

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Water Service Corporation)
of Kentucky for a General Adjustment) Case No. 2020-00160
in Existing Rates)

REBUTTAL TESTIMONY OF STEVEN M. LUBERTOZZI

WATER SERVICE CORPORATION OF KENTUCKY

CASE NO. 2020-00160

Rebuttal Testimony of Steven Lubertozi

1

INTRODUCTION

2 **Q1. Please state your name, present position and business address.**

3 A1. My name is Steven Lubertozi. I am the President of Water Service Corporation of
4 Kentucky (“WSCK” or “Company”). My business address is 500 W Monroe Street,
5 Chicago, IL 60661.

6 **Q2. Did you previously provide Direct Testimony in this proceeding?**

7 A2. Yes. I did.

8 **Q3. What is the purpose of your Rebuttal Testimony?**

9 A3. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of Lane
10 Kollen submitted on behalf of the Office of Attorney General and the City of Clinton and
11 to certain issues raised by the City of Clinton witness Shannon Payne.

12

TESTIMONY OF LANE KOLLEN

13 **Q4. Please summarize your key conclusions regarding the Direct Testimony of Mr.**

14 **Kollen?**

15 A4. My key conclusions are as follows:

16 (1) Mr. Kollen ignores the fact that the Commission encouraged WSCK to utilize an
17 operating-ratio or operating-margin methodology in Case No. 2008-00563.

18 (2) There is no underlying data to support the reasonableness of a specific return on
19 equity recommended by Mr. Kollen

1 (3) The Commission has adopted an 88% operating ratio for calculating revenue
2 requirement in hundreds of cases. There is no reason to deviate from that ratio in this
3 case.

4 **Q5. Why did WSCK use an operating margin in this case to calculate its revenue**
5 **requirements?**

6 A5. There are two primary reasons why WSCK used an operating margin in this case to
7 calculate rates. First, as mentioned by WSCK witness Robert Guttormsen on page 3 of
8 his direct testimony, the Commission has endorsed this methodology in WSCK rate cases
9 since 2010. Second, as mentioned by Mr. Guttormsen on page 14 of his direct testimony,
10 ratepayers will save approximately \$50,000 in rate case expense in the absence of an
11 external rate-of-return expert.

12 **Q6. Why did WSCK use an operating margin in Case No. 2010-00476?**

13 A6. In its final order of WSCK's 2008 rate case, Case No. 2008-00563, the Commission
14 accepted the use of a return-on-equity approach in calculating revenue requirement as
15 proposed by WSCK, but the Commission encouraged WSCK to utilize the operating
16 margin methodology in future cases. A copy of that decision is attached as Rebuttal
17 Exhibit 1. WSCK accepted the Commission's guidance and proposed a revenue
18 requirement based on the operating margin methodology in the 2010 rate case and all
19 subsequent cases.

20 **Q7. Did the Attorney General take a position regarding the use of a return on equity**
21 **approach or operating margin methodology for calculating WSCK's revenue**
22 **requirement in Case No. 2008-00563?**

1 A7. Yes. The Attorney General was opposed to the use of a return on equity in that case.
2 Specifically, it argued that “WSCK, given its size, could have and should have utilized
3 the operating ratio methodology.” The Attorney General also stated that “[t]he use of the
4 operating ratio meets the ‘widely accepted’ criteria describe[d] by WSCK” in a data
5 response. A copy of the Attorney General’s brief is attached as Rebuttal Exhibit 2.

6 **Q8. Did the Commission agree with the Attorney General’s arguments regarding**
7 **methodology for calculating revenue requirements in Case No. 2008-00563?**

8 A8. Generally, yes. Although the Commission accepted WSCK’s proposed return-on-equity
9 approach for use in that particular case, the Commission agreed with the arguments
10 presented by the Attorney General in that case. Specifically, the Commission stated:
11 “The Commission agrees with the AG that the operating ratio is the most commonly used
12 methodology in determining the return of a company the size of Water Service, and is
13 highly preferable to a full ROE analysis such as the company has presented. The
14 Commission will accept the use of ROE analysis in determining Water Service’s return in
15 this case, but encourages the company to use the more appropriate operating ratio
16 methodology in the future.”

17 **Q9. You mentioned lower rate case expense as a reason for utilizing the operating**
18 **margin approach. Is that correct?**

19 A9. Yes. We estimate that ratepayers will save approximately \$50,000 in rate case expense in
20 the absence of an external rate-of-return expert.

21 **Q10. Has the Attorney General previously taken a position regarding WSCK incurring**
22 **rate case expense for a rate-of-return expert?**

1 A10. Yes. In Case No. 2008-00563, the Attorney General argued: “If WSCK seeks cost
2 recovery of reasonable rate case expenses, it should be prepared to demonstrate why the
3 costs of submitting cost of equity testimony are more appropriate than the use of the
4 operating ratio.”

5 **Q11. How do you react to that argument?**

6 A11. That appears to be contrary to the arguments of the Attorney General’s witness, Mr.
7 Kollen, who is encouraging the use of a rate-of -return approach to calculating WSCK’s
8 revenue requirement. If WSCK proposed such an approach, it would be required to
9 present expert testimony to demonstrate the reasonableness of its proposed return on
10 equity. That expert testimony would cause WSCK to incur additional rate-case expense.

11

12 **THE USE OF OPERATING MARGIN METHODOLOGY IN THIS CASE**

13 **Q12. Mr. Kollen recommends that the Commission reject the use of an operating-margin**
14 **methodology for calculating rates in this case? Do you agree with him?**

15 A12. No.

16 **Q13. Why do you think the Commission should accept the use of an operating-margin**
17 **methodology for calculating rates in this case?**

18 A13. First and foremost, the Commission should accept the use of an operating-margin
19 methodology for calculating rates in this case because the Commission has previously
20 determined that such a methodology is reasonable and WSCK relied upon the
21 Commission past practice, which is a reasonable approach. WSCK did not propose to
22 use a rate-of-return methodology in this case, and therefore, it would be unfair and
23 inappropriate to shift this component in the middle of the rate case. The Commission

1 made a similar determination in Case No. 2008-00563, in which it approved of the rate-
2 of-return methodology but encouraged the use of an operating-margin methodology in
3 the future.

4 **Q14. Are there other reasons why the Commission should reject Mr. Kollen's**
5 **recommendation that a rate-of-return approach should be used to calculate rates?**

6 A14. Yes. Prior Commission orders reject one of the reasons Mr. Kollen uses to justify his
7 recommendation in this case. Mr. Kollen indicated that the Commission determined that
8 the operating-ratio methodology is appropriate in certain circumstances, such as when the
9 utility is small. Mr. Kollen asserts that such a factor does not exist in the present case
10 because WSCK should not be viewed in isolation, but rather, in the context of its
11 corporate parent, Corix Regulated Utilities, Inc. But Commission found otherwise in
12 Case No. 2008-00563, in which the Commission explained that the small size of WSCK
13 was a reason to use an operating-ratio methodology. Additionally, in Case No. 2014-
14 00390, the Commission utilized the operating-ratio methodology to calculate revenue
15 requirement for Kentucky-American Water Company's sewer operations. Although
16 Kentucky-American's sewer operations are relatively small, its corporate parent
17 American Water provides utility services to approximately 14,000,000 individuals. By
18 utilizing an operating ratio to calculate Kentucky-American's sewer rates, the
19 Commission was signaling that it did not consider the size of a utility's corporate parent
20 as a relevant factor in this analysis.

21 **Q15. Mr. Kollen argues that WSCK is not a private company and therefore the**
22 **Commission should not use its historical practice the operating margin to set**
23 **revenue requirement and rates. How do you respond?**

1 A15. WSCK is a private company. I'm not sure how Mr. Kollen would define a privately
2 owned, but I rely upon a relatively simple and commonly understood definition for both a
3 private company and a public company.

4 **Q16. Please provide the Commission your understanding of a private and public**
5 **company.**

6 A16. A private company is defined as a company that their shares are not traded on a public
7 exchange, and public company is defined as a company were their share are traded on a
8 public exchange. It basically comes down to whether a company's shares are publicly
9 traded or not.

10 **Q17. Are WSCK's shares traded on a public stock exchange?**

11 A17. No. WSCK is a privately held and privately owned company, and has a single
12 shareholder, Corix Regulated Utilities (US) Inc. Likewise, Corix Infrastructure Inc. is a
13 privately held or privately owned company. It has a limited set of shareholders; most
14 importantly none of their shares are traded on a public exchange.

15 **Q18. In Case No. 2010-00476 the Commission stated the following: The Commission has**
16 **historically used an operating ration approach to determine the revenue**
17 **requirement for small, privately-owned utilities. In your opinion is WSCK still a**
18 **small and a privately owned utility?**

19 A18. Absolutely, WSCK is still considered a small and privately owned utility, which is
20 exactly why the Commission encouraged WSCK to use an operating margin.

21 **OTHER ISSUES**

22 **Q19. What are some flaws in Mr. Kollen's recommendation to set WSCK's return on**
23 **equity at 9.25%?**

1 A19. Mr. Kollen asserts that the Commission should utilize a rate-of-return methodology in
2 this case and adopt a return-on-equity (“ROE”) rate of 9.25% because that was the ROE
3 determined appropriate for Duke Energy Kentucky. Mr. Kollen presents no data to
4 support such a rate. In fact, the record of this case is completely devoid of such evidence.
5 ROE experts frequently provide hundreds of pages of data and analysis to compare
6 various methods, such as the discounted cash flow model (DCF), the capital asset pricing
7 model (CAPM), the empirical CAPM (ECAPM), and risk premium (RP) models.
8 Experts consider market trends that can shift over a matter of months. None of that
9 information or analysis is present in this case.
10 In addition, the appropriate ROE for a particular utility is specific to that utility and must
11 be determined on a case by case basis. It is insufficient to set an ROE for a water utility
12 with less than 7,000 customers and annual revenue of less than \$3 million based
13 exclusively on the authorized ROE for an electric utility with nearly 100,000 customers
14 and nearly \$400 million in annual revenue.

15 **Q20. In his testimony, Mr. Kollen mentions an ROE granted by the Public Service**
16 **Commission of South Carolina. Do you believe that has relevance in this case?**

17 A20. No. For a couple reasons. First, this case is under appeal, so the referenced order is not
18 final. The appellate process could result in reversal, affirmation or the case being
19 remanded.

20 **Q21. In his testimony, Mr. Kollen recommends a reduced ROE for WSCK because of a**
21 **lower risk for water utilities. Do you believe this is appropriate?**

22 A21. No. Mr. Kollen has provided absolutely no data or information to support his statement
23 that there is lower risk to investors of water utilities as compared to electric utilities. And

1 contrary to his statement, there are reasons why a water utility in Kentucky has higher
2 risk than an electric utility. For example, electric utilities benefit from automatic rate
3 mechanisms that reduce the volatility of utility expenses, such as fuel adjustment clauses
4 and environmental surcharges. Moreover, Mr. Kollen has provided no quantifiable data to
5 support his recommendation of a decrement of 0.5 percent.

6 **Q22. In his testimony, Mr. Kollen recommends—as an alternative—that the Commission**
7 **increase the operating margin to 91.76 percent. Do you believe this is appropriate?**

8 A22. No, it is not appropriate for several reasons.

9 First and foremost, this Commission has determined that the 88% ratio is appropriate in
10 hundreds of cases over the course of many decades. A sample list of Commission cases
11 in which the 88% operating ratio was used is attached as Rebuttal Exhibit 3.

12 Second, Mr. Kollen bases his alternatively proposed operating margin based on a
13 recommended ROE. This would defeat one of the reasons why the use of an operating
14 margin is, at times, beneficial—namely, the reduction of rate-case expense due to the
15 elimination of an ROE expert. If the Commission determines that the operating margin
16 must be based on an equivalent ROE, utilities proposing rates based on operating-margin
17 methodology will still be required to retain an ROE expert to demonstrate that its
18 proposed operating margin is reasonable.

19 Third, Mr. Kollen's proposed adjustment to the operating ratio is based on the as-filed
20 case of WSCK. To the extent that the Commission adjusts expenses that may be
21 recovered in rates, there would be a corresponding adjustment to the Mr. Kollen's
22 calculated ROE.

1 **Q23. If the Commission were to determine that it would be more reasonable for WSCK to**
2 **calculate revenue requirements based on rate base/rate of return, how would you**
3 **recommend the Commission and WSCK accomplish that?**

4 A23. If the Commission were to determine that it would be more reasonable for WSCK to
5 calculate revenue requirements based on rate base/rate of return, I would recommend the
6 Commission to approve rates in this case based on the 88% operating margin and to
7 encourage WSCK to utilize a rate base/rate of return methodology in the future. This
8 would be consistent with the Commission's approach in Case No. 2008-00563 in which it
9 authorized rates based on WSCK's proposed methodology but encouraged a change to
10 methodology in future cases. This would also enable WSCK to present testimony on the
11 appropriate return on equity to be authorized in the next case.

12 **Q24. With the exception of an adjustment to revenue requirement based on an ROE of**
13 **9.25% or altered operating ratio, did Mr. Kollen recommend any other adjustments**
14 **to the expenses WSCK proposes to recover through rates?**

15 A24. No.

16 **TESTIMONY OF SHANNON PAYNE**

17 **Q25. How do you respond to Ms. Payne's claim that the issues raised in the January 2020**
18 **City Council metering have not been resolved?**

19 A25. The issues referenced by Ms. Payne, appear to include complete monthly or payment
20 reports from WSCK, audit information, late payments on utility electric bills and fire
21 hydrant issues brought up by the Clinton Fire Department.

22 The audited financial statements requested were provided once the City of Clinton's
23 external auditor contacted me and executed the necessary nondisclosure agreement.

1 Regarding the late payments on utility electric bills, the Company's parent corporate
2 office (including its Accounts Payable department) were relocated from Northbrook,
3 Illinois to Chicago, Illinois. Upon relocation there was a transition period which
4 unfortunately delayed some payments to many of the Company's suppliers. The issue has
5 since been resolved.

6 It is my understanding that the monthly reporting information is being provided to the
7 City on a timely basis, and if the City would like additional or more detailed reports, we
8 would be happy to provide them. We just ask that the City provide a specific list of
9 monthly reports it would like to see.

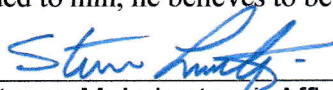
10 Regarding the issues raised by the Clinton Fire Department, please refer to explanation
11 provided in Mr. Vaughn's testimony.

12 **Q26. Does this conclude your prepared rebuttal testimony?**

13 A26. Yes, it does.

AFFIDAVIT

The undersigned, Steven M Lubertozzi, being duly sworn, deposes and says that he is the President for the Water Service Corporation of Kentucky, within Utilities, Inc., that is authorized to submit this testimony on behalf of Water Service Corporation of Kentucky, and that the information contained in the testimony is true and accurate to the best of his knowledge, information and belief, after reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.



Steven M. Lubertozzi, Affiant

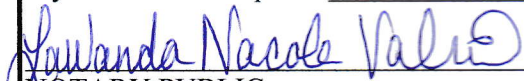
NOTARY CERTIFICATE

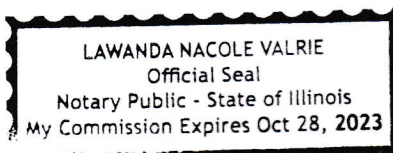
STATE OF ILLINOIS

COUNTY OF DuPage

Subscribed, acknowledged and sworn to before me by Steven Lubertozzi on this 3rd day of November, 2020.

My commission expires: OCTOBER 28th 2023


NOTARY PUBLIC



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR AN) CASE NO. 2008-00563
ADJUSTMENT OF RATES)

O R D E R

Water Service Corporation of Kentucky (“Water Service”) filed an application requesting approval to increase its water rates, to establish several new nonrecurring charges, and to make changes to certain existing nonrecurring charges. Water Service proposes to adjust its water rates to increase its operating revenues from \$1,631,079 to \$2,438,085, an increase of 50.08 percent increase or \$807,006.¹ By this Order, the Commission modifies the proposed tap-on fee, approves the remaining nonrecurring charges, and establishes water rates that will produce annual revenues of \$2,104,261. The increase will impact a customer’s monthly bill, using an average of 5,000 gallons, in Middlesboro by \$5.12 (from \$17.58 to \$22.70) and in Clinton by \$8.54 (from \$29.46 to \$38.00).

BACKGROUND

Water Service, a Kentucky corporation, is a utility subject to Commission jurisdiction.² It owns and operates facilities that treat and distribute water to

¹ Application, Exhibit 9, Calculation of Revenue Requirement (filed Mar. 5, 2009).

² KRS 278.010(3)(d).

approximately 7,305 residential customers in Bell and Hickman counties.³ Water Service last applied for a rate adjustment in 2005.⁴

Water Service is a wholly-owned subsidiary of Utilities, Inc. (“Utilities”), which owns approximately 90 other water and sewer utilities in 15 states.⁵ Utilities also owns a service company named Water Service Corporation.⁶ The service company manages the water and sewer operations for Utilities subsidiaries and operates without profit.

PROCEDURE

On December 30, 2008, Water Service notified the Commission in writing of its intent to apply for an adjustment of rates using a historical test period. It subsequently filed its application on March 5, 2009. Finding that further proceedings were necessary to determine the reasonableness of the request, the Commission suspended the proposed rates for five months, from April 14, 2009 up to and including September 14, 2009, and initiated this proceeding.⁷ We granted the Attorney General, through his Utility and Rate Intervention Division (“AG”) leave to intervene in this proceeding.

After the parties engaged in extensive discovery, the Commission held an evidentiary hearing in this matter on August 19, 2009 in Frankfort, Kentucky. The

³ Annual Report of Water Service to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2008 at 5 and 30.

⁴ Case No. 2005-00325, Application of Water Service Corporation of Kentucky for an Adjustment of Rates (Ky. PSC Feb. 28, 2007).

⁵ Application, Testimony of Lena Georgiev, at 1.

⁶ Confusion is likely to occur based on the similarities of names. Throughout this order, we refer to the Kentucky utility as “Water Service” and Utilities’ service company as Water Service Corporation.

⁷ See KRS 278.190(2).

following persons pre-filed Direct Testimony and testified at the hearing on behalf of Water Service: Pauline M. Ahern, Principal of AUS Consultants; John D. Williams, Director of Governmental Affairs at Utilities; Martin Lashua, Regional Director of Operations at Utilities; and Lena Georgiev, Manager of Regulatory Affairs at Utilities. Following the hearing, all parties submitted written briefs.

The Commission held local public meetings in Middlesboro on August 12, 2009 and Clinton on August 13, 2009. Approximately 40 individuals attended the public meeting in Middlesboro, and over 100 individuals attended the meeting in Clinton. At both locations, community residents spoke respectfully and eloquently as to their concerns about a water rate increase.

ANALYSIS AND DETERMINATION

Test Period

Water Service proposes to use the 12-month period ending June 30, 2008 as the test period to determine the reasonableness of its proposed rates. The Commission finds the use of this test period to be reasonable. In using a historic test period, the Commission gives full consideration to appropriate known and measurable changes.

Rate Base

Water Service proposed a net investment rate base of \$6,139,342.⁸ This net investment rate base is accepted with the following exceptions:

Project Phoenix. In 2006, Utilities began Project Phoenix, an internal and external evaluation of its accounting and billing software and computer systems.⁹ The

⁸ Application, Exhibit 4, Schedule C, Rate Base and Rate of Return.

⁹ Id., Exhibit 5, Prepared Direct Testimony of John D. Williams, at 5.

evaluation culminated in a business case presentation by Deloitte to Utilities in September 2006.¹⁰ After evaluating the potential solutions identified by Deloitte, Utilities selected JD Edwards as the financial system and Oracle's Customer Care and Billing System ("Oracle") as the customer information system.¹¹

On December 3, 2007, Utilities placed the JD Edwards system into service at a total cost of \$14,544,020.¹² Utilities placed the Oracle system into operation on June 2, 2008, at a total cost of \$7,077,652.¹³ Using an allocation factor based upon the equivalent residential connections, Utilities allocated \$367,498¹⁴ of the total cost of the JD Edwards system and \$178,715¹⁵ of the Oracle cost to Water Service. The allocated cost of JD Edwards is included in Utility Plant In Service ("UPIS"), and the Oracle allocation is reported as a separate item in Water Service's pro forma rate base.

Water Service describes JD Edwards as "a web-based software system that allows easy access from multiple locations."¹⁶ According to Water Service, the JD Edwards system includes enhanced tracking and integration components that will improve Utilities' ability to record and retrieve data.¹⁷ Water Service claims that

¹⁰ Id.

¹¹ Id.

¹² Id. at 8.

¹³ Id. at 14.

¹⁴ Id. at 9.

¹⁵ Id. at 14.

¹⁶ Id. at 6.

¹⁷ Id. at 7.

enhanced record keeping and retrieval functions will simplify the production of financial and regulatory reports.¹⁸ Water Service adds that JD Edward's enhanced functions coupled with the reduction in manual effort and the reliance on spreadsheets will result in improved report accuracy.¹⁹

According to Water Service, the previously-used Legacy customer care and billing system was a customized program for Utilities that had become unsupported.²⁰ The Oracle software is a web-based system that allows for a quicker return of information and speedier fixes if the system goes down voluntarily or goes down for routine maintenance.²¹

The AG states that "[c]entral to understanding the Project Phoenix cost allocation is the fact that the focus of Project Phoenix was the needs of Utilities, Inc., including its non-regulated operations."²² According to the AG, Water Service failed to produce evidence to show that Utilities examined the potential benefits Project Phoenix would have for Water Service.²³ The AG argues that Utilities was concerned with its needs and not whether a system of comparable size to Water Service would require an information technology package that cost \$367,498.²⁴ The AG contends that Water

¹⁸ Id.

¹⁹ Id.

²⁰ Id. at 10.

²¹ Id. at 9.

²² AG's Post-Hearing Brief, at 3 (filed August 31, 2009).

²³ Id.

²⁴ Id. at 4.

Service failed to show that Project Phoenix is cost-effective and also failed to “carry its burden of proof that the allocation of project Phoenix costs are reasonable.”²⁵

Based upon the evidence of record, it is apparent that Utilities did not perform a benefit analysis of Project Phoenix to ascertain the potential financial impact or to identify any benefits Project Phoenix would provide to each of its operating subsidiaries, in particular Water Service. As pointed out by the AG, it is Water Service’s burden to document that the cost of Project Phoenix is reasonable and to identify the benefits the computer software will provide to the ratepayers of Water Service. The Commission believes that Water Service failed to meet this burden. Further, John Williams, a Water Service witness with 30 years of experience working for the Florida Public Service Commission, testified that he was not aware of any utility of comparable size to Water Service in Florida that would have spent a half-million dollars on software similar to JD Edwards and Oracle.²⁶

For these reasons, the Commission finds that Water Service has failed to demonstrate that the allocated Project Phoenix costs are reasonable and, therefore, has reduced UPIS by \$389,537,²⁷ the cost of JD Edwards, and has reduced rate base by \$178,715 to remove the allocation of Oracle costs.

Post-Test Period Plant Additions. Water Service proposed in its filing to increase UPIS by \$103,527 to reflect post-test period plant additions. Water Service argues that the post-test year plant additions are known and measurable and that their completion

²⁵ Id. at 3, 4.

²⁶ Transcript of Evidence (“TE”) at 52.

²⁷ Application, Exhibit 4, Depreciation Expense, w/p(f). \$425,915 (Computers) - \$36,378 (WSC/Regional Rate Base Adjustment) = \$389,537.

so near the end of the test period makes them more appropriate for inclusion in this historical case, even though some of the additions were completed almost a year after the test period.

In a prior decision, the Commission found that, for utilities under its jurisdiction, “[a]djustments for post test-period additions to utility plant in service should not be requested unless all revenues, expenses, rate base and capital have been updated to the same period as the plant additions.”²⁸

In addition, 807 KAR 5:001, Section 10(1), provides that all applications for a general rate adjustment shall be supported by either a 12-month historical test period, which may include adjustments for known and measurable changes, or a fully forecasted test period.

Water Service had the option of filing a forecasted test period if it wanted to include plant additions beyond the test period, as well as other inflationary adjustments. Water Service made vague statements that it had appropriately adjusted revenues, expenses, rate base, and capital to the same period as the plant additions. Nevertheless, in reviewing Water Service’s pro forma adjustments, the Commission is unable to identify any adjustments that complied with the prior Commission finding regarding post-test period plant additions. Accordingly, the Commission denies Water Service’s proposed adjustment for the post-test year plant additions and has reduced

²⁸ See Case No. 10481, Notice of Adjustment of the Rates of Kentucky-American Water Company Effective on February 2, 1989, at 5 (KY. PSC Aug. 22, 1989).

pro forma UPIS by an additional \$103,527, for a combined UPIS reduction of \$493,064.²⁹

Accumulated Depreciation. The Commission has decreased Water Service's forecasted accumulated depreciation of \$3,334,993³⁰ by \$45,120³¹ to remove the depreciation for JD Edwards.

Cash Working Capital Allowance. Water Service determined its cash working capital allowance using the 45 day or 1/8th formula methodology, reflecting the impacts of Water Service's proposed adjustments to operation and maintenance expenses. While the Commission finds that approach is reasonable and should be permitted, the cash working capital allowance included in the Commission's determination of net investment rate base has been adjusted to reflect the accepted pro forma adjustments to operation and maintenance expenses, as discussed later in this Order.

Based on the aforementioned adjustments, the Commission has determined Water Service's net investment rate base to be as shown in Table I below.

Table I: Net Investment Rate Base			
	Water Service	Commission	
	Pro Forma Rate Base	Pro Forma Adjustments	Pro Forma Rate Base
Utility Plant In Service	\$ 9,683,927	\$ (493,064)	\$ 9,190,863
Deduct:			
Accumulated Depreciation	(3,334,994)	45,120	(3,289,874)
Net Utility Plant in Service	\$ 6,348,933	\$ (447,944)	\$ 5,900,989
Construction Work In Progress	0	0	0
Working Capital Allowance	207,275	(26,932)	180,343
Contributions In Aid of Construction	(45,090)	0	(45,090)
Customer Advances	(84,684)	0	(84,684)

²⁹ \$389,537 (JD Edwards) + \$103,527 (Post-Test Period Plant Additions) = \$493,064.

³⁰ Application, Exhibit 4, Schedule C, Rate Base and Rate of Return.

³¹ Id., Plant Restatement through Complete Rate Case.

Deferred Income Taxes	(313,316)	0	(313,316)
Customer Deposits	(109,546)	0	(109,546)
Capitalized Time	0	0	0
Reduction - Transportation Equipment	(6,036)	0	(6,036)
Regional Rate Base Adjustment	(36,911)	0	(36,911)
Oracle - Billing System	178,715	(178,715)	0
Net Original Cost Rate Base	\$ 6,139,340	\$ (653,591)	\$ 5,485,749

Income Statement

For the test period, Water Service reported operating revenues and expenses of \$1,666,792 and \$1,635,642, respectively.³² Water Service proposed revenues and expenses to reflect current and expected operating conditions, resulting in pro forma operating revenues and expenses of \$1,667,522 and \$1,609,731, respectively.³³ The Commission makes the following modifications to Water Service's pro forma operating revenues and expenses:

Service Revenues - Sewer. Water Service included service revenues from sewer operations of \$404 in its pro forma operating revenues. The Commission is reducing operating revenues by that amount to remove the misclassified sewer revenues.

Consumer Price Index ("CPI"). Water Service proposed approximately 12 separate CPI adjustments to its operating expenses that totaled \$22,592.³⁴ According to Water Service, its adjustments are based upon a 3.514 percent CPI that is to

³² Id., Schedule B, Income Statement.

³³ Id.

³⁴ Id.

“account for the increase in the consumer price index since acquisition.”³⁵ Water Service’s CPI adjustments are listed in Table II below.

Purchased Power	\$	2,526
Purchased Water	\$	3,026
Maintenance & Repair	\$	4,530
Maintenance Testing	\$	1,806
Meter Reading	\$	148
Chemicals	\$	4,114
Transportation	\$	1,252
Outside Services - Other	\$	145
Office Supplies & Other Office Exp.	\$	2,993
Rent	\$	609
Office Utilities	\$	1,399
Miscellaneous	\$	44

Water Service states that the change in the purchasing power of the dollar measured by the CPI is a reasonable estimate of the changes in the cost of providing water service to its ratepayers.³⁶ According to Water Service, the cumulative increase in its operational costs that occurred from 2006 through 2008 was in excess of 8 percent.³⁷ Water Service argues that it is reasonable for it to use a general, publicly-available measure because its operating expenses and ratepayers are subject to the purchasing power fluctuations measured by the CPI.³⁸ Water Service further argues

³⁵ Id., Explanation of Adjustments to Income Statement, Adjustments J.

³⁶ Water Service’s Response to the Commission Staff’s Second Information Request item 4 (filed May 15, 2009).

³⁷ Id.

³⁸ Id.

that, because of the widely accepted use of the CPI, it can be considered a “known and measurable” change in expenses that will occur from year to year.³⁹

The AG states that the Commission should reject Water Service’s adjustments using the CPI.⁴⁰ The AG contends that the use of the CPI is contrary to Kentucky’s regulatory scheme and past Commission practice.⁴¹ According to the AG, Water Service did not offer a compelling basis or justification to support its proposed CPI adjustments.⁴²

In a prior decision, this Commission disallowed any adjustments based on the CPI finding that:

The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. This basket contains 8 major categories of goods and services: food and beverages; housing; apparel; transportation; medical care; recreation; education and communication; and other goods and services. Several of these categories are unrelated to the provision of water service. Their presence in the basket limits the CPI’s accuracy as an adjustment mechanism. For example, increases in the cost of food and beverages, apparel and education would produce a positive increase in the CPI but have no effect on the cost of goods and services that are used to provide water service. An automatic adjustment mechanism must provide an accurate measurement of changes in the cost of providing water service. It, therefore, should be based principally on those goods and services that are reasonably likely to be used to provide water service.⁴³

³⁹ Id.

⁴⁰ AG’s Post-Hearing Brief, at 10 (filed August 31, 2009).

⁴¹ Id.

⁴² Id.

⁴³ See Case No. 2006-00067, Proposed Adjustment of the Wholesale Water Service Rate of the City of Lawrenceburg, Kentucky, at 3-4 (KY. PSC Nov. 21, 2006).

Administrative Regulation 807 KAR 5:001, Section 10(1), provides that all applications for a general rate adjustment shall be supported by either a “twelve (12) month historical test period which may include adjustments for known and measurable changes” or a “fully forecasted test period.” When an applicant bases its application upon a historical test period, it must provide a “complete description and quantified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment.”⁴⁴ That support should, at a minimum, include some documentary evidence to demonstrate the certainty of some expected change or event.

Revenue and expense adjustments based upon the CPI are widely used by utilities when they are preparing annual budgets or rate applications that use forecasted test periods. Regarding budgetary adjustments, the Commission has previously found that “[w]hile such projections may be acceptable when an applicant bases its application upon a forecasted test period, they are not when the basis for the proposed rate adjustment is a historical test period.”⁴⁵

Water Service has not presented any evidence in this proceeding that would persuade the Commission to reverse its prior findings regarding pro forma adjustments based upon the CPI or the disallowance of budgetary projections in a historical test

⁴⁴ 807 KAR 5:001, Section 10(6).

⁴⁵ See Case No. 2001-00211, The Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefor; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff, at 8 (KY. PSC Mar. 1, 2002).

period. Accordingly, we find that the pro forma adjustments contained in Table II should be denied.

Indirect Expense Allocations. Water Service Corporation, Utilities' service company affiliate, manages the water and sewer operations for Utilities' subsidiaries. Water Service Corporation costs that are not directly assignable to a specific subsidiary are booked to Water Service Corporation and are allocated to the Utilities' subsidiaries at year-end, based on the proportion of active Equivalent Residential Customers ("ERCs") served by an operating company to the total number of active ERCs served by Utilities and its affiliates.⁴⁶

The AG points to the fact that Water Service's agreement with Water Service Corporation, the service company affiliate, does not allow Water Service the authority to contest the reasonableness of any expense allocated to it by Water Service Corporation.⁴⁷ For this reason, the AG claims that the agreement with Water Service Corporation is not an arm's-length transaction and that it enables Water Service Corporation to "spend and allocate at will [and] is *per se* unreasonable."⁴⁸ The AG cites the following indirect expense allocations as examples of costs that either have no connection to providing water service or are excessive:

An Expense Report Form (Doc 50130) reflects charges for drinks after Leadership meeting as well as other charges for which there is no description of the business purpose of the expense (Appendix 1).

Business Expense Reports (Larry Schumacher, 4/01/07 to 6/20/07) reflects before dinner drinks (Appendix Item 5) as well as a dinner in which

⁴⁶ Application, Testimony of Lena Georgiev, at 8-9.

⁴⁷ AG's Post-Hearing Brief, at 4 (filed August 31, 2009).

⁴⁸ Id. at 4-5.

Mr. Schumacher apparently paid for the meal of a person's spouse and a separate charge of \$3,625 for "Dinner/appetizers for entire group BOD, HS" (Appendix Item 6).

The Business Expense Report (John Williams, 5/12/07 to 5/20/07) includes expenses for picking up multiple dinners for "other NARUC faculty and NAWC executives (Appendix Item 8).

The Business Expense Report (Steven M. Lubertozi, 7/08/07 to 8/31/07) contains numerous charges for drinks and appetizers (and these are not modest charges) as well as lunches for which there is no indication of the purpose for the lunch Appendix Item 9).

A Business Expense Report (Larry Schumacher, 9/07/07 to 12/14/07) reflects a Board of Directors' meeting held in Las Vegas, Nevada (a meeting that lasted less than 3 hours (WSCK Response to OAG 1 - 24) and a Board dinner costing \$2,433.89 (Appendix Item 11).

A Business Expense Report (Steven M. Lubertozi, 9/01/07 to 10/09/07) shows the purchase of tickets to see the Chicago Bears (Appendix Item 13).⁴⁹

The AG argues that the above expenses show "an unmistakable pattern of excessive charges in tandem with a lack of documentation necessary to conclude that the expenses were reasonably related or beneficial to WSCK's provision of water service."⁵⁰ The position of the AG is that Water Service has the burden of proof, that there is no presumption of benefit or reasonableness, and that the agreement between Water Service and Water Service Corporation shows that there is an abuse of discretion.⁵¹ Accordingly, the AG requests the Commission disallow for rate-making

⁴⁹ Id. at 5-6.

⁵⁰ Id. at 6.

⁵¹ Id. at 7-8.

purposes all of the allocated indirect costs from Water Service Corporation to Water Service.⁵²

Water Service agrees with the AG, in that the review and rejection power of allocated costs is not included in the Allocation Manual.⁵³ According to Water Service, if each operating unit of Utilities was able to reject the allocation of expenses that it believed to be unrelated to its operations, the system of allocations would be self-defeating.⁵⁴ Water Service concludes that “each operating company benefits from the economies of scale of UI and each must share in the costs.”⁵⁵

The Commission agrees with Water Service in that there is a benefit derived from the economies of scale of being associated with a larger corporation such as Utilities. Nevertheless, Water Service should only share in those costs incurred by Water Service Corporation that are reasonable and that provide a benefit to Water Service’s rate payers. At the onset, the Commission recognizes that the Allocation Manual is the product of a less-than-arm’s-length transaction that allocates all of the indirect costs incurred by Water Service Corporation without a review clause that would serve as a check and balance system to allow only those reasonable costs that relate to the Water Service operations to be allocated to Water Service.

Other jurisdictional water systems note the importance of the ability of the water subsidiaries to review and question costs that are being charged by related subsidiaries.

⁵² Id. at 8.

⁵³ Water Service’s Post-Hearing Brief, at 20 (filed August 31, 2009).

⁵⁴ Id.

⁵⁵ Id.

The following is an example of the oversight clauses contained in the agreement between Kentucky-American Water Company and the American Water Works Service Company, Inc.:

4.2 Service Company agrees to keep its books and records available at all times for inspection by representatives of Water Company or by regulatory bodies having jurisdiction over Water Company.

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company hereunder, the costs thereof, and the allocation of such costs among Water Companies.⁵⁶

The Commission finds that Water Service has failed to meet its burden of proof that the indirect cost allocations from Water Service Corporation are reasonable, are directly related to providing water service, or benefit the ratepayers of Water Service. The Commission further finds that the indirect cost allocations from Water Service Corporation should be eliminated from Water Service's pro forma operating expenses. In the last two quarters of 2007, Water Service was allocated \$65,484, of indirect costs from Water Service Corporation. Water Service presented the expenses for the first two quarters of 2008 in such a manner that it was difficult for the Commission to determine the indirect expense allocations for this period. The allocation agreement was revised in 2008 and the cost allocation schedules were presented in a different format. Given that Water Service did not provide adequate documentation for the Commission to determine the correct allocations for the second half of the test period, the Commission will annualize the first half allocations of the test period to determine the full year test-

⁵⁶ See Kentucky-American Water Company's Response to the Commission's November 15, 1991 Order, Item 49, Case No. 1991-00361, Notice of Adjustment of the Rates of Kentucky-American Company, at 11 (filed Nov. 27, 1991).

period allocations. The annualization results in a test-period allocation of indirect expenses of \$130,968, which results in an expense reduction of that amount.

Rate Case Expense. Water Service proposed to increase its pro forma operating expenses by \$39,379 to reflect amortizing its projected rate case cost of \$118,137 over three years.⁵⁷ In responding to the post-hearing information requests, Water Service provided invoices showing the actual cost of this current case to be \$145,604. Amortizing the actual rate case cost of \$145,604 over three years, the Commission calculates a pro forma rate case amortization expense of \$48,535. Accordingly, the Commission has increased Water Service's pro forma operating expenses by \$9,156 to reflect the actual rate case amortization.

Depreciation Expense. Water Service proposed a pro forma depreciation expense of \$258,932 based upon UPIS in service as of June 31, 2008 and post test-period plant additions. The Commission finds that depreciation expense should be decreased by \$48,692 to eliminate depreciation on Project Phoenix.

Bad Debt Expense. Water Service reported a test-period bad debt expense of \$18,156.⁵⁸ Using Water Service's uncollectible rate of 1.11 percent and operating revenues from water sales of \$1,631,079, the Commission calculates a bad debt expense of \$18,105, which is \$51 below the amount reported. Accordingly, the Commission finds that bad debt expense should be decreased by \$51.⁵⁹

⁵⁷ Application, Exhibit 4, Rate Case Expense, w/p(d).

⁵⁸ Id., Schedule B, Income Statement.

⁵⁹ Water Service reported bad debt expense as a reduction to operating expenses. Therefore, the Commission's adjustment is an increase to operating revenues.

General Taxes. Water Service reported a pro forma general tax expense of \$77,751.⁶⁰ Using the current millage rate of \$0.001538 and water service revenues of \$1,631,079, the Commission calculates a “PSC Assessment” of \$2,509, which is \$178 above the amount reported. Accordingly, the Commission finds that the pro forma general tax expense should be increased by \$178.

Income Tax Expense. Based upon its pro forma operating revenues and expenses, Water Service calculated a current income tax expense credit of \$(168,782).⁶¹ Using Water Service’s pro forma operating revenues and expenses, the Commission calculates a current income tax expense credit of \$(93,107) as shown in Table III below. Accordingly, the Commission has increased income tax expense by \$75,675 to reflect its pro forma level.

⁶⁰ Id.

⁶¹ Id. \$(150,356) (Fed. Income Tax Exp.) + \$(18,426) = \$(168,782).

Table III: Income Taxes		
Account Titles	Amount	Taxes
Operating Revenues	\$ 1,667,169	
<u>Operating Expenses and Interest Expense:</u>		
Operation and Maintenance Expenses	\$ 1,436,049	
Depreciation & Amortization	210,240	
CIAC Amortization	(3,181)	
General Taxes	77,928	
Interest Expense	191,409	
Total Expenses Net of Income Taxes	\$ 1,912,445	
State Taxable Income	\$ (245,276)	
Multiplied by the State Tax Rate ⁶²	6.00%	
State Income Tax	\$ (14,717)	\$ (14,717)
Federal Taxable Income	\$ (230,559)	
Multiplied by the Federal Tax Rate	34.00%	
Federal Income Tax	\$ (78,390)	(78,390)
Total Income Taxes		\$ (93,107)

Interest Expense. To reflect interest synchronization, Water Service proposed a pro forma interest expense of \$214,217 based on forecasted rate base and weighted cost of debt. The Commission has recalculated this expense to be \$191,352⁶³ based on the rate base and weighted cost of debt found reasonable herein.

Based on the aforementioned adjustments to Water Service's pro forma revenues and expenses, the Commission has determined Water Service's pro forma net operating income at present rates to be \$174,681 as shown in Table IV.

⁶² The Commission's past practice has been to use the highest tax rate applicable. Citing KRS 141.040(1), Water Service claimed that the applicable state tax was a graduated rate from 4% to 8%. The tax rates identified by Water Service, however, were for tax years 1990 through 2004. KRS 141.040(3). The tax rate for tax years beginning on or after January 1, 2007 ranges from 4% to 6%. KRS 141.040(6).

⁶³ \$5,484,135 (Commission Approved Rate Base) x 3.4892% (Commission Approved Weighted Cost of Debt) = \$191,352.

Account Titles	Water Service	Commission	
	Pro Forma Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 1,667,522	\$ (353)	\$ 1,667,169
Operating Expenses			
Operation & Maintenance Expenses	\$ 1,580,453	\$ (144,404)	\$ 1,436,049
Depreciation & Amortization	258,932	(48,692)	210,240
General Taxes	77,750	178	77,928
Income Tax Expense	(168,782)	75,675	(93,107)
Deferred Income Tax Expense	(64,208)	0	(64,208)
Expense Reduction - Clinton Sewer	(71,233)	0	(71,233)
Amortization CIAC & AIAC	(3,181)	0	(3,181)
Total Operating Expenses	\$ 1,609,731	\$ (117,243)	\$ 1,492,488
Net Operating Income	\$ 57,791	\$ 116,890	\$ 174,681
Interest Income/Expense			
Interest Expense - Long-Term Debt	214,217	(22,808)	191,409
Net Income	\$ (156,426)	\$ 139,698	\$ (16,728)

Rate of Return

Capital Structure. Water Service proposes an end-of-test-period capital structure containing 53.03 percent long-term debt, and 46.97 percent common equity.⁶⁴ The AG did not state a position on Water Service's proposed capital structure.

The Commission agrees with Water Service, and finds that the capital structure is as shown in Table V below.

	Percent
Long-Term Debt	53.03
Common Equity	46.97
Total Capital	100.00

⁶⁴ Application, Exhibit 4, w/p [b-1], Capital Structure as of June 30, 2008.

Long-Term Debt. Water Service proposes an embedded long-term debt rate of 6.58 percent.⁶⁵ The AG did not state an opinion on Water Service's long-term debt rate. We find the proposed cost of debt is reasonable and should be accepted.

Return on Equity. When Water Service's application was filed in January 2009, it recommended a return on equity ("ROE") of 11.85 percent, from a range of 11.60 percent to 12.10 percent.

Water Service obtained its results from applying four ROE estimation methodologies to two different proxy groups: a group of seven water companies and a group of ten natural gas transmission and distribution companies. The criteria used for selecting utilities to be included in each group was (1) they are included in the AUS Utility Reports, (2) they have Value Line or Reuters consensus five-year earnings per share growth rate projections, (3) they have a Value Line adjusted Beta, (4) they have not cut or omitted their common dividends during the last five years ending in 2007 or through when the testimony was prepared, (5) they have at least 60 percent of total net operating income derived from and at least 60 percent of total assets devoted to regulated water or regulated gas distribution operations, and (6) they have not publicly announced involvement with merger or acquisition activity.⁶⁶

Water Service applied four different ROE estimation methodologies to both the water utility proxy group and the natural gas distribution proxy group to arrive at its recommendation. The Discounted Cash Flow ("DCF") model uses the current dividend yield on common equity plus a growth component to estimate the total return expected

⁶⁵ Id.

⁶⁶ Application, Direct Testimony of Pauline M. Ahern, at 18-21.

by investors.⁶⁷ The Capital Asset Pricing Model (“CAPM”) and the Risk Premium Model (“RPM”) models are similar in that both theorize that the return on common equity is equal to the return on long-term debt plus a risk premium to shareholders for being willing to invest in unsecured securities and being behind debt holders for claims on the companies’ assets and earnings. For the RPM analysis, the company used expected bond yields for the company proxy groups. Historical risk premium studies and proxy group betas were used to obtain a beta-adjusted market equity risk premium. Beta is a measure of variability of a company’s stock relative to the market. Combining the expected bond yields and the risk premium yields the common equity cost rate.⁶⁸ The CAPM model added a beta-adjusted risk premium for the proxy groups to the yield on long-term government bonds to obtain the estimated return on equity.⁶⁹ The Comparable Earnings Model works on the principle that the cost of an investment is equal to the cost of the next-best alternative. In this case, Water Service chose two new proxy groups of domestic non-price-regulated firms using regression analysis to reflect both the systematic and unsystematic risks of the seven water and ten natural gas utilities. Two hundred firms were selected as being similar in risk to the water proxy group and thirty-five companies were selected as being similar to the gas proxy group. The returns on book common equity, net worth, or partner’s capital were for the most recent and/or projected five-year period as reported in Value Line.⁷⁰

⁶⁷ Id. at 23-27.

⁶⁸ Id. at 27-33.

⁶⁹ Id. at 33-38.

⁷⁰ Id. at 40-44.

Because Water Service is so much smaller than the companies in either the water or the natural gas distribution proxy groups, size premium is included in the recommended return on equity. The company argues that such a premium is necessary to equalize the business risk between itself and the proxy group companies. The company argues that a size adjustment of 362 basis points (3.62 percent) is justified considering the water utilities proxy group and an adjustment of 432 basis points (4.32 percent) is justified when compared to the natural gas proxy group. The company, however, only adds 35 basis points (0.35 percent) to its cost of equity range.⁷¹

In his brief, the AG argues that Water Service does not demonstrate an understanding of the Kentucky regulatory framework applicable to water utilities.⁷² Moreover, the AG argues that Water Service is not sufficiently similar to the companies in the two proxy groups and that the risks associated with those groups of companies have not been sufficiently reconciled to Water Service's specific situation.⁷³ The AG ultimately argues that the company's ROE evidence is undependable. For a company of Water Service's size, the "operating ratio" methodology is a widely accepted standard and should be used to fairly establish an equity target.⁷⁴

The Commission agrees with the AG that the operating ratio is the most commonly used methodology in determining the return of a company the size of Water

⁷¹ Id. at 13-15, 45-49; Water Service's Post-Hearing Brief, at 9-10 (filed August 31, 2009).

⁷² AG's Post-Hearing Brief, at 13 (filed August 31, 2009)

⁷³ Id. at 13-14.

⁷⁴ Id. at 14.

Service, and is highly preferable to a full ROE analysis such as the company has presented. The Commission will accept the use of ROE analysis in determining Water Service's return in this case, but encourages the company to use the more appropriate operating ratio methodology in the future. Having considered the analysis provided by Water Service, as well as the comments of the AG, the Commission finds a reasonable return on equity range to be 10.1 to 11.1, with a mid-point of 10.6. The approved 10.6 percent ROE includes a size adder as proposed by the company.

Weighted Cost of Capital. Applying the rates of 6.58 percent for long-term, and 10.6 percent for common equity to the adjusted capital structure produces an overall cost of capital of 8.468 percent. We find this cost to be reasonable.

Authorized Increase

The Commission finds that Water Service's net operating income for rate-making purposes is \$464,533. We further find that this level of net operating income requires an increase in forecasted present rate revenues of \$473,182, as shown in Table VI below.

Table VI: Authorized Increase	
Net Investment Rate Base	\$ 5,485,749
Multiplied by: Weighted Cost-of-Capital	x 8.468%
Net Operating Income	\$ 464,533
Less: Forecasted Operating Income	- 174,681
Operating Income Deficiency	\$ 289,852
Multiplied by: Gross-up Factor	x 1.6324947
Revenue Requirement Increase	\$ 473,182

Rate Determination

Monthly Water and Fire Protection Rates. Water Service has requested its monthly water rates and monthly fire protection rates be increased across the board by approximately 50.8 percent for all classes of customers. This method of increasing

rates has been accepted by the Commission in the past, and nothing has been demonstrated in this case that would persuade the Commission that this methodology is not appropriate in this instance. Therefore, the Commission accepts Water Service's proposed method of setting the monthly water and fire protection rates.

The revenue requirement determined reasonable herein is an approximate 29.01 percent increase over Water Service's normalized revenues. The Commission finds that this percentage increase should be used to calculate Water Service's monthly water rates and fire protection rates.

Nonrecurring Charges: Water Service has asked to add a charge for New Customer Accounts, Non Sufficient Funds and a Tampering Fee, as well as to increase their charges for Service Connection, Service Charge, and Meter Testing. With one exception, the proposed charges are supported by the expenses being incurred to serve the customer. Accordingly, the Commission approves the new charges for New Customer Accounts, Non Sufficient Funds, Tampering Fee, and the increase in the charge for the Service Charge and Meter Testing. We also approve an increase in the Service Connection charge, but we do not allow the increase requested by Water Service.

Water Service has proposed a new service connection fee of \$1,434 for five-eighths inch and three-quarter inch meters. If approved, this would be the most expensive connection charge for any jurisdictional utility. One reason that the proposed nonrecurring charge is higher than other utilities is because Water Service has included \$486.75 in costs for dense grade gravel, concrete, and asphalt. Martin Lashua testified

at the hearing that most connections required road construction that would necessitate using these materials.

The Commission questions the reliability of this testimony. Other than Mr. Lashua's general statement, Water Service has produced no evidence that demonstrates why Water Service would have to reconstruct roadways for most connections. For new developments, utility infrastructure is generally in place before roadways are constructed, and therefore, there would be no damage to roads when infrastructure is properly placed. In addition, most distribution lines are located next to roadways, and only connections on opposite sides of the road would be likely to require road repair. Moreover, we are unaware of any other utility that adds the cost of gravel, concrete, and asphalt to its connection charges for residential meter sizes. Accordingly, the Commission reduces the Service Connection fee by \$486.75.

The Commission also finds it appropriate to eliminate \$27 from the Service Connection fee for establishing a new account and billing record. Water Service is also proposing (and the Commission is approving) an account set-up, nonrecurring charge of \$27, and therefore, this cost is redundant. Mr. Lashua testified that customers would not be charged the \$27 new account fee in addition to the full \$1,434 Service Connection fee.

Therefore, the proposed connection fee shall be reduced by \$513.75, and we approve a Service Connection fee of \$920.75. The Commission shall permit Water Service to recover gravel, asphalt, and concrete expenses on a case-by-case basis only when those costs are incurred when good engineering practices require it. In order to collect those additional expenses, Water Service must place language in its tariff on the

same page as the Service Connection fee that states that a customer shall be responsible for actual costs of gravel, asphalt, and concrete in addition to the Service Connection fee when good engineering practices require road work in the scope of the service connection.

Credit Card Fee. Water Service proposes to add language to its tariff so that it may collect an additional fee if it permits customers to pay their bills by credit card. The proposed language states:

The Company may allow payments to be made with cash, check, credit/debit card. Customers who choose to pay by credit/debit card or online shall be charged a per transaction fee plus a fee of a percentage of amount to be paid. The fees shall be based on the bank fees billed to the Company for such payments.

The Commission finds that the proposed credit/debit card language is too vague. We have previously allowed utilities to collect an additional fee from its customers that is identical to the fee the utility is being charged by a credit card company or an acquirer bank. We have also required that the utility inform its customers of the formula used to calculate the credit/debit card fee prior to any transaction. Mr. Lashua testified that Water Service would be willing to disclose that information to its customers before each credit/debit card transaction.⁷⁵

Although the Commission does not approve the tariff language proposed by Water Service regarding credit/debit card transactions, we find that Water Service should be allowed to collect an additional fee from its customers that is identical to the fee the utility is being charged by a credit card company or an acquirer bank for

⁷⁵ Transcript of August 19, 2009, Hearing, at 130.

customers paying their bills by credit or debit cards. The utility shall amend its proposed tariff and use the following language:

The Company may allow payments to be made with cash, check, or credit/debit cards. If, on the bill due date, an attempt to pay the credit card or debit card is made and the card is declined for any reason, payment is still due in full on that date and will be considered late after that date. All late charges and penalties will be applied. If a customer is paying on our disconnect day and the card is denied, the same rules as above apply, in addition to service being disconnected.

When a customer makes a payment by credit card, the utility will assess a fee equal to that charged to the utility by the credit or debit card processing company to process the transaction. This fee is generally calculated using a formula applied to the balance of the amount charged to the credit or debit account but may be a flat fee per transaction. Prior to processing the transaction, the customer will be informed of the fee amount and, upon request by the customer, the formula employed to arrive at this fee amount.

City of Clinton - Sewer Rates. The City of Clinton owns sewer facilities, and its city council has set its sewer rates to be 133% of the customer's water bill.⁷⁶ Because KRS 278.010 specifically exempts cities from the definition of public utilities, the Commission has no jurisdiction to regulate Clinton's sewer facilities or operations.

Water Service operates Clinton's wastewater facilities and provides billing services. At the hearing, Mr. Lashua testified that Water Service receives a flat fee from the city for providing those services. He specifically stated that Water Service would not generate additional revenue from its contract with the city if Water Service's water rates were increased.⁷⁷

⁷⁶ Clinton, Ky. Code § 50.20 (2007).

⁷⁷ Transcript of August 19, 2009, Hearing, at 122.

In its post-hearing brief, Water Service corrected Mr. Lasuha's testimony.⁷⁸ Based on the contract, the City of Clinton pays Water Service \$15,000 annually (plus automatic increases based on CPI) and 3 percent of gross revenues plus costs. Based on these provisions, it appears that Water Service would generate additional revenues from Clinton if its water rates increased. These additional revenues, however, are based on operations outside the Commission's jurisdiction and, therefore, do not impact the revenue requirement for Water Service's water operations.

As a governmental agency, the Commission is concerned with the interests of the general public. As an agency specializing in utility regulation, we encourage utilities to set rates that are based on the cost of providing that utility service. In viewing Clinton's sewer rate at a distance, we are concerned that, if Clinton's sewer rate was set at 133 percent of the water bill because those rates were based on the cost of sewer service at that time, an increase in sewer rates resulting from an increase in water rates would produce additional revenues that are not necessarily based on the cost of providing sewer service.

We must make it clear that the Commission has no knowledge as to how the Clinton City Council set its rate or about the costs associated with its sewer facilities. It is entirely possible that the City Council set rates that were lower than the actual cost of

⁷⁸ Water Service's Post-Hearing Brief, at 22 (filed August 31, 2009).

providing sewer service and are subsidizing the sewer operations with other funding. It is also possible that the sewer rate increase that will occur as the water rate increases will no longer be cost-justified. The Commission encourages Clinton's public officials to consider these concerns in the interest of its citizens.

Customer Bills for Average Usage. At the public meetings in Middlesboro and Clinton, numerous customers of Water Service described their high bills and how a rate increase would affect them. The customers also generally commended their local Water Service staff for providing exemplary service. The Commission understands the plight of the two communities that are served by Water Service, particularly in these times of economic distress. As with all rate cases, the Commission must balance the consumer interests of safe, reliable service with reasonable cost, and we believe that we have accomplished that goal in these proceedings.

The Commission typically uses a monthly average of 5,000 gallons of water to reflect the average usage for a residential customer. The increase that the Commission is authorizing Water Service will increase an average residential customer's bill in Middlesboro by \$5.12 (from \$17.58 to \$22.70) and in Clinton by \$8.54 (from \$29.46 to \$38.00). Undoubtedly, some customers will be affected more appreciably. We recognize that this increase is not insignificant; nevertheless, the increase is necessary in order for Water Service to maintain adequate service to all its customers.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. Water Service's proposed rates would produce revenue in excess of that found reasonable herein and should be denied.

2. The rates and nonrecurring charges set forth in the Appendix attached to this Order are fair, just, and reasonable rates for Water Service to charge for service rendered on and after the date of this Order.

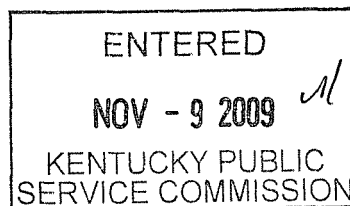
IT IS THEREFORE ORDERED that:

1. The water rates proposed by Water Service are denied.

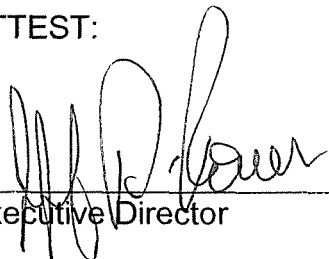
2. The rates and nonrecurring charges in the Appendix to this Order are approved for service rendered by Water Service on and after the date of this Order.

3. Within 20 days of the date of this Order, Water Service shall file new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00563 DATED NOV - 9 2009

The following rates and charges are prescribed for the customers in the area served by Water Service Corporation of Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

CLINTON

5/8" x 3/4" Meter:

First	1,000	gallons	\$ 11.64	Minimum bill
Next	9,000	gallons	6.59	per 1,000 gallons
Next	15,000	gallons	6.05	per 1,000 gallons
Next	25,000	gallons	5.51	per 1,000 gallons
Next	50,000	gallons	4.89	per 1,000 gallons
All Over	100,000	gallons	4.27	per 1,000 gallons

1" Meter:

First	5,300	gallons	\$ 39.98	Minimum bill
Next	3,700	gallons	6.59	per 1,000 gallons
Next	15,000	gallons	6.05	per 1,000 gallons
Next	25,000	gallons	5.51	per 1,000 gallons
Next	50,000	gallons	4.89	per 1,000 gallons
All Over	100,000	gallons	4.27	per 1,000 gallons

1 1/2" Meter:

First	11,200	gallons	\$ 78.23	Minimum bill
Next	13,800	gallons	6.05	per 1,000 gallons
Next	25,000	gallons	5.51	per 1,000 gallons
Next	50,000	gallons	4.89	per 1,000 gallons
All Over	100,000	gallons	4.27	per 1,000 gallons

2" Meter:

First	17,600	gallons	\$ 116.95	Minimum bill
Next	7,400	gallons	6.05	per 1,000 gallons
Next	25,000	gallons	5.51	per 1,000 gallons
Next	50,000	gallons	4.89	per 1,000 gallons
All Over	100,000	gallons	4.27	per 1,000 gallons

6" Meter:

First	250,500	gallons	\$1,186.60	Minimum bill
All Over	250,500	gallons	4.27	per 1,000 gallons

MIDDLESBORO

5/8" x 3/4" Meter:

First	1,000	gallons	\$ 8.70	Minimum bill
Next	9,000	gallons	3.50	per 1,000 gallons
Next	15,000	gallons	3.19	per 1,000 gallons
Next	25,000	gallons	3.03	per 1,000 gallons
Next	50,000	gallons	2.71	per 1,000 gallons
All Over	100,000	gallons	2.48	per 1,000 gallons

1" Meter:

First	6,000	gallons	\$ 26.18	Minimum bill
Next	4,000	gallons	3.50	per 1,000 gallons
Next	15,000	gallons	3.19	per 1,000 gallons
Next	25,000	gallons	3.03	per 1,000 gallons
Next	50,000	gallons	2.71	per 1,000 gallons
All Over	100,000	gallons	2.48	per 1,000 gallons

1 1/2" Meter:

First	13,000	gallons	\$ 49.72	Minimum bill
Next	12,000	gallons	3.19	per 1,000 gallons
Next	25,000	gallons	3.03	per 1,000 gallons
Next	50,000	gallons	2.71	per 1,000 gallons
All Over	100,000	gallons	2.48	per 1,000 gallons

2" Meter:

First	21,400	gallons	\$ 76.49	Minimum bill
Next	3,600	gallons	3.19	per 1,000 gallons
Next	25,000	gallons	3.03	per 1,000 gallons
Next	50,000	gallons	2.71	per 1,000 gallons
All Over	100,000	gallons	2.48	per 1,000 gallons

3" Meter:

First	68,400	gallons	\$ 213.60	Minimum bill
Next	31,600	gallons	2.71	per 1,000 gallons
All Over	100,000	gallons	2.48	per 1,000 gallons

4" Meter:

First	127,500	gallons	\$ 367.33	Minimum bill
All Over	127,500	gallons	2.48	per 1,000 gallons

6" Meter:

First	281,500	gallons	\$ 748.79	Minimum bill
All Over	281,500	gallons	2.48	per 1,000 gallons

Monthly Fire Protection Rates for Water Service Corporation

Private Sprinkler	19.35	per sprinkler
Private Hydrant	19.35	per hydrant
Municipal Hydrant	4.30	per hydrant

Nonrecurring Charges for Water Service Corporation

Service Connection/Tap-on Fee	
5/8" x 3/4" Meter	\$920.75
All other meter sizes	Actual Cost
Tampering Fee	\$27.00
Non-Sufficient Funds Charge	\$15.00
Service Reconnection Charge	\$27.00
New Customer Account Setup Fee	\$27.00
Service Charge	\$27.00
Meter Testing Fee	\$20.00
Credit/Debit Card Fee:	

The Company may allow payments to be made with cash, check, or credit/debit cards. If, on the bill due date, an attempt to pay the credit card or debit card is made and the card is declined for any reason, payment is still due in full on that date and will be considered late after that date. All late charges and penalties will be applied. If a customer is paying on our disconnect day and the card is denied, the same rules as above apply, in addition to service being disconnected.

When a customer makes a payment by credit card, the utility will assess a fee equal to that charged to the utility by the credit or debit card processing company to process the transaction. This fee is generally calculated using a formula applied to the balance of the amount charged to the credit or debit account but may be a flat fee per transaction. Prior to processing the transaction, the customer will be informed of the fee amount and, upon request by the customer, the formula employed to arrive at this fee amount.

Honorable John N Hughes
Attorney at Law
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Frankfort, KY 40601

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Commonwealth of Kentucky
Before the Public Service Commission

Rebuttal Exhibit 2

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR AN) Case No. 2008-00563
ADJUSTMENT OF RATES)

ATTORNEY GENERAL'S
POST-HEARING BRIEF

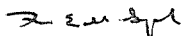
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PUBLIC SERVICE
COMMISSION

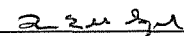
Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL


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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of this pleading were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601. Furthermore, service was through mailing a true and correct of the same, first class postage prepaid, to John N. Hughes, 124 W. Todd St., Frankfort, Kentucky 40601, all on this 31st day of August 2009.


Assistant Attorney General

OVERVIEW

Water Service Corporation of Kentucky is a for-profit water utility providing water service to approximately 8,000 customers in the communities of Middlesboro and Clinton, Kentucky. WSCK's application for a rate adjustment seeks to increase its rates by approximately 50%, a remarkably significant increase that, as this Commission is well-aware by virtue of the public hearings held in both communities, stands to adversely impact many WSCK customers.

WSCK has a statutory right to seek an increase in rates, and it enjoys a constitutional prohibition against the confiscation of its property. The foregoing, however, does not suggest that WSCK's request for an increase is presumed correct. The burden to establish the reasonableness for the change in rates is upon Water Service Corporation of Kentucky. KRS 278.190(3).

The burden of proof for the necessity of any change in the approved rates rests entirely with the Applicant; it is not necessary that the Commission or anyone else prove that the proposed change is inappropriate. See *In the Matter of: Notice of Adjustment of the Rates of Kentucky-American Water Company*, Case No. 8836, Order, 20 December 1983, page 9; also see *Energy Regulatory Commission v. Kentucky Power*, 605 S.W.2d 46, 50 (Ky.App. 1980) (fact that applicant's evidence is uncontroverted, or otherwise not rebutted, unexplained, or not impeached is unremarkable). WSCK has not justified its request for the change in rates.

WATER SERVICE CORPORATION OF KENTUCKY OVERSTATES ITS EXPENSES.

Expenses, even those having a minimal effect on operating income, must be borne by investors unless such expenses are proven beneficial to ratepayers in furnishing utility service. *In the Matter of Kentucky-American Water Company*, Case No. 9842, Order, 18 July 1986, page 22; also see *In the Matter of Columbia Gas of Kentucky, Inc.*, Case No. 10498, Order, 6 October 1989 (page 30). The mere inclusion of an expense amount in an application creates no presumption of benefit. KRS 278.190(3); *Energy Regulatory Commission v. Kentucky Power*.

1. WSKC fails to demonstrate the reasonableness of the cost allocation for Project Phoenix.

Central to understanding the Project Phoenix cost allocation is the fact that the focus of Project Phoenix was the needs of Utilities, Inc., including its non-regulated operations (TE 08/19/09, 10:56:20 – 10:57:08; WSKC Response to OAG 1 - 75). There is no evidence that any effort was made to examine the potential benefits of Project Phoenix as applied to Water Service Corporation of Kentucky (TE 08/19/09, 10:59:15 – 10:59:24; WSKC Responses to OAG 1 - 22 to 1 - 28). There is simply no evidence that Project Phoenix, as applied to WSKC, is cost-effective.

Indeed, while WSKC compares fees being increased through this rate application with charges by other water utilities (TE 08/19/09, 10:59:26 – 10:59:47), WSKC does not present any evidence that it compared its portion of the Project

Phoenix costs with comparable computer costs and billing costs of other Kentucky utilities (TE 08/19/09, 10:49:47 – 11:00:02). For the key question of whether a system of the same size as Water Service Corporation of Kentucky needs an information technology package of this cost, the focus was upon Utilities, Inc., overall rather than WSCK (TE 08/19/09, 11:05:13 – 11:05:45; WSCK Response to OAG 1 - 74). WSCK concedes that a small system may not need IT infrastructure of this size (TE 08/19/09, 11:05:35; 11:06:00 – 11:06:10).

WSCK fails to carry its burden of proof that the allocation of costs of Project Phoenix are reasonable and should be allowed for rate recovery. Accordingly, the Commission should exclude these costs from rates.

2. Water Service Corporation of Kentucky's agreement Water Service Corporation is *per se* unreasonable because it does not grant WSCK any authority to contest the reasonableness of any allocation of expenditures made by Water Service Corporation. Indirect allocations made under this agreement are unreliable for determining WSCK's legitimate share of reasonable expenses and should be excluded.

Water Service Corporation of Kentucky's agreement with its Utilities, Inc., affiliate, Water Service Corporation does not vest WSCK with any authority to contest the reasonableness of any allocation of expenditures made by Water Service Corporation (TE 08/19/09, 01:52:50 – 01:53:17). The Attorney General submits that this arrangement is not an "arms-length" arrangement. In fact, the arrangement, through which WSC can spend and allocate at will, is *per se*

unreasonable. The indirect allocations made under this agreement are unreliable for determining WSCK's legitimate share of reasonable expenses for setting rates.

The record is replete with examples of Water Service Corporation spending that either has no connection with providing reasonable water service or is excessive. For example, with regard to the WSCK materials provided in response to OAG 1 – 50:

- An Expense Report Form (Doc. 50130) reflects charges for drinks after a Leadership meeting as well as other charges for which there is no description of the business purpose of the expense (Appendix Item 1); and
- An Expense Report Form (Doc. 64721) reflects a charge for an employee's last day lunch (Appendix Item 2).

With regard to the WSCK materials provided in response to OAG 1 – 101:

- An expense report form contains charges for AIG High Star visit to "UICN" (Appendix Item 3);
- A Business Expense Report (Lisa Crossett, 3/38/07 to 6/13/07) reflects a Board of Directors meeting in Orlando, Florida (Appendix Item 4);
- Business Expense Reports (Larry Schumacher, 4/01/07 to 6/20/07) reflects before dinner drinks (Appendix Item 5) as well as a dinner in which Mr. Schumacher apparently paid for the meal of a person's spouse and a separate charge of \$3,625 for "Dinner/appetizers for entire group BOD, HS" (Appendix Item 6);
- The Business Expense Report for Mr. Schumacher for this period also includes a \$2,500 charge for dues in an organization described as "YPO" (Appendix Item 7);

- The Business Expense Report (John Williams, 5/12/07 to 5/20/07) includes expenses for picking up multiple dinners for “other NARUC faculty and NAWC executives (Appendix Item 8);
- The Business Expense Report (Steven M. Lubertozzi, 7/08/07 to 8/31/07) contains numerous charges for drinks and appetizers (and these are not modest charges) as well as lunches for which there is no indication of the purpose for the lunch (Appendix Item 9); and
- An expense report (Don Sudduth, dated 8/31/07) includes a \$236.30 charge for show tickets to Planet Hollywood as well as numerous other charges for which there is no description of the business purpose (Appendix Item 10).

With regard to WSCK’s material in response to Commission Staff’s 1 May

2009 request, Item 2:

- A Business Expense Report (Larry Schumacher, 9/07/07 to 12/14/07) reflects a Board of Directors’ meeting held in Las Vegas, Nevada (a meeting that lasted less than 3 hours (WSCK Response to OAG 1 – 24) and a Board dinner costing \$2,433.89 (Appendix Item 11);
- A Business Expense Report (Lisa Crossett, 09/12/07 to 10/18/07) reflects the purchase of two tickets to the Lyric Opera of Chicago (“Ceasar”) (Appendix Item 12); and
- A Business Expense Report (Steven M. Lubertozzi, 9/01/07 to 10/09/07) shows the purchase of tickets to see the Chicago Bears (Appendix Item 13).

The foregoing are a few of the “highlights.” There is an unmistakable pattern of excessive charges in tandem with a lack of documentation necessary to conclude that the expenses were reasonably related or beneficial to WSCK’s provision of water service.

With regard to WSCK's response to OAG 1 – 49 (“Other Office Expenses”), there are charges relating to an NAWC (National Association of Water Companies) “Fly-in” to Washington D.C. (Appendix Item 14), charges made during a trip to China (Appendix Item 15), and an \$1,871.36 dinner before a business meeting in tandem with a \$6.50 coffee after lunch (Appendix Item 16). One business expense report of particular note is that of Larry Schumacher (03/06/08 to 5/27/08) in which Mr. Schumacher, on 9 April 2008, required a pre-dinner snack and drink, dinner, and a post dinner dessert (Appendix Item 17). Clearly, some executives at Utilities, Inc., take their consumption of food very seriously as is punctuated by the provision of donuts to honor National Donut Day (Appendix Item 18).

During the evidentiary hearing, a witness for WSCK discussed the value of water within the context of the WSCK's request for a significant increase in rates (TE 08/19/09, 2:18:15 *et seq.*). The OAG does not question the sincerity of the discussion. What the Attorney General questions is whether Water Service Corporation of Kentucky (and Utilities, Inc.) understand that reasonableness and discretion are part-and-parcel of the concept of value.

WSCK has the burden of proof, and there is no presumption of benefit or reasonableness. WSCK has the responsibility to use discretion in its expenditures. See, for example, *In the Matter of: Rate Adjustment of Western*

Kentucky Gas Company, Case No. 90-013, Order, 13 September 1990 (pages 21 and 22 – removal of costs for gifts of Rolex watches); *In the Matter of: Adjustment of Rates of Columbia Gas of Kentucky, Inc.*, Case No. 10498, Order, 6 October 1989 (page 30 – removal of allocated costs for Ohio State football parking pass).

The agreement between WSCK and WSC is an abuse of discretion, and the indirect allocation of costs with a pattern of unexplained and/or excessive costs is improper. The Attorney General asks that the Commission disallow all of the allocation of indirect costs from Water Service Corporation to Water Service Corporation of Kentucky.

The Attorney General realizes that the request may, at first blush, seem harsh. The request is, however, consistent with the fact that WSCK has the burden of proof, and the agreement and the corresponding evidence are not sufficient to support the allocations as reasonable. While this is a statutory proceeding, the Attorney General will borrow, for the purpose of comparison or illustration, from a doctrine of equity. "As a general equitable proposition, where one of two innocent persons must suffer, the one whose negligence brought about the condition must bear the burden." *Ellison v. Ellison's Adm'r*, 198 Ky. 444, 182 S.W.2d 964 (1944). The Kentucky ratepayers may only be called upon to pay those costs proven beneficial in providing utility service. If there is

a problem resulting from the lack of evidence, it is a problem for Utilities, Inc., to bear. Compare KRS 278.190(3) and the foregoing Orders with *Ellison*.

The Attorney General also wishes to point out that the Commission should remove all spending associated with the National Association of Water Companies (NAWC). NAWC is an advocacy organization with a focus upon governmental affairs and legislative activities. (See selected portions of the NAWC Form 990, attached as Appendix Item 19). Accordingly, the NAWC dues and the costs associated with NAWC activities should be eliminated from rates.

In response to WSCK's reliance upon a study prepared by a WSCK witness in a Virginia proceeding, the Attorney General notes the following. First, the study does not review the 19 December 2007 agreement. It is a review of a service agreement between Water Service Corporation and Massanutten dated 20 July 2005. (WSCK Response to OAG 1 – 61, Baryenburch report, Page 5). Hence, there is no demonstration that it is a study of the same agreement.

Second, and more importantly, the Virginia State Corporation Commission's Order Granting Approval, submitted by WSCK in response to hearing data requests, does not shift the burden of proof away from Massanutten Public Service Corporation (MPSC) with regard to the reasonableness of expenses allocated under the approved methodology (MPSC Order, pages 3 and 4). Additionally, Kentucky is not bound by the rate-making treatment of other jurisdictions. Thus, in terms of the study based upon a prior agreement and the

Virginia Corporation Commission's assessment of the new allocation methodology, there is nothing associated with the MPSC Order to suggest a presumption of reasonableness in the actual indirect costs allocated. The Order simply conveys that other Commissions found the allocation percentages, themselves, acceptable.

In terms of borrowing from other jurisdictions, it is worthwhile to examine the management audit produced by WSCK in Response to OAG 1 – 33. First, the report notes that Utilities, Inc., has a strategic plan; however, it declined to provide a copy of the plan to the auditors upon the latter's request (*Id.* Schumaker & Company Audit, Page 14, Finding II-4 – “The Utilities, Inc. strategic planning process is inadequate.”). Additionally, the Schumaker & Company Audit does point out that ratepayer protections against executive compensations levels that are too high are missing (Audit, Page 86, Finding IV-5); compare with WSCK Response to 3 April 2009, Item 15 (There is no wage, compensation, and employee benefit studies for Water Service.). Therefore, even under the assumption that the formula for allocating costs is acceptable, it does not follow that the remainder of the agreement is reasonable or that the planning or costs of Utilities, Inc., is appropriate.

3. OTHER ITEMS:

The Commission should reject WSCK's application's use of the Consumer Price Index. It is contrary to Kentucky's regulatory scheme and Commission

methodology. WSCK does not offer any compelling basis or justification to make adjustments to the test year result on the Consumer Price Index.

The Attorney General does not suggest that the Commission deny the request for a change in rates in its entirety. In order to have the opportunity to provide reasonable service, WSCK requires reasonable rates. When asked for a general description of the drivers for this rate increase, WSCK noted that capital improvements, increases in expenses for power, chemicals, and fuel were significant factors (TE 08/19/09, 2:17:20 *et seq.*).

To this extent, capital improvements in plant, exclusive of the cost allocation for Project Phoenix, added during the test year and any corresponding additions falling within the scope of legitimate known and measurable changes should be recognized. Further, power, chemicals, and fuel expense categories contained in the test year (and, again, adjusted for legitimate known and measurable changes) merit recognition; however, each of these categories should be normalized by reference to a multi-year average to smooth out any anomalies in the test year. Wage increases associated with employees of Water Service Corporation of Kentucky are appropriate for consideration as well. The Attorney General also notes that allocations regarding insurance are not contested.

WSCK indicates that the Hughes Consulting Accounting Study (WSCK Response to OAG 1 -- 59) relates to sewer operations. Candidly, the OAG is

unable to discern whether the cost for the accounting study has been removed (WSCK Response to OAG, 1 – 4). If it has not, then it should be.

The Attorney General adds that his foregoing adjustments are primary adjustments. Secondary adjustments to items such as depreciation and taxes are, except where noted, assumed. Discussion of the various expense items is not, of itself, a concession that the items were assigned to the proper account. Further, in instances in which the Attorney General does not offer comment, the lack of comment on an issue does not constitute an acceptance or ratification of that aspect of the WSCK application.

WATER SERVICE CORPORATION OF KENTUCKY'S COST OF EQUITY EVIDENCE IS UNRELIABLE; THE COMMISSION SHOULD APPLY THE OPERATING RATIO METHODOLOGY.

The Attorney General does not contest the qualifications of Water Service Corporation of Kentucky's cost of equity expert, Ms. Pauline Ahern. She is, clearly, by her education and experience a person capable of providing expert testimony on the cost of equity. That she is an expert, however, is not at issue. The issue is whether her testimony is sufficiently reliable to establish a cost of equity for WSCK. It is not.

The first thing to point out is that this rate proceeding is for determining the cost of equity for WSCK rather than a proceeding for a generalized inquiry into the water, wastewater, and gas company industries. WSCK's witness is

incorrect in her understanding of whether jurisdictional utilities are allowed to weather-normalize sales (TE 08/19/09, 10:17:35). They can. See *In the Matter of: Application of Kentucky-American Water Company to Increase Its Rates*, Case No. 95-554, Order, 11 September 1996. The witness is incorrect in her understanding of whether jurisdictional utilities can utilize forward-looking test periods (TE 08/19/09, 10:17:43). Again, they can. KRS 278.192. Thus, in terms of a fundamental understanding of the Kentucky regulatory framework applicable to water utilities, the evidence provided by WSCK simply does not manifest one.

As importantly, WSCK's cost of equity analysis does not identify the risks associated with WSCK. The testimony is an overly generalized assessment of the utility industry. In fact, in several instances, the witness concedes that her comments are merely general comments such as the discussion regarding possible increased levels of spending. Ms. Ahern concedes that her statements "are general statements applicable to the water industry in general and are not intended to be specific to Water Service Company [sic] of Kentucky or the Kentucky Public Service Commission" (WSCK to PSC 1 May 2009 DR, Item 22). The same is true for her assessment of security risks (WSCK to PSC 1 May 2009 DR, Item 23).

Both the responses to data requests and the testimony during the evidentiary hearing show that there has been no actual reconciliation between the risks of the entities chosen for study and WSCK. Further, on the core issues

of WSCK's source of supply for water sales, water sales, and customer mix, the risk analysis is lacking. WSCK's evidence regarding its cost of equity is insufficient and thus unreliable.

WSCK, given its size, could have and should have utilized the operating ratio methodology. Water Service Corporation of Kentucky declined to utilize the operating ratio because "the Company decided to file the current case based upon rate base/ rate of return regulation *consistent with filings made in other states in which subsidiaries of Utilities, Inc. operate* and consistent with the Company's filing in Case No. 2005-00325, its last rate proceeding" (WSCK Response to PSC 1 May 2009, Item 19, emphasis added).

This is in contrast to WSCK's position that "it is not practicable for a water system the size of WSCK to prepare a cost-of-service study every few years assess increased cost to its water operations" (WSCK Response to PSC 1 May 2009 DR, Item 4). The use of the operating ratio meets the "widely accepted" criteria describe by WSCK in Item 4. Consequently, the Attorney General submits that was not practicable for WSCK to select the route it chose in seeking to establish its return on equity.

The Commission should apply the operating ratio methodology in lieu of the undependable evidence relating to WSCK's cost of equity. It is a standard methodology, and it fairly establishes the equity target for which WSCK has an opportunity to earn on its investment.

Finally, the Attorney General respectfully submits that the cost of equity testimony, while in some manner interesting, does not have a sufficient nexus with Water Service Corporation of Kentucky's cost of equity to support the inclusion of its costs into rate recovery. The Attorney General asks that these costs be removed from rate case expense and the amortization for rate case expense reduced accordingly.

In the future, should WSCK seek to submit cost of equity testimony, then it should be prepared to demonstrate that the cost of the activity is reasonable in comparison to the benefit. The rate case expense amount of \$145,604 (WSCK Responses to Hearing Data Requests, Item 1), is staggering relative to the customer base of less than 8,000 customers. If WSCK seeks cost recovery of reasonable rate case expenses, it should be prepared to demonstrate why the costs of submitting cost of equity testimony are more appropriate than the use of the operating ratio.

CONCLUSION

Water Service Corporation of Kentucky requires reasonable rates in order to provide reasonable service. To this end, the Attorney General has no qualms in conveying that WSCK should be permitted the opportunity to obtain reasonable rates. This application has provided WSCK with that opportunity, and it fails to meet its burden for the rate increase that it seeks. In some instances the failure relates to the inability to provide credible evidence to support the application. In other instances, the failure relates to a fundamental problem with Utilities, Inc.'s approach and lack of compunction in passing along excessive costs. The Attorney General asks that the Commission deny the application in a manner consistent with the positions outlined in his Brief.

EXPENSE REPORT FORM

Batch

22331

3009774

- 1) Complete all sections where applicable
- 2) Attach receipts onto separate page, attach to form
- 3) Explain ALL entertainment expenses on the back of form
- 4) Keep photocopies of all forms for your protection
- 5) Submit completed form to supervisor for approval

RECEIVED
 APR 17 2008
 KEY

Doc

50130

Name **Christine Kim**

Company **102**

Business Unit **101**

Date							Total	Account Codes
	1/30/08	2/18/08	2/28/08	3/5/08	3/10/08	3/25/08		
Co./Business Unit	102101	102101	102101	102101	102101	102101		
Meals							\$0.00	6200
Hotel (room, tax, phone calls)							\$0.00	6185
Mileage Driven								
Mileage Value @ 0.485	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00	6195
Airfare (including penalties)							\$0.00	6190
Car Rental (including fuel)							\$0.00	6195
Parking / Tolls							\$0.00	6207
Taxi - Limousine							\$0.00	6195
Entertainment	81.00	22.00	24.50	199.37	60.68	10.00	\$397.55	6205
Education - Operators							\$0.00	5820
Education - Office							\$0.00	5690
Other: employee wellness							\$0.00	5660
Other:							\$0.00	
Other:							\$0.00	
Other:							\$0.00	

APR 17 2008

<p>Purpose of the Expense:</p> <p>Business Benefit:</p> <p># Days on Business:</p> <p>Explanation:</p>	<p style="text-align: center;">Payment Recap</p> <p>Total of the Front of the Expense Form:</p> <p>Subtract Any Advance: less</p> <p>Net Amount Due to the Employee:</p> <p><i>I hereby certify that the above expenditures represent cash spent for legitimate company business only and include no items of a personal nature.</i></p>
<p>Authorized Signature: </p> <p>Date Authorized:</p>	<p>Employee Signature: </p> <p>Date Signed: <u>4/17/08</u></p>

Appendix 1

Wyndham Glenview Suites
 1400 Milwaukee Avenue
 Glenview, Illinois 60025
 847-803-9800

Thank you for staying with us!

308 FCO

Tbl 22/1 Chk 302 Gs
 Feb28'08 06:49PM

1 Stoli 7.90
 2 Bud @ 4.50 9.00
 1 Miller Light 4.50

07:55PM Total Due 20.50

TIP: 4

Total: 24.50

Room: _____

Print NAME _____

Signature _____

THANK YOU FOR COMING
 SEE YOU NEXT TIME
 19:11 Wed 01/30/08 Register# 3

TOTAL: 5 ITEMS. 74.30
 SUBTOTAL 6.70
 SALES TAX 81.00
 TOTAL

EMPIRE SZECHWAN
 (Server's Information)
 29 PICK-UP 1
 First Name: CHRISTINE
 Phone No. 7723539

CREDIT CARD TRANSACTION
 Osteria di Tramonto
 601 North Milwaukee Avenue
 Wheeling, IL 60090
 847-777-6570
 Mar05'08 08:20PM

Date: Mar05'08 08:20PM
 Card Type: Visa
 Acct #: XXXXXXXXXXXXX4763
 Exp Date: XX/XX
 Auth Code: 01351C
 Check: 376
 Table: 107/1
 Server: 1015 James A
 CHRISTINE H KIM

Subtotal: 167.37
 Gratuity 32
 Final Total 199.37
 GUEST COPY

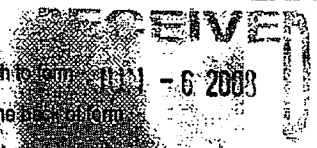
TGI FRIDAY'S #0194
 GLENVIEW, IL
 Mar10'08 01:43PM

Date: Mar10'08 01:43PM
 Card Type: VISA
 Acct #: XXXXXXXXXXXXX4763
 Exp Date: XX/XX
 Auth Code: 06843C
 Check: 3371
 Table: 80/1
 Server: 17 EARL M
 CHRISTINE H KIM

Subtotal: 50.68
 TIP \$10
 TOTAL \$60.68

EXPENSE REPORT FORM

- 1) Complete all sections where applicable
- 2) Attach receipts on separate page, attach to form
- 3) Explain ALL entertainment expenses on the back of form
- 4) Attach photocopies of all forms for your protection
- 5) Form to be completed and returned to supervisor for approval



Batch 26410

Name **Christine Kim**

Doc 64721

Company **102**

Business Unit **101**

3009774

Date								Total	Account Codes
	5/30/08	6/4/08							
Co / Business Unit	102101	102101							
Meals								\$0.00	6200
Hotel (room, tax, phone calls)								\$0.00	6185
Mileage Driven									
Mileage Value @	0.485	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00	6195
Airfare (including penalties)								\$0.00	6190
Car Rental (including fuel)								\$0.00	6195
Parking / Tolls								\$0.00	6207
Taxi - Limousine								\$0.00	6195
Entertainment	140.34	30.00						\$170.34	6205
Education - Operators								\$0.00	5820
Education - Office								\$0.00	5690
Other: CPA Review course								\$0.00	5820
Other:								\$0.00	
Other:								\$0.00	
Other:								\$0.00	
Purpose of the Expense:							Payment Recap		
Business Benefit:							Total of the Front of the Expense Form:		
# Days on Business:							Subtract Any Advance: less		
Explanation:							Net Amount Due to the Employee: <u>170.34</u>		
<p>I hereby certify that the above expenditures represent cash spent for legitimate company business only and include no items of a personal nature.</p>									
Authorized Signature:							Employee Signature:		
Date Authorized:	<u>6/6/2008</u>						Date Signed:	<u>6/4/08</u>	

JUN 06 2008

Appendix 2

Benihana Wheeling
150 N. Milwaukee Avenue
Wheeling, IL 60090
847-465-6021

Benihana Wheeling
150 N. Milwaukee Avenue
Wheeling, IL 60090
847-465-6021

Server: Arman 05/30/2008
Cashier: Julie
Table 12/1 12:58 PM
Guests: 7 20006

Server: Elena DOB: 05/30/2008
10:00 PM
Table 12/1 05/30/2008
2/20006

Lunch Combo 2 13.50
Lunch Combo 3 17.25
Lunch Combo 3 17.25
Lunch Combo 2 13.50
Mini Steak - Lunch Combo* 3.00
Chicken, Lunch 8.65
Dragon Roll 10
Lunch Boat Special (A) 3.00
Lunch Combo 2 13.50
Mini Steak - Lunch Combo* 3.00

Subtotal 109.40
Tax 10.94

Total 120.34

Balance Due 120.34

Visa 1048624
Card #XXXXXXXXXX5300
Magnetic card present: KIM CHRISTINE
Approval: 047236

Amount: 120.34
+ Tip: 20
= Total: 140.34

Tell Us How We
Can Be Better
1-800-327-3369

"SUBS SO FAST YOU'LL FREAK™"

NAME <u>Harris</u>		TIME: <u>6:47</u>		INITIALS: <u>JA</u>	
ADDRESS: <u>2335 Sander Rd</u>		PHONE: <u>(847) 752</u>		BUS/DORM. NAME	
SPECIAL NOTES: <u>218 7290 Utilities Inc</u>					
<input type="checkbox"/> Coca-Cola	<input type="checkbox"/> Diet Coke	<input type="checkbox"/> Sprite	<input type="checkbox"/> Diet Sprite	Lemonade	Lemonade
<input type="checkbox"/> REG. <input type="checkbox"/> REG.	<input type="checkbox"/> REG. <input type="checkbox"/> REG.	<input type="checkbox"/> REG. <input type="checkbox"/> REG.	<input type="checkbox"/> REG. <input type="checkbox"/> REG.	JALP.	JALP.
<input type="checkbox"/> PICKLE	<input type="checkbox"/> PICKLE	Choc Chunk	Choc Chunk	Oat Raisin	Oat Raisin
SANDWICH #		EXTRA MEAT	EXTRA CHEESE	EXTRA AVOCADO	SPECIAL INSTRUCTIONS
14					
10					
1					nom + dy
4					+ pep
7016246		Cash	Tip plus \$ 20.00		
			Chop add 150		
			TOTAL		\$ 27.00

RECEIVED

JUN 15 2007 UTILITIES, INC.

NAME: Lawrence Goldsmith

V19333

EXP 6/07

Date	Amount			Paid To	Description of Expense or Activity, Persons Involved	G/L Code
	Meals	Travel	Other			
6/5/2007		50.00		Illinois Tollway	Purchased I-Pass (\$40.00 starting balance + \$10.00 deposit)	002-5018-7758365
6/12/2007		822.00		Luxury Vegas Transportation	Transportation - AIG High Star visit to UICN	002-0005-7758390
6/12/2007	40.00			Luxury Vegas Transportation	Refreshments - AIG High Star visit to UICN	002-0005-7758370
SUBTOTAL	40.00	972.00	0.00		APPLY TO: WSC 002-0018	
5/30/2007		620.30		Southwest Air	Airfare - Las Vegas To Midway	018-0066-7758365
6/3/2007	12.15			Wolfgang Puck's - HMS HOST	Meal - Las Vegas to Midway	018-0066-7758370
6/4/2007		220.19		Hilton Garden Inn	Lodging - Northern Hills Visit (ICC Inspection)	018-0066-7758365
6/4/2007	27.51			Hilton Garden Inn	Meal - Breakfast w/ P. Burris - Northern Hills ICC Inspection	018-0066-7758370
6/5/2007		84.35		Hampton Inn	Lodging - Northern Hills Visit (ICC Inspection)	018-0066-7758365
6/5/2007	13.43			Potbelly Sandwich Works	Meal - Midway to Las Vegas	018-0066-7758370
6/27/2007		12.00		McCarran Airport	Parking Expense - Northern Hills Visit - ICC Inspection	018-0066-7758365
SUBTOTAL	53.09	848.84	0.00		APPLY TO: Northern Hills UICN Code	
TOTALS = \$ 93.09 \$ 1,918.84 \$ - \$ 2,011.93 Grand Total						

= 50.00
= 972.00
= 40.00

= 946.84
53.09

= 1129.93

2

2,011.93

Date: 6/13/2007

Signature: Larry Goldsmith

Appendix 3

UTILITIES, INC.

RECEIVED BUSINESS EXPENSE REPORT

COMPANY: Water Service Corp

JUN 20 2007

NAME: Lisa Crossett

FROM: 3/28/07 TO: 6/13/07

V15871
EXP 3-6/07
6/11/07

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
28-Mar		✓(1,788.80)	American Airlines	ORD --> SFO --> ORD Trip Cancelled (Refund)
18-Apr	40.00		Whirley Ball	PROJECT PHOENIX - TEAM BUILDING
21-Apr		✓ 6.95	Internet Usage.Com	Internet
4-May	31.95		Edwardo's Natural Pizza	Corporate Strategy w/ Hopkins, Schumacher and Carrie
4-May	72.25		Café Lucci	Welcome Dinner for Brian Tite (Schumacher, Tite, Sparrow)
4-May	232.80	✓13.12	Walt Disney Yacht Club Hotel	BOD Meeting
5-May		✓375.09	Cingular	April Wireless
7-May	29.79		Tong's	Board Meeting Prep w/ Schumacher and Lubertozzi
7-May	7.70		Starbucks	Board Meeting Prep w/ Schumacher and Lubertozzi
9-May		✓1,526.80	American Airlines	ORD --> MCO --> ORD (Board Meeting)
16-May		✓ 797.65	Kinkos	Quarterly BOD Meeting Books
16-May	110.01		Flight	Finance w/ Brian Tite
20-May		✓ 457.00	American Airlines	Incremental Airfare for Flight Change
22-May		✓ 78.00	O'Hare	Parking
22-May		✓ 107.00	Daycare	Incremental Daycare
22-May	51.64		Orlando Airport	BOD Meeting (Schumacher, Stover, Lubertozzi, Tite, Delgado)
22-May	58.73		Orlando Airport	BOD Meeting (Schumacher, Stover, Lubertozzi, Tite, Delgado)
24-May		✓ 1,290.80	American Airlines	ORD --> LGA --> ORD (Highstar Annual Meeting)
25-May	30.91		O'Hare	Dinner
5-Jun		✓ 185.12	Cingular	May Wireless
9-Jun		✓ 133.19	Barana Republic	UI Logo Shirts
11-Jun		✓ 231.00	Daycare	Incremental Daycare
11-Jun	5.51		McDonalds	Lunch
TOTALS	671.29	+ 3,412.92		

001-0001-6759064=560.21
002-0005-7758390=405.99
002-0005-7758370=398.49
002-0005-7758365=21,788.807
002-0005-7758365=3,710.67
002-0005-6759004=797.65

②
4,084.21
Date: 6/13/07

Signature: *[Handwritten Signature]*

Appendix 4

UTILITIES, INC.

BUSINESS EXPENSE REPORT

Page 1 of 9

NAME: Larry Schumacher

FROM: 4.1.07 TO: 06.20.07

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
April		\$40.00	Cingular	Monthly flat fee for cell phone 001-0001-6759064 = 167.57-
April		\$40.00	AT&T	Monthly fax line charge-home 008-0005-7758390 = 1,825.37-
April		\$5.99	Cingular	Monthly roaming
April		\$81.58	Cingular	Monthly unlimited data-laptop
4/2/2007	\$21.00		Flight	Meeting w/ Brian Tite (Interview)
4/2/2007	\$18.00		Flight	Meeting w/ Brian Tite (Interview)
4/19/2007	\$117.00		Tuscany	Lunch ET with Brian
4/6/2007	\$41.18		Yardhouse	Meeting to make offer to Brian Tite
4/10/2007	\$30.00		Tong's Hunan	LC, SL, JS LNS Re: Reporting changes
4/23/2007	\$85.00		Bo Chinn's	Lunch w/ Leslie, Julie DD, BT & LNS. (EA's)
3/16/2007	\$37.83		Bravo	After Haynes LC, DD & LNS discuss Max/Bio-tech
4/11/2007	\$33.09		Monica's	Lunch SL, JS, LC & LNS re: results
4/30/2007	\$25.27		Moon Doggies	Lunch LC, SL, DD & LNS re: status update LC out
5/1/2007	\$61.00		Wildfire	Drinks before dinner
5/1/2007	\$238.00		Wildfire	Dinner w/ BT, CK, DC & LNS Finance dept heads
4/6/2007	\$17.93		Famos	Lunch w Stokes and LNS
5/4/2007	\$460.00		Café Lucci	Dinner w/ Brian T, wife, LC, MS LNS and Natalie
5/16/2007	\$9.07		Dunkin Donuts	Donuts for breakfast meeting ET BOD prep
6/8/2007	\$31.00		Los Hanches	Lunch w/ BT, DD & LNS Re: Phoenix Dept design
TOTALS	\$1,225.37	\$167.57	\$1,392.94	

Grand Total

Date: _____

New

11/92

Appendix 5

UTILITIES, INC.

BUSINESS EXPENSE REPORT

Page 6 of 9

FROM: 4.1.07 TO: 06.20.07

NAME: Larry Schumacher

Date	Amount		Paid To	Description of Expense or Activity. Persons Involved
	Meals	Other		
5/16/2007		\$2,500.00	YPO	Annual International dues 2007-2008
TOTALS	\$0.00	\$2,500.00	\$2,500.00	

001-0001-6759300 ✓

Grand Total

Signature _____

Date: _____

Appendix 7

UTILITIES, INC.

BUSINESS EXPENSE REPORT

PAGE 2 of 2

NAME: John D. Williams

FROM: 5/12/07 TO: 5/20/07

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
		\$0.00	Balance of Page 1	
5/12	✓ \$447.61		Delta Airlines	Tallahassee to San Diego CA to serve as faculty at the NARUC Rate School
				Round trip
		✓ 195.20	Alamo	Rental Car for the week
		✓ 44.13	gas	
5/12	✓ 37.68		Marriott hotel	dinner
5/15	✓ 146.29		" "	lunch for all UT employees at conference
5/13	✓ 220.48		restaurant	dinner for other NARUC faculty + NAWSC executives
5/16	✓ 170.72		rest.	dinner for other NAWSC faculty + NAWSC exec.
5/18	✓ 135.21		rest.	" " " " " " " "
5/19	✓ 75.57		rest.	" " " " " " " "
				(note Rate school paid for hotel room)
		✓ 354.99	Delta Airlines	change fee to travel San Diego to Orlando
		✓ 60.88	Avis	to attend UT Board Meeting - rental car
		✓ 28.96	gas	to return to Tallahassee
TOTALS	\$0.00	+\$0.00	\$1917.77	Grand Total

FOR San Diego / Orlando trip

Signature John D. Williams

Date: 8/8/07

John 8/15/07

Appendix 8

V15139

UTILITIES, INC.

BUSINESS EXPENSE REPORT SEP 1 2007

CoBank Conference & Misc.

EXP 7-8/07

NAME: Steven M. Lubertozzi

FROM: 7/8/2007

TO: 8/31/2007

Date	Meals	Other	Paid To	Description of Expense or Activity, Persons Involved
16-Aug-07		477.81	United	Airfare to ASE
16-Aug-07		1,588.80	American Airlines	Airfare to DEN
27-Aug-07	69.83	274.00	St. Regis	Room charges and drinks and appetizers
28-Aug-07	37.00	274.00	St. Regis	Room charges and drinks and appetizers
29-Aug-07	95.94	274.00	St. Regis	Room charges and drinks and appetizers
30-Aug-07		90.00	O'Hare	Parking
08-Aug-07		122.56	AT&T	Cell phone
17-Aug-07		60.00	American Airlines	Upgrades to ORD
14-Aug-07	5.83	5.83	Auntie Anne's	Lunch
17-Aug-07		16.92	Monica's	Lunch with Dennis Carrie
31-Aug-07		18.39	Monica's	Lunch with Larry and Lisa
30-Aug-07		4.10	TCBY	Breakfast
08-Jul-07		166.81	AT&T	Cell phone

002-0005-7758370 = 208.60
 002-0005-7758365 = 3,215.35
 001-0001-6759064 = 122.56
 002-0005-7758390 = 25.31

Totals \$ 208.60 + \$ 3,373.22 = \$ 3,581.82 Grand Total

Signature *Steven M. Lubertozzi*

Date: September 5, 2007

MMS

Appendix X9

UTILITIES, INC.

NAME: Don Sudduth

COMPANY: WSC 6000

RECEIVED
SEP 07 2007

V18969
EXP 8/2007

Date	Amount			Paid To	Description of Expense or Activity, Persons Involved	G/L Code
	Meals	Travel	Other			
8/20/2007	✓17.40			Atlanta Bread Co.	Lunch for self + Ray Harrington	
8/20/2007	✓11.40			Cracker Barrel	Dinner for self	
8/20/2007		117.72		Fairfield Inn	Lodging	
8/21/2007	✓9.71			IHOP	Breakfast for self	
8/21/2007	✓1.34			BP	Beverage	
8/21/2007	✓6.76			Subway	Lunch for self	
8/21/2007	64.01			Liberty Tap Room	Dinner for self + Aaron Accardo	
8/21/2007		120.99		Fairfield Inn	Lodging for Finance Mgr interview	
8/22/2007	✓3.70			Chick-fil-A	Breakfast for self	
8/22/2007	✓6.42			McDonald's	Lunch for self	
8/22/2007	✓6.81			Steak n' Shake	Dinner for self	
Subtotals	127.85	238.71	0.00			
8/27/2007		424.40		Delta	Airfare to meet w/Focus Group on UICN annexation & DUI acquisition	
8/28/2007	45.89			Mountain Falls Grill	Lunch for self, Paul Burris & two Focus reps	
8/28/2007		236.30		Planet Hollywood	Show tickets for self + Paul Burris	
8/28/2007	6.03			South Point	Breakfast for self + Paul Burris	
8/28/2007	24.00			Planet Hollywood	Refreshments for self + Paul Burris	
8/28/2007	14.75			Paris	Beverages for self + Paul Burris	
8/29/2007	27.45			IHOP	Breakfast for self + Paul Burris	
8/29/2007			17.00	Servers, Hosts	Gratuities	
Subtotals	118.12	424.40	253.30			
Totals	\$ 246.67	\$ 663.11	\$ 253.30	1,162.08	Grand Total	

Signature: Don Sudduth

Date: 8/31/07

Supervisor Signature: [Signature] Date: _____

002-0005-7758370 = 46.14
002-0005-7758390 = 452.83
002-0005-7758365 = 663.11

Appendix 10

UTILITIES, INC.

BUSINESS EXPENSE REPORT

V15871

COMPANY: Water Service Corp

NAME: Lisa Crossett

FROM: 9/12/07 TO: 10/18/07

RECEIVED
NOV 16 2007

EXP/10-11/07

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
18-Oct	257.63		Marriott	Rick Durham Meeting
18-Oct	4.94		HMH Host	Breakfast
21-Oct	11.37		Monica's	Planning with LT
30-Oct	16.78		Monica's	Planning with LT
2-Nov		130.00	Lyric Opera	Replacement tickets
7-Nov		235.51	Cingular	October Wireless and Data Service
12-Nov		9.00	Taxi	Taxi
12-Nov		8.00	Taxi	Taxi
12-Nov		36.50	American Taxi	Taxi
12-Nov		42.58	Fed Ex	Fed Ex
14-Nov	451.56		Marriott	NARUC Conference
14-Nov	6.98		McDonalds	Breakfast
14-Nov		68.00	Daycare	Incremental Daycare
TOTALS	749.26	529.59		

002-0005-7758370 = 40.07
 002-0005-7758390 = 839.19
 002-0005-7758365 = 121.50
 002-0005-6759006 = 42.58
 001-0001-6759090 = 235.51

Appendix Form 12

1,278.85

2

Signature: 

Date: 11/20/07

McDonald's Corporation
 Thank you for eating at McDonald's
 Gracias por su visita a McDonald's
 Restaurant 949-252-6100

18601 AIRPORT WAY
 SANTA ANA, CA 92707

THANK YOU

McDONALD'S 11629 TEL# (800)700-3730

KS#02 **S#1** Nov. 14 '07 (Wed) 07:17
 STORE# 11629 MER# KB08493994001

IMPRINTED DATA ONLY ABOVE THIS LINE DO NOT CIRCLE EXPIRATION DATE

11/13/07
 VIN CROSSETT

EXPIRATION DATE 11/21/07 SERVER/CASHIER 111

DATA CHECKED AUTHORIZATION NO. REFERENCE NO. 90011

5840805

09/10

QTY.	DESCRIPTION	AMOUNT
		30.50
	TAX	
	TIP	6.00
	TOTAL	36.50

PURCHASER SIGN HERE
 X *[Signature]*

Cardholder acknowledges receipt of goods and/or services in the amount of the Total shown hereon and agrees to perform the obligations set forth in the Cardholder's agreement with the issuer.

IMPORTANT: RETAIN THIS COPY FOR YOUR RECORDS

CUSTOMER COPY

Order #260 EAT IN

1 EGG McMUFFIN ML 3.30
 1 W/O CANBAC
 2 MILK 3.18

SUB TOTAL 6.48
 EAT IN TAX 0.50

6.98

CARD ISSUER ACCOUNT #
 MSTR SALE *****

TRANSACTION AMOUNT 6.98
 AUTH CODE 136390 SEQ# 1563

CASH TENDERED 0.00

CHANGE

Thank you for choosing
California Yellow Cab!

Receipt amount 9.00
 Cab # _____
 Driver Name: _____

www.californiayellowcab.com

<p>UPPER BAL 1 Aisle 2 Row/Box F Seat 23</p> <p>\$65 Ex0106 Acct. # 457288 Order # 1338034 JUL01 249578-7</p>	<p>LYRIC OPERA OF CHICAGO CAESAR - 6:30pm</p> <p>Nov. 02, 2007 6:30pm Friday Evening</p> <p>FREE LECTURE 1HR PRIOR TO CURTAIN AT LYRIC</p> <p>Civic Opera House 28 N. Wacker Chicago</p>	<p>UPPER BAL 1 Aisle 2 Row/Box F Seat 23</p> <p>\$65 Acct. # 457288 Order # 1338034 JUL01 249578-7</p>
<p>UPPER BAL 1 Aisle 2 Row/Box F Seat 21</p> <p>\$65 Ex0106 Acct. # 457288 Order # 1338034 JUL01 249578-1</p>	<p>LYRIC OPERA OF CHICAGO CAESAR - 6:30pm</p> <p>Nov. 02, 2007 6:30pm Friday Evening</p> <p>FREE LECTURE 1HR PRIOR TO CURTAIN AT LYRIC</p> <p>Civic Opera House 28 N. Wacker Chicago</p>	<p>UPPER BAL 1 Aisle 2 Row/Box F Seat 21</p> <p>\$65 Acct. # 457288 Order # 1338034 JUL01 249578-1</p>

UTILITIES, INC.

BUSINESS EXPENSE REPORT

V15139

EXP/9/2007

WSC

NAME: Steven M. Lubertozzi

FROM: 9/1/2007 TO: 10/9/2007 L

Date	Meals	Other	Paid To	Description of Expense or Activity, Persons Involved
18-Sep-07	36.11		Johnny's	Lunch with DC & JM
26-Sep-07	111.00		Wyndham	Lunch with LS, LC, DD, JS & JH
06-Sep-07	64.55		Tuscany	Lunch with JH, MC & JH
24-Sep-07	43.24		Wyndham	Lunch with JM and interview candidate
08-Sep-07		138.61	AT&T	Montly cell phone
01-Sep-07		445.00	Cash	Bears tickets (one time bonus)
15-Sep-07		300.00	American Airline	Admirals Club
09-Oct-07	84.00		Tuscany	Lunch with JH, MC, JM & JM

002-0005-7758390 = 283.90
 001-0001-6759064 = 138.61
 002-0005-7758365 = 300.00

Totals \$ 338.90 + \$ 883.61 = \$ 1,222.51 Grand Total

Signature Steven M. Lubertozzi

Date: October 10, 2007

Appendix 13

UTILITIES, INC.

RECEIVED
MAR 19 2008
 BY: _____

BUSINESS EXPENSE REPORT

COMPANY: Water Service Corp

NAME: Lisa Crossett

FROM: 03/03/07 TO: 3/18/07

Batch 19382 3009603
 Doc 41976

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
18-Mar	31.30		Edwardo's	Lunch w/ Hoy, Stover and Schumacher
	31.30	0.00		PROJECT PHOENIX - CC&B
3-Mar		195.00	American Airlines	Airfare
3-Mar	18.14		McDonalds	Lunch
4-Mar		20.00	Daycare	incremental daycare
4-Mar		42.00	O'Hare	Parking
4-Mar		25.00	American Airlines	Flight Change Fee
4-Mar	113.47	376.50	Marriott	Hotel for BOD Meeting
10-Mar		0.40	ISHTA	Tolls
10-Mar	15.00		US House/Senate Cafeteria	NAWC Fly-in - Breakfast and Lunch
11-Mar	15.00		US House/Senate Cafeteria	NAWC Fly-in - Breakfast and Lunch
12-Mar		20.00	Cab	Taxi from Hotel to Airport
12-Mar		0.50	ISHTA	Tolls
12-Mar		128.00	Fly Clear	Government Approved Expedited Security for Frequent Travelers
12-Mar		65.00	Daycare	Incremental daycare
12-Mar		84.00	O'Hare	Parking
12-Mar	17.00		Admirals Club	Lunch
12-Mar	105.18	630.38	Hotel George	Hotel for NAWC Fly-in
17-Mar		232.14	Cingular	March Wireless
	283.79	1,818.84		WATER SERVICE CORP
TOTALS	315.09	1,818.84		2,133.93

MAR 19 2008

Signature: [Handwritten Signature] Date: 3/18/08

Appendix 14

UTILITIES, INC.

RECEIVED
APR 14 2008

3009816

BUSINESS EXPENSE REPORT

WSC Misc.

NAME: Steven M. Lubertozzi

FROM: 12/8/2007

TO: 4/10/2008

Batch 21881

Date	Meals	Other	Paid To	Description of Expense or Activity, Persons Involved	Doc
28-Mar-08		207.95	Viscog	Video	48440
08-Dec-07		131.74	AT&T	Cell Phone-Dec	
08-Jan-08		129.66	AT&T	Cell Phone-Jan	
08-Feb-08		102.46	AT&T	Cell Phone-Feb	
08-Mar-08		129.78	AT&T	Cell Phone-Nov	
19-Mar-08		30.89	Grand Hyatt	Internet-China	
13-Mar-08		24.72	Ritz-Carlton	Internet-China	
16-Mar-08		30.89	Shangri-La	Internet-China	
24-Mar-08	32.00		Edwardo's	Lunch with DC, Ck & GS	
01-Apr-08	53.41		Bob Chinn's	Lunch with JH & GS	
08-Apr-08		375.60	Hyat NYC	Room Charges - Janney	
04-Apr-08		879.00	American Airlines	Airfare	
07-Apr-08	34.77		Wolfgang	Dinner	
08-Apr-08		32.00	O'Hare	Parking	
10-Apr-08	33.14		Tongs	Lunch w/ Larry	

APR 14 2008

Totals \$ 153.32 + \$ 2,074.70 = \$ 2,228.02 Grand Total

Signature

Steven M. Lubertozzi

Date: April 11, 2008

2/18

Appendix 15

UTILITIES, INC.

BUSINESS EXPENSE REPORT

Page 1 of 9

NAME: Larry Schumacher

FROM: 03.06.08 TO: 05.27.08

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
April		\$40.00	Cingular	Monthly flat fee for cell phone
April		\$40.00	AT&T	Monthly fax line charge-home
April		\$5.99	Cingular	Monthly roaming
April		\$145.46	Cingular	Monthly unlimited data-laptop
3/6/2008	\$77.00		Tuscay	Lunch w/ CK, BS & LNS Re; plan while SL out
3/11/2008	\$28.00		Tongs	Lunch w/ JH, JS & LNS re: rate plan SC
3/11/2008	\$6.50		Starbuck's	Coffee after lunch
4/17/2008	\$30.00		Monica's	Lunch to discuss CC&B LC, JH, JS & LNS
4/15/2008	\$65.14		Grandpa's	Post mtg debrief JS, DS & LNS
4/14/2008	\$63.65		Hunt Club	Pre-mtg Eteam
3/31/2008	\$308.72		Flight	Eteam dinner meeting
May		\$40.00	Cingular	Monthly flat fee for cell phone
May		\$40.00	AT&T	Monthly fax line charge-home
May		\$5.99	Cingular	Monthly roaming
May		\$145.46	Cingular	Monthly unlimited data-laptop
4/29/2008	\$15.17		Dunkin Donuts	For office
5/8/2008	\$236.00		Wildfire	ETeam monthly dinner meeting
5/13/2008	\$93.82		Osteria di Tramonto	Eteam lunch after Business Meeting
5/9/2008	\$45.00		Tuscay	Prep lunch for Bus Mtg LC, SL, JS, JH & LNS
5/12/2008	\$1,871.36		Tramonto's	Dinner before Bus Mtg, ET & Miller, Nevin, Gudovic
3/19/2008	\$27.16		Tongs Hunan	Lunch w/ JS, JH & LNS Re: H/R related
TOTALS	\$2,867.52	\$462.90	\$3,330.42	

Grand Total

Date: _____

New
11/92

Appendix 16

OAC 1-49

Form **990**

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

2007

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2007 calendar year, or tax year beginning

and ending

B Check if applicable: <input checked="" type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	C Name of organization NATIONAL ASSOCIATION OF WATER COMPANIES	D Employer identification number 52-1132365
		Number and street (or P.O. box if mail is not delivered to street address) 2001 L STREET, NW	Room/suite 850
		City or town, state or country, and ZIP + 4 WASHINGTON, DC 20036	E Telephone number 202-833-2181
		F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify):	

G Website: **WWW.NAWC.ORG**

J Organization type (check only one): 501(c) (6) (insert no) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

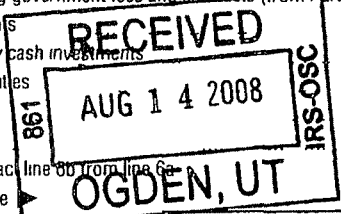
L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: **3,183,622.**

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

SCANNED AUG 25 2008

Revenue	1 Contributions, gifts, grants, and similar amounts received:				
	a Contributions to donor advised funds	1a			
	b Direct public support (not included on line 1a)	1b			
	c Indirect public support (not included on line 1a)	1c			
	d Government contributions (grants) (not included on line 1a)	1d			
	e Total (add lines 1a through 1d) (cash \$ _____ noncash \$ _____)	1e			0.
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2			294,706.
	3 Membership dues and assessments	3			2,521,488.
	4 Interest on savings and temporary cash investments	4			218,948.
	5 Dividends and interest from securities	5			
	6 Other investment income (describe):				
	a Gross rents	6a			
b Less: rental expenses	6b				
c Net rental income or (loss). Subtract line 6b from line 6a	6c				
7 Other investment income (describe):	7				
8 Gross amount from sales of assets other than inventory	(A) Securities	8a			
	(B) Other	8b			
	Less: cost or other basis and sales expenses	8c			
	d Net gain or (loss). Combine line 8c, columns (A) and (B)	8d			-4,565.
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>	a Gross revenue (not including \$ _____ of contributions reported on line 1b)	9a			
	b Less: direct expenses other than fundraising expenses	9b			
	c Net income or (loss) from special events. Subtract line 9b from line 9a	9c			
10 Gross sales of inventory, less returns and allowances		10a			
	b Less: cost of goods sold	10b			
	c Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a	10c			
11 Other revenue (from Part VII, line 103)	11				
12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	12			3,030,577.	
Expenses	13 Program services (from line 44, column (B))	13			
	14 Management and general (from line 44, column (C))	14			
	15 Fundraising (from line 44, column (D))	15			
	16 Payments to affiliates (attach schedule)	16			
	17 Total expenses. Add lines 13 and 16, column (A)	17			2,825,617.
18 Excess or (deficit) for the year. Subtract line 17 from line 12	18			204,960.	
Net Assets	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19		2,864,356.	
	20 Other changes in net assets or fund balances (attach explanation) SEE STATEMENT 4	20		61,628.	
	21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21			3,130,944.



723001 12-27-07 LHA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2007)

16370731 137216 38187

2007.06000 NATIONAL ASSOCIATION OF WAT 38187__1

Appendix 19

Part III Statement of Program Service Accomplishments (See the instructions)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► SEE STATEMENT 6	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others)	
a CONFERENCES, SEMINARS & MEETINGS CONSISTING OF WORKSHOPS, BUSINESS SESSIONS AND INFORMATION PROGRAMS TO ADDRESS THE CONCERNS OF THE INVESTOR OWNED WATER INDUSTRY AND PROVIDE AN OPPORTUNITY FOR MEMBERS TO SHARE INFORMATION ATTENDED BY 500 MEMBERS AND GUESTS.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
b PRINTING AND PUBLICATIONS INCLUDE NEWSFLOW NEWSLETTER, F&O DATA AND FINANCIAL SUMMARY REPORTS, COPIES OF REGULATORY SOURCEBOOKS PROVIDED TO 500 MEMBERS AND INTERESTED PARTIES.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
c GOVERNMENT AFFAIRS ACTIVITIES PROVIDE LEGISLATIVE LIAISON, MONITOR IMPORTANT LEGISLATION AND REPORT TO MEMBER COMPANIES, PROVIDE TECHNICAL EXPERTISE AT HEARINGS AND TO REGULATORY AGENCIES.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
d REGULATORY AFFAIRS PROVIDE LIAISON AND INFORMATION OF INTEREST TO MEMBER COMPANIES FROM STATE REGULATORY AGENCIES. PROVIDE REGULAR UPDATES OF REGULATORY DECISIONS IN EACH STATE TO 150 MEMBER COMPANIES.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
e Other program services (attach schedule)	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►	

FORM 990 STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE STATEMENT 6
PART III

EXPLANATION

THE PRINCIPAL PURPOSE OF THE NATIONAL ASSOCIATION OF WATER COMPANIES IS TO STRENGTHEN AMERICA'S INVESTOR-OWNED DRINKING WATER SUPPLY INDUSTRY BY PROMOTING, PRESERVING AND PROTECTING ITS MEMBER COMPANIES. THE ASSOCIATION AFFORDS MEMBER COMPANIES A WAY TO COMBINE COMMON INTERESTS TO IMPROVE BROAD-BASED RESPONSES TO NATIONAL AND STATE PUBLIC INTEREST QUESTIONS THAT ARE BEYOND THE MEANS OF ANY SINGLE COMPANY TO FURNISH.

FORM 990 DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT STATEMENT 7

DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
FURNITURE AND EQUIPMENT	470,952.	0.	470,952.
ACCUMULATED DEPRECIATION	0.	102,826.	-102,826.
TOTAL TO FORM 990, PART IV, LN 57	470,952.	102,826.	368,126.

FORM 990 OTHER LIABILITIES STATEMENT 8

DESCRIPTION	BEGINNING OF YEAR	END OF YEAR
DEFERRED COMPENSATION & ACCRUED POST RETIREMENT BENEFIT COST	758,412.	771,020.
DEFERRED LEASEHOLD IMPROVEMENTS	0.	107,084.
TOTAL TO FORM 990, PART IV, LINE 65	758,412.	878,104.

Exhibit 3

Farmdale Water Dist., Case No. 2020-00021 (Ky. PSC July 7, 2020)
Dexter-Almo Heights Water Dist., Case No. 2019-00354 (Ky. PSC May 21, 2020)
CityPower, LLC, Case No. 2019-00109 (Ky. PSC Mar. 25, 2020)
Nixutil Sanitation Ass'n, Case No. 2019-00024 (Ky. PSC Dec. 2, 2019)
Cannonsburg Water Dist., Case No. 2018-00376 (Ky. PSC May 13, 2019)
Elkhorn Water Dist., Case No. 2018-00145 (Ky. PSC Apr. 2, 2019)
North McClean Water Dist., Case No. 2018-00260 (Ky. PSC Dec. 20, 2018)
Kentucky-American Water Co., Case No. 2014-00390 (Ky. PSC July 2, 2015)
Airview Utilities, LLC, Case No. 2014-00215 (Ky. PSC Dec. 22, 2014)
Southeast Daviess Cnty. Water Dist., Case No. 2011-00481 (Ky. PSC Feb. 21, 2012)
W. Daviess Cnty. Water Dist., Case No. 2011-00459 (Ky. PSC Feb. 21, 2012)
Auxier Road Gas Co., Inc., Case No. 2008-00156 (Ky. PSC Jan. 8, 2009)
Mt. Olivet Natural Gas Co., Inc., Case No. 97-389 (Ky. PSC Ap. 2, 1998)
Martin Gas, Inc., Case No. 90-402 (Ky. PSC Sept. 30, 1991)
Willabrook Sanitation, Inc., Case No. 90-389 (Ky. PSC Apr. 24, 1991)
Cardinal Utilities, Inc., Case No. 89-336 (Ky. PSC Aug. 31, 1990)
A & B Sanitation Co., Inc., Case No. 10391 (Ky. PSC Sept. 7, 1989)
B & H Gas Co., Case No. 8735 (Ky. PSC May 31, 1983)
Eri-Gek Sewer Treatment Plant, Case No. 7899 (Apr. 27, 1981)
Lee Angle Co., Inc., Case No. 7658 (May 30, 1980)

Rebuttal Exhibit 3