

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

**IN THE MATTER OF:**

<b>APPLICATION OF KENTUCKY-</b>	)	
<b>AMERICAN WATER COMPANY FOR AN</b>	)	<b>CASE NO. 2021-00434</b>
<b>ADJUSTMENT OF ITS WASTEWATER</b>	)	
<b>RATES PURSUANT TO 807 KAR 5:076</b>	)	

**DIRECT TESTIMONY OF TRICIA SINPOLE**  
**DIRECTOR, RATES AND REGULATORY**  
**KENTUCKY-AMERICAN WATER COMPANY, INC.**

**Filed: January 24, 2022**

1 I. INTRODUCTION

2 Q. Please state your name, position, and business address.

3 A. My name is Tricia Sinopole. I am the Director, Rates and Regulatory for Kentucky-  
4 American Water Company (“KAW” or “the Company”). My business address is 2300  
5 Richmond Road, Lexington, Kentucky 40502.

6 Q. Have you previously filed testimony at the Kentucky Public Service Commission  
7 (“Commission”)?

8 A. No.

9 Q. Please state your educational and professional background.

10 A. I have a Bachelor of Science in Business Administration degree with an emphasis in  
11 Finance from Southeast Missouri State University. I also have a Master of Business  
12 Administration from Southeast Missouri State University. I have also completed the  
13 NARUC Utility Rate School.

14 I have over nine years of experience at American Water, three of which have been in the  
15 rates area. I accepted the role as Director of Rates and Regulatory for Tennessee and  
16 Kentucky in June 2021 and prior to that was the Senior Manager of Finance for Virginia  
17 and Maryland. I was also the Senior Manager of Finance for Indiana and Michigan before  
18 accepting the role for Virginia and Maryland. Prior to my Senior Manager of Finance roles,  
19 I was a Rates and Regulatory Analyst serving multiple American Water states and a  
20 Financial Analyst specializing in revenue analytics, also serving multiple American Water  
21 states. Before joining American Water in 2012, I worked as a Project Manager for a  
22 software company for over four years, where I led accounting and business software  
23 implementations for multi-million-dollar electric cooperatives throughout the United  
24 States.

1 **Q. What is the purpose of your direct testimony?**

2 A. KAW filed its Application in this matter on December 1, 2021 pursuant to 807 KAW 5:076  
3 which is the Commission’s Alternative Rate Filing (“ARF”) procedure for small utilities  
4 like KAW’s wastewater operations. Although ARF proceedings do not usually include  
5 testimony, Commission Staff’s January 7, 2022 First Request for Information included a  
6 request for KAW to provide written verified testimony of each witness upon whom KAW  
7 will rely in this case. Thus, I am providing this testimony on the following topics: (1) the  
8 requested revenue requirement increase and the impact on customers; (2) rate design and  
9 the proposal to phase in the new rates over a four-year period including a move to unified  
10 rates for nearly all wastewater customers; (3) support for the fees that are in KAW’s  
11 existing wastewater tariff (even though no changes to those fees have been requested).

12 **Q. Please describe the locations of KAW’s wastewater operations.**

13 A. KAW has five relatively small groups of wastewater customers. They are located in  
14 Owenton (Owen County), Millersburg (Bourbon County), North Middletown (Bourbon  
15 County), the Ridgewood subdivision in Franklin County, and the Rockwell Village mobile  
16 home park in Clark County.

17 **Q. How many customers does KAW serve at those locations?**

18 A. As of the test year, December 31, 2020, KAW served 1,375 wastewater customers, with  
19 88 in Ridgewood subdivision, 321 in Millersburg, 90 in Rockwell Village, 617 in Owenton,  
20 and 259 in North Middletown.

21 **Q. What is the requested revenue requirement increase and what will the impact be on**  
22 **customers?**

1 A. The total requested revenue requirement increase is \$938,827.82 or a 130.97% increase  
 2 over test year revenues for the year ending December 31, 2020, of \$716,829.00. As is  
 3 typical for an ARF filing, KAW has utilized an Operating Ratio of 88 percent rather than  
 4 a Return on Equity (“ROE”) method. As shown below, the imputed ROE of KAW’s  
 5 request would be 5.00 percent:

<u>Item</u>	<u>Amount</u>
Allowable Net Income Using 88% Ratio (as filed)	\$179,192
Sewer Rate Base as of 12/31/20 (as filed)	\$7,437,100
Total KAW Common Equity % as of 12/31/20 (as filed)	x 48.22%
Sewer Only Calculated Equity	\$3,586,318
<b>Imputed ROE (Net Income / Calculated Equity)</b>	<b>5.00%</b>

6  
 7 The detailed table below shows the impact on customers for each service area by customer  
 8 class for each year of the proposed four-year phase-in based on average usage, as  
 9 communicated in the customer notification.

<u>Area</u>	<u>Average Usage</u>	<u>Total Impact on Average Bill</u>		<u>June 2022 Impact</u>		<u>June 2023 Impact</u>		<u>June 2024 Impact</u>		<u>June 2025 Impact</u>	
<b><u>Ridgewood</u></b>											
Residential	Flat Rate	\$ 54.86	156.1%	\$ 9.33	26.6%	\$ 12.07	27.1%	\$ 15.36	27.2%	\$ 18.10	25.2%
<b><u>Millersburg</u></b>											
Residential	2,702	\$ 44.84	143.1%	\$ 7.41	23.6%	\$ 9.65	24.9%	\$ 12.11	25.0%	\$ 15.69	25.9%
Commercial	10,960	\$ 181.21	142.5%	\$ 29.90	23.5%	\$ 38.99	24.8%	\$ 48.93	25.0%	\$ 63.38	25.9%
OPA	2,262	\$ 210.11	800.7%	\$ 34.68	132.2%	\$ 45.17	74.2%	\$ 56.73	53.5%	\$ 73.53	45.2%
<b><u>Owenton</u></b>											
Residential	2,583	\$ 40.65	118.2%	\$ 7.31	21.3%	\$ 8.96	21.5%	\$ 10.84	21.4%	\$ 13.54	22.0%
Commercial	11,952	\$ 195.59	165.3%	\$ 35.20	29.7%	\$ 43.06	28.0%	\$ 52.19	26.5%	\$ 65.14	26.2%
OPA	5,614	\$ 203.29	315.8%	\$ 36.59	56.8%	\$ 44.74	44.3%	\$ 54.26	37.2%	\$ 67.70	33.9%
<b><u>North Middletown</u></b>											

Residential	3,238	\$ 44.84	122.8%	\$ 7.39	20.2%	\$ 9.66	22.0%	\$ 12.55	23.4%	\$ 15.24	23.1%
Commercial	9,449	\$ 205.14	219.7%	\$ 33.85	36.3%	\$ 44.11	34.7%	\$ 57.45	33.5%	\$ 69.74	30.5%
OPA	5,463	\$ 208.05	356.2%	\$ 34.32	58.8%	\$ 44.75	48.3%	\$ 58.25	42.4%	\$ 70.73	36.1%
<b>Rockwell</b>											
Residential	2,932	\$ 45.73	140.0%	\$ 6.86	21.0%	\$ 9.13	23.1%	\$ 12.81	26.3%	\$ 16.94	27.6%
Commercial	21,973	\$ 310.55	519.3%	\$ 51.28	85.8%	\$ 60.92	54.8%	\$ 85.43	49.7%	\$ 112.92	43.9%
Industrial	27,880	\$ 327.74	432.0%	\$ 53.88	71.0%	\$ 64.35	49.6%	\$ 90.21	46.5%	\$ 119.30	42.0%

1

2 **Q. Is KAW requesting that the new rates become effective immediately after the**  
3 **Commission reaches its decision or are they proposed to be phased in?**

4 A. KAW is proposing that rates be phased in over a four-year period. The effective date of the  
5 year one proposed rates is June 1, 2022 and then rate updates each year thereafter until the  
6 final phase-in on June 1, 2025.

7 **Q. KAW’s last wastewater rate case was filed in 2014. Did KAW consider filing a rate**  
8 **case sooner so that the requested increase would have been smaller?**

9 A. In KAW’s last wastewater rate case that was filed in 2014, KAW recommended phasing  
10 in rates over four years for the purposes of gradualism and to mitigate rate shock. The  
11 Commission agreed with KAW and ordered that rates in the 2014 case be phased in over  
12 four years. The final phase-in of rates for the 2014 were effective September 1, 2018. Based  
13 on the principle of gradualism, KAWC is proposing a four-step rate increase in this case.  
14 The implementation of phased-in rates is consistent with prior Commission Orders,  
15 specifically KAW’s 2014 sewer rate case (Case No. 2014-00390).

16 KAW did consider filing a rate case sooner so the requested increase would have been  
17 smaller, but there were many contributing factors that led to the timing of this filing. First,  
18 KAW didn’t think it was appropriate to request an increase in rates before the final phase  
19 of the prior case were complete, which was September 1, 2018. The 2014 case only

1 included the Owenton and Rockwell Village service areas. Since that time, three additional  
2 service areas have been acquired, which include the City of Millersburg, Ridgewood  
3 subdivision, and the City of North Middletown. All three systems were acquired in  
4 different years, with Millersburg in November 2014, Ridgewood in October 2016 and  
5 North Middletown in February 2019. In all three acquisitions, KAW adopted the existing  
6 rates. To mitigate immediate rate shock and to give KAW a fair amount of time to assess  
7 each system and improvement needs, KAW thought it was best not to increase rates  
8 immediately. In addition, KAW had filed a general water case in November 2018 and did  
9 not want to overextend its own, Commission or Consumer Advocate resources by filing a  
10 sewer case as well.

11 After receiving the Commission’s decision in KAW’s 2018 water rate case in June 2019,  
12 KAW had planned to file a sewer case in early 2020. When a global pandemic was declared  
13 in March 2020, KAW didn’t think it was the best time to file a sewer rate case as there  
14 were so many unknowns at the time. As the pandemic went on and economic conditions  
15 worsened with the unemployment rate growing, KAW made the decision to hold off on  
16 filing a sewer rate case until economic conditions improved. KAW continued to monitor  
17 economic conditions and by the third quarter of 2021, the economy and unemployment  
18 rates had improved. Based on this assessment, KAW made the decision to file its sewer  
19 case in the fourth quarter of 2021.

20 **Q. Why is KAW proposing to unify its rates?**

21 A. Because it is sound policy and is better for the customer base as a whole. As explained in  
22 the December 1, 2021 “Reasons for Application” KAW filed in this case, KAW is  
23 proposing to unify and consolidate its current multi-district rate design into a statewide

1 unified and consolidated tariff pricing rate design in the final phase of the four-year rate  
2 phase-in. The four-year period provides a gradual approach that eases the impact of  
3 consolidation on customers. Consolidated tariff pricing allows for the use of a unified or  
4 single set of sewer rates for the same service rendered by a single sewer company (KAW)  
5 across multiple systems regardless of the customer's location. Some of the benefits of  
6 consolidated pricing include incentives to purchase small under-performing sewer utilities,  
7 the promotion of state economic development goals, improved affordability for all  
8 customers, and lower administrative and regulatory costs.

9 Customer rates are dependent on the total expenses, rate base, and usage. Changes in rate  
10 base, particularly as the result of the Clean Water Act, have a significant potential impact  
11 for sewer operations. The ability to absorb the cost of such projects over a larger customer  
12 base is a compelling argument in support of rate consolidation. Capital programs will never  
13 be uniform in the several operating areas, even over 5 to 10 years, but over the long run all  
14 areas will need specific investment. Consolidated tariff pricing mitigates the effect of  
15 lumpy investment for all customers while promoting a standard quality of service for the  
16 entire service territory. By spreading the cost of these investments over a larger base, rate  
17 increases will be more stable and major increases to specific pockets of customers will be  
18 avoided.

19 Simplifying rate structures also leads to lower administrative costs as utilities can more  
20 easily help customers who have questions, lowers the cost of billing and collections, and  
21 reduces the regulatory cost of separate filings within a single rate proceeding.

22 **Q. Has the Commission favored unified rates for KAW's water customers?**

1 A. Yes. The Commission has long recognized the advantages of unified rates for KAW's  
2 water operations. When KAW acquired Owenton water and sewer customers in 2005,  
3 KAW did not have unified water rates. In its Order regarding the Owenton acquisition, the  
4 Commission stated, "The Commission places KAWC on notice that KAWC's next  
5 application for general rate adjustment should contain a proposal for a single rate schedule  
6 applicable to all KAWC customers or, in the alternative, a detailed explanation of why such  
7 a rate schedule is unreasonable for KAWC's statewide operations."<sup>1</sup>

8 In accordance with the Commission's directive, KAW proposed unified rates in its next  
9 water rate case (Case No. 2007-00143). In support of that proposal, KAW explained the  
10 following benefits of unified rates:

- 11 1. The spreading of costs over a larger customer base rather than individual areas which  
12 minimizes rate shock;
- 13 2. Over time, unified rates will smooth out the impact of capital investments and operating  
14 costs in individual districts;
- 15 3. Efficiencies generated by not having to maintain books and records for filing rate cases  
16 for each individual service areas and related expenses;
- 17 4. Efficiencies generated from not having to maintain tariffs for each service area;
- 18 5. Customer service representative contact with customers regarding billing and credit  
19 adjustments will be streamlined and simplified; and
- 20 6. Growth and acquisitions are encouraged because the revenue for a new service area can  
21 be better known which helps to simplify the determination of a purchase price which  
22 can facilitate the acquisition of troubled systems.<sup>2</sup>

23  
24 The parties to Case No. 2007-00143 reached a recommended stipulation resolving the case  
25 and that stipulation included an agreement for unified rates. In approving that agreement,  
26 the Commission addressed unified rates, approved them, and called unified rates "a  
27 desirable policy goal."<sup>3</sup>

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<sup>1</sup> Case No. 2006-00206, July 22, 2005 Order, p. 6.  
<sup>2</sup> Case No. 2007-00143, April 30, 2007 Direct Testimony of Michael Miller, pp. 5-7.  
<sup>3</sup> Case No. 2007-00143, November 29, 2007 Order, p. 4.



1 **Q. Have KAW’s unified water rates been challenged since they were approved in 2007?**

2 A. Yes. Since unified rates were approved in Case No. 2007-00143, they have been opposed  
3 twice in KAW’s water rate cases. But each time, the Commission has wisely approved the  
4 continued use of unified rates. In Case No. 2012-00250, KAW again explained the many  
5 benefits of unified rates (spreading costs over a larger customer base, administrative  
6 efficiencies, more stable and understandable rate structures, improved capital deployment,  
7 improved revenue stability, and improved service affordability for small systems<sup>4</sup>) and the  
8 Commission agreed that unified rates should continue to be used.<sup>5</sup>

9 Then, in Case No. 2018-00358, KAW again faced opposition to unified rates. Therefore,  
10 KAW again explained the benefits of unified rates<sup>6</sup> and the Commission again agreed that  
11 unified rates should be used and quoted from its own previous Order: “The Commission  
12 has consistently supported the concept of a unified rate structure to encourage  
13 consolidation of water systems and to improve the quality of water service in the  
14 Commonwealth. Reversal of this policy would discourage further water system  
15 consolidation.”<sup>7</sup>

16 The Commission’s wise approval of unified rates is not unique to KAW. For example, just  
17 a few months ago, the Commission approved unified rates for Bluegrass Water Utility  
18 Operating Company.<sup>8</sup> And in 2019, it approved unified rates for Water Service  
19 Corporation.<sup>9</sup> Thus, for all the reasons behind the Commission’s long-standing support for

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<sup>4</sup> Case No. 2012-00250, KAW’s July 8, 2013 Post-Hearing Brief, pp. 47-51.

<sup>5</sup> Case No. 2012-00250, October 25, 2013 Order, pp. 68-71.

<sup>6</sup> Case No. 2018-00358, KAW’s May 31, 2019 Post-Hearing Brief, pp. 65-67.

<sup>7</sup> Case No. 2018-00358, June 27, 2019 Order, p. 72.

<sup>8</sup> Case No. 2020-00290, August 2, 2021 Order, pp. 111-113.

<sup>9</sup> Case No. 2018-00208, February 11, 2019 Order, pp. 19-21.

1 and approval of unified rates, I recommend the Commission approve the proposed unified  
2 rates for KAW's sewer customers.

3 **Q. Why would Ridgewood customers not be charged the unified rates?**

4 A. The consolidated and unified tariff pricing rate design which would occur in the final year  
5 of the proposed four-year phase-in would apply to all customers except the customers in  
6 the Ridgewood subdivision. In Case No. 2016-0022, the Commission approved the  
7 acquisition of the Ridgewood wastewater system with no change to the applicable customer  
8 monthly flat rate of \$36.57. The rate design in place at the time of the acquisition did not  
9 contain a volumetric charge. On September 1, 2018, the rate was lowered to \$35.14 in  
10 Case No. 2018-00042 in response to the Tax Cuts and Jobs Act. KAW plans on having  
11 discussions with the water provider for Ridgewood customers to determine whether water  
12 usage and meter information can be obtained that would then allow for the possibility of a  
13 wastewater rate with a volumetric component. However, at this time, those discussions  
14 have not occurred, so KAW has proposed a flat monthly rate for Ridgewood customers.

15 **Q. In addition to the proposed phase in, what else has KAW done and what will it do to  
16 help customers?**

17 A. KAW witness David Farrar is providing testimony on the steps KAW has taken and will  
18 take to contain wastewater costs. In addition to that, KAW is willing to modify its H2O  
19 Help to Others program so that wastewater customers, in addition to water customers, are  
20 eligible for the assistance that program offers.

21 **Q. What is the H2O Help to Others Program?**

1 A. The H2O Help to Others Program is a shareholder funded assistance program for income  
2 eligible customers who find themselves unable to pay their water bills. Residential  
3 customers qualify for assistance if funds permit and if they meet the following guidelines:

- 4 • Customer’s total gross household income must be at or below 200% of the 2020  
5 Federal Poverty Income Guidelines.
- 6 • The customer must have paid at least \$25 toward their water bill in the 180 days  
7 prior to applying for assistance.
- 8 • Customer must have a balance of at least \$50 outstanding on account.

9 Customers who are experiencing financial crisis and meet the guidelines above may apply  
10 for assistance. This includes customers who are on payment plans and having difficulty  
11 making their payments, as well as customers who have been billed for a leak and have  
12 incurred a large balance. The maximum grant is \$125 and qualifying customers may  
13 receive one grant per calendar year. Exceptions to the maximum \$125 one grant per year  
14 may be made in extreme situations.

15 **Q. Are there miscellaneous fees in KAW’s wastewater tariff? If so, please describe them.**

16 A. Yes, there are. There’s a reconnection charge that is applicable when it is necessary to  
17 discontinue water service to any premise because of the violation of KAW’s Rules and  
18 Regulations on account of nonpayment of any bill for sewer service. The reconnection  
19 charge of \$56 covers the expense of turning on the water service. There is a \$12 insufficient  
20 funds charge that is applicable in those instances where a customer renders payment to  
21 KAW by check or electronic funds transfer which is not honored upon deposit by KAW.  
22 The customer is charged to cover the processing costs of the insufficient funds payment.  
23 There is an activation fee that is applicable to all customers who request a new account or

1 a change in ownership of an existing account. The \$28 activation fee covers the cost of  
2 meter reading and record change. There is a late payment fee that is applicable to all  
3 customers in the service territory of KAW. The 5% late payment fee is applied to all  
4 charges that are paid after the due date on the bill. The 5% late payment fee is calculated  
5 upon the amounts owed with the exception of any amounts KAW collects pursuant to a  
6 third-party billing service contract, or on previously assessed late payment fees or other  
7 penalty charges. Lastly, there's a \$20.00 per thousand gallons of material delivered charge  
8 which is applicable to all persons delivering waste for deposit and treatment into the  
9 Owenton wastewater treatment system located at 385 Carter Lane, Owenton, KY 40359.

10 **Q. Is KAW requesting a modification of those fees in this case?**

11 A. No.

12 **Q. Are those fees cost-based?**

13 A. Yes, they are. The \$20.00 per thousand gallons of material delivered waste fee was  
14 adopted when KAW acquired the Owenton system. KAW has not updated the rate since  
15 acquiring the system. The activation fee of \$28.00 is based on the cost of a service order,  
16 which was approved in Case No. 2012-00520 and included in PSC DR Set 1, Question 3.  
17 The reconnection fee of \$56.00 was calculated as two times the cost of the activation fee  
18 in KAW's 2012 water rate case (Case No. 2012-00520). There is a cost incurred when a  
19 customer's check bounces or their payment is otherwise not honored and the \$12.00 fee is  
20 intended to cover the cost KAW is charged for the returned payment.

21 **Q. Does this conclude your testimony?**

22 A. Yes.

**VERIFICATION**

COMMONWEALTH OF KENTUCKY )  
  ) SS:  
COUNTY OF FAYETTE                                    )

The undersigned, Tricia Sinopole, being duly sworn, deposes and says that she is the Director, Rates and Regulatory for Kentucky-American Water Company, that she has personal knowledge of the matters set forth in the foregoing testimony and that the answers contained therein are true and correct to the best of her information, knowledge and belief.

*Tricia Sinopole*  
\_\_\_\_\_ **Tricia Sinopole**

Subscribed and sworn to before me, a Notary Public in and before said County and State,  
this 24th day of January, 2022.

*Molly McCluese Van Over*  
\_\_\_\_\_ **Notary Public**

My Commission Expires:  
July 31, 2025  
Notary ID: KYNP26988