

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC PROPOSED ADJUSTMENT OF THE )</b>	<b>CASE NO.</b>
<b>WHOLESALE WATER SERVICE RATES OF )</b>	<b>2019-00444</b>
<b>PRINCETON WATER AND WASTEWATER )</b>	

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**CALDWELL COUNTY WATER DISTRICT AND LYON COUNTY  
WATER DISTRICT’S JOINT POST-HEARING BRIEF**

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Come Lyon County Water District (“Lyon District”) and Caldwell County Water District (“Caldwell District”) (collectively, the “Water Districts”), by and through counsel, and in support of their case submit this Joint Post-Hearing Brief.

**I. INTRODUCTION**

**A. PARTIES**

The Applicant in this general rate adjustment case is Princeton Water and Wastewater Commission (“Princeton” or “PWW”). PWW operates water and sewer systems serving retail customers in the City of Princeton and surrounding areas in Caldwell and Lyon counties. PWW also provides wholesale water service to both Water Districts (PWW’s Response to Staff DR 1-1, p.2). During the test year PWW had 3,371 retail water customers, 2,878 sewer customers and two wholesale water customers, Lyon and Caldwell Districts (PWW’s Response to Staff DR 2-12 and DR 1-16). It produced 450,304,729 net gallons of water for sale (Water Districts’ Hearing Exhibit 1), but only sold 360,707,827 gallons allocated as follows: 195,867,888 gallons to retail customers, 99,528,025 gallons to Caldwell District, and 65,311,915 gallons to Lyon District (PWW’s

Response to Staff DR 1-16). Of those totals, retail usage amounted to 54.3%, and wholesale usage 45.7% (PWW's Response to Staff DR 1-16).

As shown in PWW's 2019 audit (PWW's Response to DR 1-2) it is in excellent financial condition. Its operating ratio measuring overall enterprise self-sufficiency was 1.33x, an improvement over the prior year and higher than its five-year average (PWW's Response to Staff DR 1-2, p.5). Its debt service coverage ratio measuring the ability to cover all debt obligations was 3.28x which is 270% greater than the existing bond and loan covenants' requirement of 1.20x (PWW's Response to Staff DR 1-2, p.5). PWW's cash position grew by \$600,000 from the prior year while liabilities decreased resulting in a 11.76 ratio, an improvement of almost 100% from the prior year (PWW's Response to Staff DR 1-2, p.5). Importantly, this ratio has increased by 450% from 2015 to 2019 (PWW's Response to Staff DR 1-2, p.5). This very strong cash position of \$2,231,699 means that PWW has 11 months of cash on hand, a substantial increase from FY 2018 (PWW's Response to Staff DR 1-2, p.5). Likewise, PWW's working capital has been on an upward trajectory for several years and totaled \$2.8 million at FY 2019-end, an increase of more than \$700,000 from FY 2018 levels (PWW's Response to Staff DR 1-2, p.5). Interestingly, the test year audit determined that "water sales outpaced budget but continued declines in wastewater revenue, mainly in the industrial sector, offset the positive variance that water revenues produced." (PWW's Response to Staff DR 1-2, p.6).

Caldwell District was formed in 1966 and purchases its entire water needs at wholesale from PWW to serve its 2,100 retail customers in Caldwell, Crittenden and Lyon counties. It has six full-time employees to maintain the system's 420 miles of distribution main.

Lyon District was formed in the late 1970's and also purchases a portion of its water needs at wholesale from PWW to serve it 2,600 retail customers in Lyon and Caldwell Counties. It has four full-time employees to maintain the system's 312 miles of distribution main.

Since both Caldwell and Lyon District are subject to full rates and service regulation by the Kentucky Public Service Commission ("Commission") PWW's proposed wholesale rate increase must be reviewed and approved by the Commission (Simpson Co. Water District v. City of Franklin, 872 S.W. 2d 460 (1994); KRS 278.200).

## **B. PROCEDURAL HISTORY**

On November 27, 2019, PWW filed with the Commission a revised tariff sheet imposing a substantial rate increase for wholesale service to Lyon and Caldwell Districts to be effective January 1, 2020, based upon a historical test year, July 1, 2018 to June 30, 2019, which was PWW's 2019 Fiscal Year. Currently, PWW's wholesale rates to the Water Districts consist of a per meter monthly Customer Service Charge of \$4.00 and a volumetric charge of \$2.2871 per 100 cubic feet. PWW's proposal increases the Monthly Customer Service Charge per meter by 50% to \$6.00. It also increases the volumetric charge by \$0.6829 per 100 cubic feet, or 30%, to \$2.9700 per 100 cubic feet. In addition, PWW proposes the assessment of a rate case expense surcharge split between the Water Districts and amortized over a 36-month period. Finally, embedded in PWW's case is abandonment of its declining block rate design in favor of uniform rates.

Both Water Districts filed timely objections to PWW's proposed rate and requested that the Commission open a formal proceeding to investigate its reasonableness.

The Commission subsequently opened this docket and provided for several rounds of pre-hearing discovery culminating in a video hearing before the Commission on May 5, 2020. By post-hearing order the Commission directed case submission on May 26, 2020, with a final

Commission order to be entered on or before June 15, 2020, the date to which PWW agreed the requested rates should remain suspended.

## **II. ARGUMENT**

### **A. Princeton's chosen methodology for calculating the revenue requirement to set fair, just and reasonable wholesale water rates is not based upon accepted cost of service principals**

The chief proponent of PWW's wholesale rate increase request is its full-time Director of Finance and Special Projects, Tracy B. Musgove. Ms. Musgove provided pre-filed testimony (PWW's Response to Staff DR 1-1) and responded to the majority of information requests propounded to PWW. Ms. Musgove has served in her current position since May 2010, and prior to that was a PWW Board Commissioner from 2004-2010 (PWW's Response to Staff DR 1-1, p.1). Prior to assuming her current role at PWW, Ms. Musgove was a commercial lender for Fifth Third Bank and Bank of America (PWW's Response to Staff DR 1-1, p.1). Before that she worked for eight years as a bank examiner with the Kentucky Department of Financial Institutions (PWW's Response to Staff DR 1-1, p.1).

Ms. Musgove has no training or experience with accepted cost of service ratemaking principles other than attendance at workshops, seminars and conferences over the years (PWW's Response to Staff DR 1-1, p.2; PWW's Response to Staff DR 3-1). Instead, she relies on her "educational and employment background" which "garnered knowledge of accounting and financing" (PWW's Response to Staff DR 3-1) as adequate ratemaking credentials upon which to base a 30% wholesale water rate increase (PWW's Response to Staff DR 3-1 b. & c.).

Although Ms. Musgove lacked knowledge and experience of cost of service principles she apparently knew that a reliable cost of service study based upon known and measurable changes was the standard methodology upon which utility rates are to be based. Yet, PWW declined to follow this path deeming a cost of service study prepared by an experienced rate consultant too

“expensive” (PWW’s Response to Staff DR 1-1, pp. 4,6; PWW’s Response to Staff DR 1-26), and choosing not to support its proposed rate increase on one (PWW’s Response to Staff DR 1-25). However, when pressed on the matter, Ms. Musgove was unable to provide proof that PWW actually investigated the costs associated with the completion of such a study (Hearing Video Record (HVR), 09:41:00, 5/5/20). Naturally, this begs the question of how PWW decided that the completion of a cost of service study was too expensive to pursue. At hearing, Ms Musgove admitted that she wished PWW had completed a cost of service study to support the rate proposal (HVR 09:58:00, 5/5/20).

Instead of preparing and supporting the proposed rate on a cost of service study PWW employed a “unit cost” approach which Ms. Musgove described in her testimony (PWW’s Response to Staff DR 1-1, pp.6-7), and in PWW’s response to Staff DR 2-17. Essentially, PWW’s unit cost approach can be summarized very simply by dividing the sum of all water production and distribution expenses in dollars by the net water produced and available for sale to arrive at a net cost of water production (HVR 09:43:00, 5/5/20).

This approach and PWW’s results are summarized in a Unit Cost Worksheet (PWW’s Response to Staff DR 2-21; Water Districts’ Hearing Exhibit 1). Ms. Musgove admitted at hearing that this worksheet was PWW’s substitute for a cost of service study (HVR 09:48:40, 5/5/20). Using Hearing Exhibit 1 as a reference it is easy to see how PWW arrived at its proposed rate (HVR 09:49:00, 5/5/20):

$$\frac{\$1,925,573 \text{ (total cost of production and distribution)}}{51,170,992 \text{ (net value produced for sale, less 15\% water loss)}} = 0.0376/\text{cu. ft.} \times 100 = \$3.76/100 \text{ cu. ft.}$$

PWW then used some unknown factor to reduce the rate proposal from an increase of \$3.76 per 100 cubic feet to an increase of \$2.97 per 100 cubic feet. PWW believes these rates should be uniform between its wholesale and large retail customers. For example, PWW believes that its

wholesale customers should pay the same volumetric rate that a residential customer with a swimming pool should pay (PWW's Response to Staff DR 1-1, p.6). PWW's stated goal is to recoup 100% of all its audited water expenses through both water usage rates or through the monthly customer charge (PWW's Response to Staff DR 2-17). Ms. Musgove admitted that this was the exact process PWW employs in setting its retail sewer rates (PWW's Response to Staff DR 1-1; HVR 09:54:40, 5/5/20).

**B. There are numerous flaws in Princeton's Unit Cost approach rendering its calculated revenue requirement unreliable**

In support of their joint objection to PWW's proposed rate increase the Water Districts engaged a well-qualified and experienced rate consultant, Alan Vilines who filed testimony in this case on March 20, 2020. Mr. Vilines is an engineer by education holding a B.S. in Civil Engineering Technology and a M.S. in Engineering Administration. He is a licensed professional engineer in the Commonwealth of Kentucky. Mr. Vilines began his career performing design work on water and sewer treatment plants, and water transmission and distribution projects. After about six years working as a consulting engineer he moved to the Warren County Water District where he served variously as Manager of Engineering, General District Manager and other positions. He was required to perform design and contract administration of major water and sewer construction projects. He developed capital improvement plans, performed management studies, hydraulic analyses and financial and rate studies. After 23 years with this large water district Mr. Vilines retired and transitioned to consultant for Kentucky Rural Water Association. He routinely performs water and sewer rate studies and financial analyses and assists utilities with Commission applications and tariff filings (Vilines testimony, 3/20/20, Exhibit 1). Mr. Vilines also has provided expert assistance and testimony in numerous cases before the Commission (Water

Districts' Response to PWW DR 1-4 and DR 1-5). Mr. Vilines has extensive experience in preparing cost of service studies for water and sewer utilities, is quite familiar with Commission procedures and decisions, and brings unique knowledge and experience about how combined water and sewer utilities function day-to-day, the impact on their balance sheets and the appropriate methodology for allocating expenses between the water and sewer divisions, and for needed sub-allocations between service to retail and wholesale customers.

Mr. Vilines provides an excellent description of the textbook cost of service methodology for setting the wholesale rates of a municipal utility like PWW having combined water and sewer operations (Vilines testimony, 3/20/20, pp.3-4):

“Expenses from audited financial statements are adjusted to recognize ‘known and measurable’ changes that may have occurred during or after the test year and to make rational allocations of expenses between water and sewer divisions. The resulting pro forma expenses are further allocated to four categories: water production, transmission & distribution, customer accounts and administration. Expenses in each of these categories are then allocated to wholesale and retail Customers by applying ‘use’ factors. These factors are based on percentages of water system components that are useful and beneficial to wholesale customers. The sums of expenses allocated to wholesale customers and retail customers, respectively, represent the total revenue requirement from each of these two customer classes. The wholesale rate is simply the total revenue requirement divided by total sales quantity to wholesale customers. A separate customer charge is not computed because allocated administrative expenses are included in the uniform rate described above.”

Mr. Vilines confirmed that PWW did not perform a cost of service study, rather, it used the unit cost approach described previously (Vilines testimony, 3/20/20, pp.4-5). In his professional opinion the unit cost approach is “inappropriate and inaccurate for a number of reasons” (Vilines testimony, 3/20/20, p.5), by failing to make necessary adjustments to certain expenses, failing to fairly allocate costs, and is generally too simplistic for use in setting fair, just

and reasonable wholesale water rates (Vilines testimony, 3/20/20, p.6). He determined that by including inapplicable expenses and failing to allocate other expenses correctly, PWW's resulting wholesale revenue requirement is inflated resulting in a proposed wholesale water rate request that is also inflated (Vilines testimony, 3/20/20, p.6).

Although there were several, Mr. Vilines' testimony provides examples of those flaws in PWW's unit cost approach most impactful to the wholesale revenue requirement calculation (Vilines testimony, 3/20/20, pp.5-6). These include payment of 100% of employee and family health insurance premiums; improper recognition of County Employee Retirement System (CERS) and Other Post Employment Benefits (OPEB) retirement liability expenses; improper allocation of expenses between PWW's water and sewer divisions; and, inside the water division, improper sub-allocation of expenses between service to retail versus wholesale customer classes. These and a handful of other issues with PWW's revenue requirement calculation methodology will be briefly discussed later in this brief.

Mr. Vilines concluded his testimony by providing his opinion on an accurate and reliable wholesale revenue requirement based upon known and measurable changes. After making conservative adjustments to expense for the above-discussed problems, Mr. Vilines calculated a wholesale revenue requirement of \$569,900, resulting in a wholesale rate of \$2.59 per 100 cubic feet, or an increase over the existing wholesale rate of 13%, rather than the 30% requested by PWW (Vilines testimony, 3/20/20, pp.6-7). Mr. Vilines' analysis and calculations are available in the excel spreadsheet as attachment for Water Districts' Response to Staff DR 1-2, filed 4/17/20.

Mr. Vilines stressed that his analysis could be "further refined" with additional detailed information from PWW (Vilines testimony, 3/20/20, p.7). In fact, following additional adjustments to expense made by Ms. Musgove, subsequent to Mr. Vilines' calculations and



testimony, he re-visited the original analysis and determined that the revised wholesale revenue requirement is reduced slightly to \$556,836, which equates to a wholesale rate of \$2.53 per 100 cubic feet, or a 10.8% increase over existing wholesale rates. Mr. Vilines' revised calculations can be found in his supplemental response to the previously identified Water Districts' Response to Staff DR 1-2, filed 5/6/20.

**C. PWW's allocation of expense between its water and sewer divisions is unsupportable**

PWW should have made two sets of allocations to expenses in calculating the proper wholesale revenue requirement. The first should have been for the Administration and Maintenance groups as between the water and sewer divisions. The second should have been inside the water division separating expenses attributable to the provision of service between retail and wholesale customer classifications. In both situations such allocations should be based on known and measurable empirical data supported by reliable internal documentation and by applying appropriate "use" factors as discussed by Mr. Vilines. Instead, PWW's allocations were self-described as "random" by Ms. Musgove (PWW's Response to Staff DR 1-32), as shown by PWW's failure to maintain daily records of actual time spent by the Maintenance group showing whether their work was water-related or sewer-related (PWW's Response to Staff DR 1-8).

**D. PWW's payment of 100% of employee health insurance is excessive and the failure to adjust expenses accordingly is contrary to Commission policy**

PWW pays 100% of the premium for a family health insurance plan for each of its 22 employees (PWW's Response to Water Districts' DR 1-13(b)) resulting in total cost during the test year of \$256,980 (PWW's Response to Water Districts' DR 1-13(c)). It also offers a very generous package of other benefits including dental, vision and life insurance (PWW's Response to Water Districts' DR 1-13(a)). The average test-year cost to PWW of paying for health, dental,

vision and life insurance is \$12,168 per employee. A chart summarizing each PWW employee's wages and benefits for the test year is found in Water Districts' Hearing Exhibit 2 (this chart was produced as PWW's Response to Water Districts' DR 1-14).

Mr. Vilines recognized the Commission's policy of imposing an appropriate adjustment to expense when a utility does not require reasonable employee contributions toward premium based upon the U.S. Department of Labor, Bureau of Labor Statistics, chart showing average employer/employee contributions for family health insurance coverage (Water Districts' Hearing Exhibit 6). While PWW failed to make such an adjustment, Mr. Vilines did so and is contained in his original and revised spreadsheet referencing PWW's Response to Staff DR 2-1, Pro Forma Expenses.

It is also worth mentioning that PWW's test year wage and benefit expense is not based, nor has PWW ever performed, a wage and salary survey to account for the wages and benefits being paid by other private industry and business employers in PWW's service area. In fact, four days before the hearing PWW submitted a revised and supplemental response to PWW's Response to Staff DR 2-9 by providing a comparison of benefits paid by similar municipal water and sewer utilities in the Western Kentucky area. The Commission has traditionally disregarded comparisons such as this because it does not provide a reliable sample of both public and private employers conducting business in the area. The Commission is urged to treat this comparison no differently. It is worth noting, however, that PWW is the only utility on the list that pays a 100% family plan premium for its employees. In fact, PWW's sister utility, Princeton Electric Plant Board, 'only' pays 80% (PWW's Supplemental Response to Staff DR 2-9, filed 5/1/20).

**E. PWW failed to properly treat employee pension (CERS/OPEB) expense**

Because of certain General Accounting Standards Board (“GASB”) requirements PWW’s financial statements are required to recognize future pension costs and other post-employment benefits. This recognition is found in PWW’s 2019 audited financials (PWW’s Response to Staff DR 1-2) and a further description of both CERS and OPEB benefits is contained in PWW’s Response to Staff DR 2-4. Because PWW’s revenue requirement analysis is based on its 2019 audited financials these future pension liabilities are part of that analysis. According to Mr. Vilines’ testimony, by definition, these future retirement liability expenses do not represent actual payments made by PWW during the test year and should not be included as part of the revenue requirement (Vilines testimony, 3/20/20, p.5). Mr. Vilines’ analysis contains an appropriate adjustment to expense to account for this issue which is evident in his original and revisions to the spreadsheet PWW’s Response to Staff DR 2-1, Pro Forma Expenses. Mr. Vilines also informed the Commission that because of the current COVID-19 situation the Kentucky General Assembly recently passed legislation to freeze at the current rate the 2020-21 CERS contribution.

**F. PWW failed to make an adjustment to expenses for revisions to depreciation**

In employing the unit cost approach to determine the wholesale water revenue requirement PWW used the depreciation rates contained in its 2019 audited financials (PWW’s Response to Water Districts’ DR 1-7). However, upon learning that for ratemaking purposes the NARUC depreciation schedule should have been used PWW re-calculated depreciation to NARUC mid-point values (PWW’s Response to Water Districts’ DR 1-7). Yet, following this exercise, PWW did not make a corresponding adjustment to depreciation expense nor provide a supplemental revenue requirement calculation.

**G. PWW failed to account for water used by its sewer division**

As shown in PWW's response to WD 1-31 its sewer division used 5.695 million gallons of treated water to operate the sewer treatment plant and for lift station use. However, at hearing Ms. Musgove admitted that this amount was not removed before calculating the net water produced and available for sale on her unit cost worksheet (PWW's Response to Staff DR 2-21; Water Districts' Hearing Exhibit 1; HVR 10:05:40, 5/5/20). Because of this error and the fact that the sewer division never compensated the water division for these gallons, PWW's cost of production is inflated to the Water Districts' detriment. Mr. Vilines did not offer an adjustment to expenses for this issue but the Commission is requested to consider it in developing PWW's wholesale rate.

**H. Any award by the Commission of a rate case surcharge should be tempered by PWW's rate case strategy**

PWW seeks the award of its reasonable rate case expenses through a rate case surcharge payable by the Water Districts and amortized over thirty-six months. Included in the amount are PWW's attorney's fees and reimbursement for the time Ms. Musgove spent on the case. The Water Districts recognize that the Commission may award PWW recovery of a portion of its rate case costs and expenses and to the extent it does a thirty-six month amortization is not objectionable. However, the Water Districts request that the Commission limit any such recovery after considering two important factors. First, Ms. Musgove is a full-time employee of PWW paid by salary and a generous benefit package. The Water Districts do not believe that an award of rate case expenses should be made for her time spent on this case as an employee of PWW. To do so would provide PWW with a double recovery since her wages and benefits are already included in the revenue requirement calculations. Second, PWW is the cause for any rate case expense that exceeds what is normal and reasonable in a similar case. While PWW certainly has the right to seek a wholesale rate adjustment when its finances dictate, it and all other jurisdictional utilities

must do so according to accepted ratemaking principles. The unit cost approach employed in this case and PWW's lack of understanding of basic ratemaking principles has caused the case to be more intensely litigated than it should have been if a reasonable and reliable cost of service study had formed the basis of the proposed rate. Also to be considered is PWW's refusal to accept Caldwell District's request to negotiate the rate proposal in its early stages. At hearing, it is a fair characterization to say that Ms. Musgove sought to mislead the Commission when she testified that neither Water District attempted to negotiate or even discuss the rate proposal (HVR 14:18:00, 5/5/20). However, the Water Districts' Hearing Exhibit 5 revealed her disingenuousness by demonstrating Caldwell District's suggestion that the parties discuss the rate proposal. PWW promptly and succinctly rejected this overture. It is possible that such discussions could have resulted in an agreement or at least a better understanding of positions, but we'll never know because PWW balked at the idea. That the parties had peacefully coexisted through six wholesale rate increases in 20 years is good evidence that discussions could have been fruitful. To allow full recovery of rate case expenses in favor of a party bearing the burden of proof, who rejected a good-faith request to negotiate, and then misled the decision-maker on the subject, would serve as an inappropriate reward for such conduct and send the wrong message to future litigants. The Water Districts respectfully encourage the Commission to take all of this into account when considering the approval and amount of PWW's requested rate case surcharge.

### **III. SUMMARY AND CONCLUSION**

In the past 20 years PWW has imposed on the Water Districts wholesale rate increases of 40% in 2000; 25.2% in 2002; 33.5% in 2004; 2.8% in 2006; 10% in 2011; and, 13% in 2014 (PWW's Response to Water Districts' DR 1-1; Water Districts' Hearing Exhibit 4). The cumulative wholesale volumetric rate increase during this period is 113%, from \$1.0710 per 100

cubic feet to \$2.2871 per 100 cubic feet. Now, PWW seeks another 30% wholesale rate increase relying on a test year in which it posted extraordinarily good financial results: its cash position increased to \$2.2 million, a \$600,000 increase from the prior year; its working capital increased to \$2.8 million, a \$700,000 increase from the prior year; its test year revenues, including water sales, exceeded budget and expenses were lower than budget; and, its operating, debt-service and other financial ratios were excellent. These financial data points make PWW the envy of most every municipal water utility in Kentucky. PWW's board and staff deserve credit for their good stewardship of the utility. According to the 2019 audit the only real financial concern facing PWW are declines in sewer revenue which is offsetting its positive water revenues (PWW's Response to Staff DR 1-2, p.6). Superimposed on all of this is the fact that PWW pays healthy wages and an even healthier benefit package to its employees. The evidence shows PWW has not missed either a merit or COLA raise for its employees in the past five years (PWW's Response to Water Districts' post-hearing DR 2), and continues the payment of a benefits package probably as generous as can be found in its general service area in Western Kentucky. Yet, it is against this backdrop that PWW seeks, in Ms. Musgove's words, a "significant" wholesale water rate increase (PWW's Response to Staff DR 1-2, p.3).

The Water Districts do not argue that PWW's rate increase request should be completely denied. They recognize that since the last wholesale water rate increase in 2014 infrastructure has aged and O&M costs have escalated. However, considering PWW's excellent financial condition and the likelihood that the requested water rate increase is really more about a degradation of sewer revenues, the Water Districts request that only a modest increase be approved.

As discussed previously, PWW's revenue requirement is significantly flawed. It employed a unit cost methodology which might be acceptable to determine the cost to produce a widget, but it has no place in utility ratemaking.

Even after PWW recognized its several ratemaking errors and completed a handful of revised adjustments it has never presented the Commission with a revised revenue requirement and rate. This is puzzling. Perhaps PWW doesn't really know what the wholesale rate should actually be or is reluctant to reduce its original proposal.

The only reliable evidence in the record regarding what PWW's new wholesale rate should be is from the Water Districts' expert, Mr. Vilines. He has given PWW the benefit of every doubt in his analysis and has determined that at best, the wholesale revenue requirement should be \$556,836, which equates to a volumetric rate of \$2.53 per 100 cubic feet (\$3.38 per 1000 gallons), resulting in a 10.8% wholesale rate increase.

Regarding PWW's requested 50% meter charge increase from \$4.00 per meter to \$6.00 per meter, the Water Districts continue to believe any administrative cost attributable to wholesale customers is already contained in the volumetric rate and do not believe the increase is warranted.

Finally, as previously discussed the Water Districts agree that a modest recovery of rate case expenses by PWW is appropriate. However, they wish to reemphasize that PWW's full request is unwarranted due to the extra work by all parties caused by PWW's reluctance to engage a rate consultant to prepare a valid and reliable cost of service study before attempting to impose a 30% wholesale water rate increase because they believed it would be too expensive. If PWW always intended to request rate case expense recovery it is hard to understand why employment of a cost of service consultant was objectionable. Moreover, as a full-time employee, Ms. Musgove's

labor in preparing and administering the case is already being recovered in rates and inclusion in rate case expense would result in a double-recovery to PWW.

WHEREFORE, based on the foregoing the Water Districts respectfully request that the Commission make findings and conclusions after due consideration is given to the expert opinion evidence provided by the Water Districts' rates expert, Mr. Vilines; and, that PWW's request for recovery of rate case costs and expenses be substantially reduced after taking into account the extra litigation time and resources necessitated by PWW's failure to support its case by a reliable cost of service study and its refusal to pursue Caldwell District's good-faith offer to negotiate.

Respectfully submitted, this 22<sup>nd</sup> day of May, 2020.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on May 22, 2020; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium will be filed at the Commission within thirty days of the current state of emergency for COVID-19 being lifted.



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