

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

1. At page 12 of his testimony, Scott Rubin refers to a set of rates that he designed and presented on Schedule SJR-2. Please provide the original source papers that were used to develop the AG proposed rates presented on Schedule SJR-2, with all formulas intact.

Answer:

The file *Rubin Work.xlsx* is provided. Schedule SJR-2 is developed on the **RevenueProof** tab.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

2. Please explain in detail how Mr. Rubin derived and determined to be appropriate the customer charges, shown on Schedule SJR-2?

Answer:

Mr. Rubin considered two factors in developing the proposed customer charges. First, he applied ratios for each meter size based on approximately one-half of the standard AWWA meter capacity ratios. He chose these ratios because applying the full meter capacity ratios would have resulted in extremely large rate increases for some customers with larger meters. Using these smaller ratios is designed to be part of the transition to rates that better reflect the cost of service.

Second, Mr. Rubin selected a customer charge for the 5/8-inch and 3/4-inch meter that would result in approximately one-third of revenues being collected through the customer charges. Without a valid cost-of-service study, it is not possible to determine a cost-based amount of customer-related revenues, but there is some guidance available. As the Company has noted, the Florida Public Service Commission uses a guide of 40% of revenues from customer charges. The California Urban Water Conservation Council has a best management practice for water utility rate design (BMP 1.4) that has no more than 30% of non-fire revenues collected from customer charges. Considering this guidance along with the existing level of rates and customer impact, Mr. Rubin selected a \$10.00 per month customer charge for 5/8-inch and 3/4-inch customers.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

3. Did Mr. Rubin or the AG consider any other rate designs other than the one presented in Schedule SJR-2? If so, please provide the original workpapers, with all formulas intact, for these other rate designs and provide a detailed description of why Mr. Rubin did not recommend any alternate rate design that was considered. If not, please explain in detail why no other rate designs were considered.

Answer:

Mr. Rubin's development of the specific rate design proposal was an iterative process that evaluated customer impacts during each step of the process. The rate design as presented is the result of this process. Mr. Rubin believes this design appropriately balances customer bill impacts, the movement toward unified rates, and the collection of a reasonable amount of revenues through fixed and variable charges. Any other rate designs produced during this iterative process were not saved and were rejected in favor of the rate design as presented.

The AG objects to WSCK's Requests for Information numbers 3, 4, 5, and 8, to the extent they are seeking information or documents from the Attorney General. The Attorney general is neither the applicant, nor has he volunteered himself as a witness. Any response made by the Attorney General would subject counsel for the AG to cross-examination, which would or could also require disclosure of information which is or may be subject to the attorney-client privilege. Furthermore, Kentucky Rule of Professional Conduct 3.7 prohibits attorneys from providing testimony except in special, exempted situations, which this is not.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

4. Are there any expenses or costs included in WSKY's proposed revenue requirement of \$2,684,749 that the AG deems as unreasonable and should be disallowed? a. For each expense or cost that the AG deems as unreasonable and maintains should be disallowed, please provide a detailed explanation as to why the AG believes these expenses or costs should not be recovered in WSCK rates.

Answer:

The AG objects to WSCK's Requests for Information numbers 3, 4, 5, and 8, to the extent they are seeking information or documents from the Attorney General. The Attorney general is neither the applicant, nor has he volunteered himself as a witness. Any response made by the Attorney General would subject counsel for the AG to cross-examination, which would or could also require disclosure of information which is or may be subject to the attorney-client privilege. Furthermore, Kentucky Rule of Professional Conduct 3.7 prohibits attorneys from providing testimony except in special, exempted situations, which this is not.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

5. Please provide all invoices, documents, workpapers, or other information that has been generated by the AG, his employees, and all of the AG's hired consultants to support the amount of expenditures related to this proceeding.

a. The invoices should contain detailed descriptions of the services, the individual who provided the service, the total cost or expense for the service, the amount of time billed for each service, and the hourly billing rate.

b. Please provide a copy of all contracts or agreements entered into between the AG or his agents/employees and any consultant, independent contractor, or other individual who is providing or has provided services related to this proceeding.

Answer:

The AG objects to WSCK's Requests for Information numbers 3, 4, 5, and 8, to the extent they are seeking information or documents from the Attorney General. The Attorney general is neither the applicant, nor has he volunteered himself as a witness. Any response made by the Attorney General would subject counsel for the AG to cross-examination, which would or could also require disclosure of information which is or may be subject to the attorney-client privilege. Furthermore, Kentucky Rule of Professional Conduct 3.7 prohibits attorneys from providing testimony except in special, exempted situations, which this is not.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

. Mr. Rubin did not propose a separate usage tier for Clinton customers over 100,000 gallons, as was done for Middlesboro customers, even though there were several Clinton customers in the test-year that consumed over 100,000 gallons per month.

a. Please explain in detail why Mr. Rubin did not propose a separate volumetric rate for Clinton customers over 100,000 gallons?

b. As calculated by the Company in Attachment A, total test-year gallons over the 100,000 gallon usage threshold is equal to approximately 1,279,049 gallons. What does Mr. Rubin believe would be the appropriate the volumetric rate be for these gallons over the usage threshold?

Answer:

a. The separate usage tier for Middlesboro is designed as a transitional measure to mitigate the effect of large rate increases that high-use customers would bear under a unified (one-block) rate. Such a mitigation measure is not necessary in Clinton because Mr. Rubin set the consumption charge in Clinton equal to the existing charge for water usage in excess of 100,000 gallons per month. Thus, high-use customers in Clinton will not see any increase in their consumption charges.

b. As explained in (a) above, Mr. Rubin considers his proposed consumption rate for Clinton to be the appropriate rate to charge for all consumption in Clinton, including the 1,279,000 gallons the Company calculates for usage in excess of 100,000 gallons per month.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

. At page 12 of his testimony, Scott Rubin refers to a set of rates that he designed and presented on Schedule SJR-2, where he expressed that he designed a set of rates that moves close to consolidated pricing. When examining the rates, all rates are the same, except when it comes to the first tier of volumetric rates, where Middlesboro and Clinton volumetric rates are \$4.454 and \$4.580, respectively. If these volumetric rates were consolidated, the rate would be \$4.465, which is only one penny higher than the AG's proposed usage rate for Middlesboro. Please refer to Attachment A for the Company's calculations. Please explain why Mr. Rubin is not proposing using consolidated rates for the usage rates as well, since the consolidated usage rate would be so similar to the one Mr. Rubin proposed for Middlesboro?

Answer:

If there were no change in the revenue requirement, it would be reasonable to charge the same rate for the first 100,000 gallons per month in Middlesboro and all water consumption in Clinton. Mr. Rubin designed the rates, however, with an expectation that the Commission might determine the revenue requirement to be less than the Company requested, in which case he recommends that the Middlesboro consumption rates be reduced but there be no change in his proposed Clinton consumption rate. Consequently, Mr. Rubin did not consider it important to have the rates exactly the same in his proposal, since he expected the Middlesboro rate would be reduced.

Application of Water Service Corporation of Kentucky
for a General Adjustment in Existing Rates
Case No. 2015-00382
OAG Response to Request for Information from WSCK
Witness: Scott J. Rubin

8. Please provide all workpapers, source documents, electronic spreadsheets, and all schedules in electronic format with cells intact and that the AG, its employees, and consultants have prepared that are related to this proceeding. Please provide all spreadsheets in Microsoft Excel with formulas intact.

Answer:

See response to question 1.

The AG objects to WSCK's Requests for Information numbers 3, 4, 5, and 8, to the extent they are seeking information or documents from the Attorney General. The Attorney general is neither the applicant, nor has he volunteered himself as a witness. Any response made by the Attorney General would subject counsel for the AG to cross-examination, which would or could also require disclosure of information which is or may be subject to the attorney-client privilege. Furthermore, Kentucky Rule of Professional Conduct 3.7 prohibits attorneys from providing testimony except in special, exempted situations, which this is not.