 Gal)	\$ 5.56	\$ 6.12	10.07%
Over 100,000 Gal (Per 1,000 Gal)	\$ 4.58	\$ 4.97	8.52%

Wholesale

Per 1,000 Gal

\$ 1.53

\$ 2.55

66.67%

Q. 11 You have testified then the basic reason for this rate increase is to support the increase in bond payments for the amount of the bond that will be necessary to make the improvements in this application. Is that correct?

A. Yes, it is.

Q. 12 Do you know the last time that the Ohio County Water District had a rate increase approved by the Public Service Commission?

A. I believe that the last water rate increase was in 2000, PSC Case No. 2000-0170.

Q. 13 In your opinion will the proposed rates that have been studied and calculated by Ms. Carryn Lee are fair, just, reasonable, and nondiscriminatory?

A. Yes, the proposed rates will be fair, just, reasonable, and nondiscriminatory.

Q. 14 Is there any other testimony or information that you can offer at this time that would assist the PSC in reviewing these rates?

A. No.

WITNESSETH the hand of W. Gerald Watts to his testimony given under oath on

April 11, 2003.


W. GERALD WATTS

STATE OF KENTUCKY

The foregoing was sworn to, subscribed, and acknowledged before me by W. Gerald Watts, this 1st day of April, 2003.

MY COMMISSION EXPIRES:

July 24, 2004


NOTARY PUBLIC
STATE OF KY AT LARGE