

TESTIMONY OF CARRYN J. LEE

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

THE APPLICATION HENRY COUNTY)
WATER DISTRICT NO. 2 FOR AN ADJUSTMENT)
OF WATER RATES AND CHARGES AND THE) CASE NO.
APPROVAL OF A SYSTEM DEVELOPMENT) 2009-00370
CHARGE)

TESTIMONY OF CARRYN LEE

1. State your name and business address.

RESPONSE: Carryn J. Lee, 900 Argyll Drive, Danville, Kentucky 40422

2. What is your occupation?

RESPONSE: Lee Utility Consulting provides consulting services to water and wastewater utilities. My area of expertise is cost of service studies for retail and wholesale rates.

3. Have you been hired by the Henry County Water District No. 2 to provide consulting services?

RESPONSE: Yes.

4. What exhibits did you prepare?

RESPONSE: I prepared the initial notice to the Commission, the notice to customers, the revised tariff sheets and the comparison of present and proposed rates. I also prepared Exhibit 4 based on information from the audit and annual reports. Finally, I prepared Exhibit 8, the cost of service study.

5. Did the rates change as a result of the amended application?

RESPONSE: No. Initially Henry District proposed to fund RD loan payments and to fund \$100,000 out of a total \$807,322 in depreciation. The total increase was 18 percent. Since Henry District had published notice and was comfortable with an 18 percent rate increase, it decided to not decrease its rates as a result of not requesting funding approval. Henry District now proposes to fund \$300,500 in depreciation, which equals a rate increase of 18 percent.

6. Do you have any revisions to the original application or additional information to provide at this time?

RESPONSE: Yes. There was concern when filing the initial application that the billing analysis income did not match the income reported in the annual and audit reports. This difference was attributed to sales tax. Upon further consideration it was determined that sales tax income could not be the factor. Additional information has been gathered that shows the difference is due to adjustments such as leaks and misread meters. A list of adjustments is included in this amended application. The total dollar amount is \$92,506.

The summary of adjustments shows that 18,905,451 gallons should be removed from the billing analysis. This amount has been deducted from the over 50,000 gallon increment. The remaining dollar amount of \$48,341 has been deducted from test year income from the billing analysis in order for the analysis to match the annual and audit reports statement of income.

The gallons were deducted from both the test year and proposed billing analysis. The \$48,341 was deducted from only the test year analysis. Since Henry District desires no more than an 18 percent increase in rates any further adjustment would have had no impact on rates.

7. How were the proposed rates determined?

RESPONSE: Henry District requests an "across the board" rate increase of 18 percent. Henry District believes that increasing its last rate step by 72 percent as shown in the cost of service study would have a negative impact on its large users.

8. Does this conclude your testimony?

RESPONSE: Yes.

State of Kentucky
County of Boyle

I, Carryn J. Lee, after being duly sworn, stated that this testimony is true and correct to the best of my knowledge and belief.

1-28-10
Date

Carryn J. Lee
Carryn J. Lee

Aaron Johnson
Notary Public

My commission expires: 6-1-2013