

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF BLUEGRASS |) | |
| WATER UTILITY OPERATING COMPANY, LLC |) | CASE NO. |
| FOR AN ADJUSTMENT OF SEWAGE RATES |) | 2022-00432 |

Direct Testimony of Ariel E. Miller

On Behalf of Scott County, Kentucky

June 29, 2023

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AEM-1: *Curriculum Vitae* of Ariel Miller

AEM-2: Revised Revenue Requirement, Phase-In Rate Schedules, and Supporting Calculations

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT**
3 **POSITION.**

4 A. Ariel E. Miller, 403 Lexington Ave, Johnstown, PA 15902. My current position is Principal
5 at Clear Water Consulting LLC.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND OCCUPATIONAL**
7 **BACKGROUND.**

8 A. I earned a bachelor’s degree in Business Administration, with primary focus in Accounting
9 from Eastern Kentucky University in December 2008.

10 I was employed by the Kentucky Public Service Commission in Frankfort,
11 Kentucky from August 2013 through January 2023, where I first worked as a financial
12 analyst, and then as branch manager. I was a staff member assigned to a wide range of
13 casework during my tenure at the Commission, which included a significant number of
14 water and wastewater related rate cases, requests for certificate of public convenience and
15 necessity, and transfer of control, among other things.

16 In my current position, I serve as a consultant and analyst for clients in the utility
17 industry that are subject to Commission jurisdiction. My primary focus is a holistic
18 viewpoint of a regulated utility with respect to requests that may go before the Commission.
19 My *curriculum vitae* is attached as Exhibit AEM-1.

20 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

21 A. I am testifying on behalf of Scott County, Kentucky, which is participating as an
22 intervenor in this matter through its County Judge Executive and Fiscal Court (“Scott
23 County”).

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC**
2 **SERVICE COMMISSION (“PSC” OR “COMMISSION”)?**

3 A. No.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING AND**
5 **HOW IS IT ORGANIZED?**

6 A. My testimony responds to Bluegrass Water Operating Company, LCC’s (“Bluegrass
7 Water”) rate adjustment proposal. It is organized as follows:

8 • Section II addresses the Company’s treatment and booking of appraised values of
9 acquired property to its land account in excess of book value. It also discusses the
10 *Delta* test in reference to the appropriateness of allowing amortization of the
11 acquisition amounts in the pending case.

12 • Section III identifies and provides detail on the shortcomings of the Company’s
13 proposed rate design structure and provides historical Commission precedent in
14 support of gradualism.

15 • Section IV contains my concluding remarks and summarizes my recommendations.

16 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION?**

17 A. I recommend the Commission reject the Company’s proposal to include land
18 appraisal values which were booked to its land account on its depreciation schedule and
19 flow through rate base in the Company’s revenue requirement calculation. Additionally, I
20 recommend the Commission disallow rate recovery of any associated amortization
21 treatment that may be requested in lieu of the disallowance in rate base. The Company has
22 not provided sufficient evidence that the appraised amounts satisfy the *Delta* test in relation
23 to recovery of the acquisition amounts.

1 In addition to the revenue requirement adjustment recommended above, I also
2 recommend the Commission reject the Company's proposed rate design in relation to the
3 request to shift the rate design allocation assignment between its Unmetered and Meter
4 Service from 81.51 percent for unmetered and 18.49 percent for metered, to 77.28 percent
5 for unmetered and 22.72 percent for metered, respectively. I recommend the Company be
6 required to keep the current rate allocation assignment and that 81.51 percent and 18.49
7 percent be maintained in the final rate design approved by the Commission. In addition, I
8 recommend the Commission consider ordering the implementation of a three-phase rate
9 design. Finally, I recommend the rates for Delaplain flat rate residential customers be
10 capped at \$25.00 for Phase 1 rates, and \$50.00 for Phase 2 rates, with the balance to move
11 to a unified rate being achieved no earlier than in Phase 3 rates.

12 I propose changes to both the revenue requirement and rate design elements for the
13 Commission's consideration. To the extent that the Office of the Attorney General
14 recommends additional reductions that are accepted by the Commission in the calculation
15 of the final revenue requirement or rate design calculation, my recommendation is the
16 Commission accept my proposed rate design allocation and three-phase rates with any
17 additional reductions to the revenue requirement reflected in the final third phase rate. In
18 the event reductions exceed the rates proposed for Phase 2, I recommend the Commission
19 Order a two-phase rate structure and any additional reduction be implemented on the Phase
20 2 rate.

1 **II. APPRAISED LAND VALUES AND REGULATORY ASSET TREATMENT**

2 **A. Appraised Land Values**

3 **Q. PLEASE SUMMARIZE THE ISSUES THE COMMISSION SHOULD CONSIDER**
4 **WITH RESPECT TO THE COMPANY’S TREATMENT OF ACQUIRED ASSETS**
5 **CURRENTLY ON THE BOOKS OF BLUEGRASS WATER THAT WERE**
6 **RECORDED IN EXCESS OF BOOK VALUE SPECIFIC TO THE DELAPLAIN**
7 **TRANSFER OF ASSETS APPROVED BY THE COMMISSION IN CASE NO.**
8 **2020-00297.**

9 A. The transfer of assets in relation to the Delaplain system were approved on January 14,
10 2021.¹ The post-closing accounting entries were recorded on the Company’s books on
11 February 23, 2021 and were filed in the post-case record of Case No. 2020-00297 on March
12 25, 2021.² In the pending case, the Company includes in the calculation of rate base,
13 \$629,772.02 which was booked to the Company’s Land accounts 310.000 and 310.100
14 based on appraisals performed on the Delaplain system.³ The composition of that amount

¹ Case No. 2020-00297, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Delaplain Disposal Company; Herrington Haven Wastewater Company, Inc.; Springcrest Sewer Company, Inc.; and Woodland Acres Utilities, LLC.* (Ky. PSC Jan. 14, 2021) at page 16.

² Case No. 2020-00297, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Delaplain Disposal Company; Herrington Haven Wastewater Company, Inc.; Springcrest Sewer Company, Inc.; and Woodland Acres Utilities, LLC.* (filed on Mar. 25, 2021) Excel Spreadsheet entitled “KY PSC 2020-00297_PurchaseAcctg-Feb23Acquisitions.xlsx” at tab labeled “Delaplain.”

³ See Bluegrass Water’s response to the Attorney General’s Second Request for Information, Item 73 (“Response to OAG 2-__”). See also Bluegrass Water’s response to Scott County’s Second Request for Information, Item 7b (“Response to Scott 2-7b”).

1 was reflected in the post-closing documents filed in Case No. 2020-00297,⁴ and an
2 additional entry identified in response to the Attorney General’s Second Request for
3 Information, Item 73. The sum of the amounts is shown below.

| | |
|------------------|--|
| \$472,557.48 | post closing accounting entries 2020-297; OAG 2-73 exhibit |
| 135,214.54 | post closing accounting entries 2020-297; OAG 2-73 exhibit |
| <u>22,000.00</u> | OAG 2-73 exhibit |
| | |
| \$629,772.02 | Total Booked to Land |

4
5 Additionally, \$10,464.47 was booked to Land for closing costs, which included title
6 insurance and recording fees.⁵

7 **Q. PLEASE DESCRIBE THE TYPICAL ACCOUNTING TREATMENT**
8 **GENERALLY ACCEPTED BY THE COMMISSION WHEN RECORDING A**
9 **TRANSFER OF ASSETS.**

10 A. The Commission requires that all records and reports be retained in accordance with the
11 Uniform System of Accounts (“USoA”) pursuant to 807 KAR 5:006, Section 4(6). The
12 USoA for Sewer Utilities states that for amounts regarding utility plant in service should
13 be stated “at the cost incurred by the person who first devoted the property to utility
14 service.”⁶ Therefore, when a transfer occurs, utility plant should be recorded at original
15 cost.

16 **Q. IS THE COMPANY’S BOOKING TREATMENT APPROPRIATELY RECORDED**
17 **AS OUTLINED IN THE USOA?**

⁴ Case No. 2020-00297, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Delaplain Disposal Company; Herrington Haven Wastewater Company, Inc.; Springcrest Sewer Company, Inc.; and Woodland Acres Utilities, LLC.* (filed on Mar. 25, 2021) Excel Spreadsheet entitled “KYPS2020-00297_PurchaseAcctg-Feb23Acquisitions.xlsx” at tab labeled “Delaplain.”

⁵ Bluegrass Water’s Response to Scott 2-7a.

⁶ Uniform System of Accounts for Class D and C Sewer Utilities at 18.

1 A. No. Amounts paid in excess of the original cost should be properly recorded as an
2 acquisition adjustment booked to Account 108, Utility Plant Acquisition Adjustments.⁷

3 **Q. ARE ACQUISITION ADJUSTMENT AMOUNTS INCLUDED IN RATE BASE?**

4 A. The Commission typically does not recognize the inclusion of this account in rate base or
5 any amortization under cost of service unless a utility can demonstrate with conclusive
6 evidence that the overall operations and financial condition of the utility have benefited
7 from acquisitions at prices in excess of net book value. The Commission has historically
8 required utilities to satisfy the five-step *Delta Test*⁸ to grant amortization under regulatory
9 asset treatment.

10 **B. The Delta Test**

11 **Q. WHAT IS THE DELTA TEST?**

12 A. The Commission has approved rate recovery of the amortization of an acquisition premium
13 when all the specific criteria outlined below are met:

- 14 1) the purchase was an arms-length transaction;
- 15 2) the initial investment plus the cost of restoring the facilities to required standards
16 will not adversely impact the overall costs and rates of the existing and new customers;
- 17 3) operational economies can be achieved through the acquisition;
- 18 4) the purchase price of utility and non-utility property can be clearly identified; and
- 19 5) the purchase will result in overall benefits in the financial and service aspects of the
20 utility's operations.

⁷ Uniform System of Accounts for Class D and C Sewer Utilities at 40.

⁸ Case No. 9059, *An Adjustment of the Rates of Delta Natural Gas Company, Inc.* (Ky. PSC Sept. 11, 1985).

1 **Q. ARE THERE SPECIFIC PORTIONS OF THE DELTA TEST THAT ARE**
2 **PROBLEMATIC IN THIS INSTANCE?**

3 A. Yes. First, the second criteria that states that the initial investment plus the cost of restoring
4 the facilities to required standards will not adversely impact the overall costs and rates of
5 the existing and new customers is problematic in this instance regarding the purchase price.
6 The burden of proof is upon the acquiring utility to justify its investment at a price in excess
7 of net original cost. In response to data requests, the utility stated in general terms, that the
8 purchase price above the historic value reported in Commission annual reports can have
9 numerous reasons but does not provide any specific information in this instance why a
10 higher purchase price is warranted.⁹ Second, the fifth criteria of the Delta Test requires
11 that the purchase price of utility and nonutility property can be clearly identified. The same
12 data request response admits that there is a higher purchase price but does not make an
13 assignment that outlines what portion of the higher purchase price was due to book values
14 and what portion was due to the previous owners demanding a higher purchase price to
15 account for the loss of personal income stream.

16 **Q. HAS THE COMPANY REQUESTED AMORTIZATION TREATMENT OF**
17 **ACQUISITION COSTS IN THE PENDING CASE, OR, IN THE ALTERNATIVE, A**
18 **PRIOR CASE?**

19 A. No. The current accounting treatment requested by the Company allows continual recovery
20 of the acquisition premiums in the rate base calculation in perpetuity.

21 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

⁹ Bluegrass Water's Response to Scott 1-15.

1 A. I recommend the \$629,772.02 in acquisition costs related to the transfer of the Delaplain
2 system be removed from rate base for ratemaking purposes because it violates the USoA
3 accounting instructions for this transaction. Further, I recommend the Commission require
4 the Company to properly book the acquisition amounts in Account 108 pursuant to the
5 USoA instructions. I recommend the Commission take into account the lack of evidence
6 in the current record concerning satisfaction of the *Delta* test, including the Company's
7 lack of detailed response regarding the acquisition amounts, and deny any rate base
8 treatment and any rate recovery of amortization related to amounts booked to the
9 acquisition adjustment account. My calculations to revise the revenue requirement are in
10 the table below.

KYPSC Case No. 2022-00432
 Revised Revenue Requirement
 For the Period Ending June 30, 2022

| Line Number | Description | Adjusted Sewer | Removal of Acquisition Costs | Adjusted Sewer |
|-------------|--|-------------------|------------------------------------|-------------------|
| (A) | (B) | (C) | (D) | (E) |
| 1 | | | | |
| 2 | Total Original Cost Rate Base | \$6,238,746 | (\$629,772) | \$5,608,974 |
| 3 | | | | |
| 4 | Operating Income at Present Rates | (\$472,215) | | (\$472,215) |
| 5 | | | | |
| 6 | Earned Rate of Return | -7.6% | | -8.4% |
| 7 | | | | |
| 8 | Requested Rate of Return | 9.8% | | 9.8% |
| 9 | | | | |
| 10 | Required Return on Rate Base | \$609,292 | | \$547,787 |
| 11 | | | | |
| 12 | Weighted Return on Equity | 7.1% | | 7.1% |
| 13 | | | | |
| 14 | Operating Income Deficiency | \$1,081,507 | | \$1,020,002 |
| 15 | | | | |
| 16 | Net Income Required for Return on Equity | \$444,519 | | \$399,647 |
| 17 | | | | |
| 18 | Gross Revenue Conversion Factor | 1.01 | | 1.01 |
| 19 | Gross Income Conversion Factor | 1.35 | | 1.35 |
| 20 | | | | |
| 21 | Revenue Deficiency | \$1,241,702 | | \$1,164,508 |
| 22 | | | | |
| 23 | Pro Forma Revenue at Present Rates | \$2,435,594 | | \$2,435,594 |
| 24 | | | | |
| 25 | Overall Revenue Requirement | \$3,677,297 | | \$3,600,102 |
| 26 | Less: Other Revenues | \$14,462 | | (\$14,462) |
| 27 | | | | |
| 28 | Base Rate Revenue Requirement | \$3,691,759 | | \$3,585,640 |
| 29 | Percentage Increase | 51.58% | | 47.22% |

1

2

III. BLUEGRASS WATER'S RATE DESIGN PROPOSAL

3

A. Rate Allocation Assignment

4

Q. PLEASE BRIEFLY DESCRIBE THE COMPANY'S RATE DESIGN PROPOSAL

5

WITH REGARD TO THE ALLOCATION OF REVENUE.

1 A. Bluegrass Water proposes to shift its rate design allocation percentage between its
2 unmetered and metered service customer classes from its current allocation percentages of
3 85.51 percent for unmetered service and 18.49 percent for metered service, respectively,
4 to a new allocation percentage of 77.28 percent for unmetered service and 22.72 percent
5 for metered service, respectively.

6 **Q. DID THE COMPANY PROVIDE EVIDENCE TO SUPPORT A DEPARTURE**
7 **FROM THE CURRENT RATE ALLOCATION STRUCTURE?**

8 A. No. More importantly, the Company was asked specifically to provide the quantifiable
9 basis to shift its rate structure. The Company stated continuity concerns in the response but
10 did not elaborate why or how the proposed alternative allocation percentages were
11 selected.¹⁰

12 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE RATE**
13 **ALLOCATION STRUCTURE?**

14 A. Absent evidence in the current record to substantiate a shift from the current allocation, I
15 recommend the Commission reject the Company's proposal to shift the rate design
16 allocation percentage and require the current allocation percentage be utilized in the final
17 rate design approved by the Commission.

18 **B. Phase-In Rate Design and Gradualism**

19 **Q. WHAT IS THE COMPANY'S RATE DESIGN PROPOSAL?**

20 A. In its application, Bluegrass Water proposes an across the board rate increase to all
21 customers under the unified rate structure for unmetered service and proposed that all rates
22 not currently under the unified rate structure be increased to the proposed unified rate. For

¹⁰ Bluegrass Water's Response to Scott 2-5.

1 metered service, the Company proposed a 90.6 percent increase from the current rate. The
2 proposed rates generate an estimated 53.3 percent increase in revenue. For some
3 customers, the effect of the proposed rates will be in an increase excess of 600 percent on
4 their bills.

5 **Q. HAS THE COMMISSION CONSIDERED THE CONCEPTS OF RATE SHOCK**
6 **AND GRADUALISM IN PAST PROCEEDINGS?**

7 A. Yes. The Commission has previously considered requests by utilities and
8 recommendations by Commission Staff in water utility cases specifically and implemented
9 Phase-In rate structures that will gradually achieve the revenue requirement but minimize
10 the impact to the customer. The Commission precedent is clear that so long as Phase in
11 rates do not result in any degradation or reduction in the quality of service that a utility
12 provides, a phase-in approach can be appropriate.¹¹

13 **Q. WHAT ACTION DO YOU RECOMMEND THE COMMISSION TAKE IN THIS**
14 **CASE?**

15 A. I recommend, consistent with the recognized ratemaking principle of gradualism and to
16 minimize the rate impact that the Commission authorize three phase-in rates in the final
17 rate design in this case. In addition to a phase-in, I recommend that the rate increase to
18 Delaplain's flat rate residential customers rates be capped at \$25.00 for Phase 1 rates, and
19 \$50.00 for Phase 2 rates, with the balance to move to a unified rate being achieved in Phase
20 3 rates. The recommendation for Delaplain flat rate residential reflects a 100% increase

¹¹ See Case No. 2015-00022, *Application of Magoffin County Water District for Rate Adjustment Pursuant to 807 KAR 5:076* (KY. PSC Oct. 15, 2015) at pages 4 and 5. See also Case No. 2012-00152, *Application of Big Sandy Water District for an Adjustment of Rates Pursuant to the Alternative Rate file Procedure for Small Utilities* (Ky. PSC Mar. 8, 2013) at page 6.

1 for both Phase 1 and 2 over the current rates, which smooths the effect of the rate increase
2 over each phase and will minimize rate shock. Exhibits with my recommended rate design
3 are included in Exhibit AEM-2. The recommended Phase 3 rates included in Exhibit AEM-
4 2 reflect additional revenues from amortization on unrecovered revenue for Phase 1 and
5 Phase 2. My supporting calculations for the amortized amounts are also included.

6 **IV. CONCLUSION**

7 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.**

8 A. I recommend that the Commission reject the Company's proposed revenue requirement as
9 filed in its application and approve modifications as outlined in the Company's revised
10 Exhibit in response to the Commission's Third Request for Information Item 7, and as
11 discussed herein, subject to additional modifications as proposed by the Office of the
12 Attorney General.

13 To the extent the Commission approves any portion of the Company's proposed
14 revenue requirement, I recommend the Commission approve a rate design that is consistent
15 with the principle of gradualism and further recommend a three-phase rate implementation
16 structure to reduce rate shock. I recommend the rates for Delaplain flat rate residential
17 customers be capped at \$25.00 for Phase 1 rates, and \$50.00 for Phase 2 rates, with the
18 balance to move to a unified rate being achieved in Phase 3 rates. I recommend the rate
19 structure be allocated based on the current allocation structure percentage, and that the
20 Company's request to deviate from the current structure be denied.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

Exhibit AEM-1: Curriculum Vitae of Ariel E. Miller

Ariel E. Miller

ariel.miller@clearwatercky.com

EDUCATION

Eastern Kentucky University, Richmond, Kentucky

B.B.A, Accounting, 2008, with Honors Program/Honors Scholar
Certificate in Japanese Language

EXPERIENCE

Principal Consultant, February 2023 – Present

Clear Water Consulting LLC, Johnstown, Pennsylvania

- Serves as a consultant to water and wastewater utilities or interested parties in Kentucky by performing financial analysis related work.

Public Service Rates and Tariffs Manager, February 2020 – January 2023

Public Utilities Financial Analyst, August 2013 – February 2020

Kentucky Public Service Commission, Frankfort, Kentucky

- Responsible for the overall management, direction, and supervision of the Revenue Requirements Branch staff in their work involving the analysis of different aspects of public utility rate regulation
- Assisted the Division Director in developing and establishing policies and procedures such as ratemaking policies, employee policies, optimal internal organization, and coordination of division activities with other divisions in the agency
- Determined individual workload for team members and assigned casework as appropriate
- Mentored newer staff members and provided training in Financial Analysis related duties
- Performed Financial Analysis related duties for the PSC's Revenue Requirements Branch
- Calculated revenue requirements for public utilities during the alternative rate filing (ARF) process
- Reviewed general ledgers, financial statements, and source documentation during the field review in the ARF process
- Drafted staff reports regarding findings during the field review
- Testified before the Commission on staff report findings on two separate occasions
- Performed reviews of applications regarding finance, refinance, and rate adjustments of multiple types by public utilities and drafting orders reflecting Commission decisions
- Drafted data requests to obtain source documents and primary source information

PUBLICATIONS

- Kentucky Public Service Commission. Confronting the Problems Plaguing Kentucky's Water Utilities. November 2019. Published by Kentucky Public Service Commission.

PARTICIPATION AT PUBLIC UTILITY COMMISSIONS

- **Kentucky Public Service Commission, October 25, 2017.** Testified on behalf of Commission Staff in Case No. 2017-00070 regarding Depreciation, Employee Benefits, and other revenue requirement related issues.

- **Kentucky Public Service Commission**, August 7, 2018. Testified on behalf of Commission Staff in Case No. 2018-00017 regarding revenue requirement related issues.

PRESENTATIONS

- **NARUC Partnership Exchange**, August 2019
Presentations on Regulatory Accounting on behalf of NARUC in Dakar, Senegal

VOLUNTEER SERVICE

Civil Air Patrol, Johnstown, PA March 2023 – present
Senior Member

Exhibit AEM-2: Revised Revenue Requirement, Phase-In Rate Schedules, and Supporting Calculations

KY PSC Case No. 2022-00432
 Revised Revenue Requirement
 For the Period Ending June 30, 2022

| Line Number | Description | Adjusted Sewer | Removal of Acquisition Costs | Adjusted Sewer |
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| 11 | | | | |
| 12 | Weighted Return on Equity | 7.1% | | 7.1% |
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| 15 | | | | |
| 16 | Net Income Required for Return on Equity | \$444,519 | | \$399,647 |
| 17 | | | | |
| 18 | Gross Revenue Conversion Factor | 1.01 | | 1.01 |
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| 20 | | | | |
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| 24 | | | | |
| 25 | Overall Revenue Requirement | \$3,677,297 | | \$3,600,102 |
| 26 | Less: Other Revenues | \$14,462 | | (\$14,462) |
| 27 | | | | |
| 28 | Base Rate Revenue Requirement | \$3,691,759 | | \$3,585,640 |
| 29 | Percentage Increase | 51.58% | | 47.22% |

Phase 1 Rates

| Bills | Percentage of Bills | Current | | Metered Usage | Scott Co Proposed Fixed Rate | Scott Co Volumetric Rate | Current Total Charge | Scott Co Proposed Phase 1 Charge | Difference | Percent Difference |
|-------------------------------|---------------------|---------------|--------------------|---------------|------------------------------|--------------------------|----------------------|----------------------------------|------------|--------------------|
| | | Fixed Charges | Volumetric Charges | | | | | | | |
| Airview Residential | 2,373 | 85.97 | | | 95.25 | | \$ 204,024 | \$ 226,048 | \$ 22,023 | 10.8% |
| Arcadia Pines | 310 | 85.97 | | | 95.25 | | 26,650 | 29,527 | 2,877 | 10.8% |
| Brocklyn Multifamily (2) | 1,119 | 64.48 | | | 71.44 | | 72,153 | 79,939 | 7,785 | 10.8% |
| Brocklyn Residential | 884 | 85.97 | | | 95.25 | | 75,996 | 84,199 | 8,203 | 10.8% |
| Carriage Park | 454 | 85.97 | | | 95.25 | | 39,045 | 43,259 | 4,215 | 10.8% |
| Darlington Creek | 1,400 | 45.00 | | | 95.25 | | 63,011 | 133,373 | 70,362 | 111.7% |
| Delaplain Commercial (1) | 408 | - | \$ 8.89 | 49,777 | 238.13 | 9.41 | 442,518 | 565,557 | 123,039 | 27.8% |
| Delaplain | 3,654 | 12.50 | | | 25.00 | | 45,678 | 91,356 | 45,678 | 100.0% |
| Fox Run Residential | 420 | 85.97 | | | 95.25 | | 36,107 | 40,005 | 3,898 | 10.8% |
| Golden Acres Residential | 348 | 85.97 | | | 95.25 | | 29,918 | 33,147 | 3,229 | 10.8% |
| Great Oaks Residential | 1,927 | 85.97 | | | 95.25 | | 165,691 | 183,577 | 17,885 | 10.8% |
| Herrington Haven | 288 | 49.66 | | | 95.25 | | 14,302 | 27,432 | 13,130 | 91.8% |
| Kingswood Residential | 1,570 | 85.97 | | | 95.25 | | 135,010 | 149,584 | 14,574 | 10.8% |
| Lake Columbia Flat | 396 | 85.97 | | | 95.25 | | 34,044 | 37,719 | 3,675 | 10.8% |
| Longview Residential | 3,960 | 85.97 | | | 95.25 | | 340,456 | 377,206 | 36,750 | 10.8% |
| Marshall Ridge | 479 | 85.97 | | | 95.25 | | 41,139 | 45,580 | 4,441 | 10.8% |
| Persimmon Non-Residential (1) | 12 | 214.93 | | | 238.13 | | 2,579 | 2,858 | 278 | 10.8% |
| Persimmon Residential | 4,292 | 85.97 | | | 95.25 | | 368,988 | 408,818 | 39,830 | 10.8% |
| Randview | 661 | 85.97 | | | 95.25 | | 56,814 | 62,947 | 6,133 | 10.8% |
| River Bluffs | 2,164 | 85.97 | | | 95.25 | | 186,056 | 206,140 | 20,084 | 10.8% |
| Springcrest | 504 | 27.43 | | | 95.25 | | 13,825 | 48,006 | 34,181 | 247.2% |
| Timberland | 826 | 85.97 | | | 95.25 | | 71,039 | 78,707 | 7,668 | 10.8% |
| Woodland Acres | 1,091 | 19.47 | | | 95.25 | | 21,245 | 103,934 | 82,689 | 389.2% |
| | 29,542 | | | | | | \$ 2,486,287 | \$ 3,058,915 | \$ 572,628 | 23.0% |

Commercial Residential Equivalents
Multifamily Residential Equivalents

Base Rate Revenue Requirement \$ 3,585,640
Unrecovered Phase 1 Revenue \$ (526,725)

Total Phase 1 Proposed Charges \$ 3,058,915
Delaplain Commercial Proposed Charges 565,557
Percent of Revenue 18.49%

Phase 2 Rates

| Bills | Percentage of Bills | Phase 1 | | Metered Usage | Scott Co Proposed | | Phase 2 Volumetric Rate | Current Total Charge | Scott Co Proposed Phase 2 Charge | Difference | Percent Difference |
|-------------------------------|---------------------|---------------|--------------------|---------------|-------------------|---------|-------------------------|----------------------|----------------------------------|------------|--------------------|
| | | Fixed Charges | Volumetric Charges | | Fixed Rate | Phase 2 | | | | | |
| Airview Residential | 2,373 | 8.03% | | | \$ 97.00 | | 10.00 | \$ 226,048 | \$ 230,201 | \$ 4,153 | 1.8% |
| Arcadia Pines | 310 | 1.05% | | | 97.00 | | | 29,527 | 30,069 | 542 | 1.8% |
| Brocklyn Multifamily (2) | 1,119 | 3.79% | | | 72.75 | | | 79,939 | 81,407 | 1,469 | 1.8% |
| Brocklyn Residential | 884 | 2.99% | | | 97.00 | | | 84,199 | 85,746 | 1,547 | 1.8% |
| Carriage Park | 454 | 1.54% | | | 97.00 | | | 43,259 | 44,054 | 795 | 1.8% |
| Darlington Creek | 1,400 | 4.74% | | | 97.00 | | | 133,373 | 135,823 | 2,450 | 1.8% |
| Delaplain Commercial (1) | 408 | 1.38% | | 49,777 | 242.50 | | | 565,557 | 596,710 | 31,153 | 5.5% |
| Delaplain | 3,654 | 12.37% | | | 50.00 | | | 91,356 | 182,711 | 91,356 | 100.0% |
| Fox Run Residential | 420 | 1.42% | | | 97.00 | | | 40,005 | 40,740 | 735 | 1.8% |
| Golden Acres Residential | 348 | 1.18% | | | 97.00 | | | 33,147 | 33,756 | 609 | 1.8% |
| Great Oaks Residential | 1,927 | 6.52% | | | 97.00 | | | 183,577 | 186,950 | 3,373 | 1.8% |
| Herrington Haven | 288 | 0.97% | | | 97.00 | | | 27,936 | 27,936 | 504 | 1.8% |
| Kingswood Residential | 1,570 | 5.32% | | | 97.00 | | | 149,584 | 152,332 | 2,748 | 1.8% |
| Lake Columbia Flat | 396 | 1.34% | | | 97.00 | | | 37,719 | 38,412 | 693 | 1.8% |
| Longview Residential | 3,960 | 13.41% | | | 97.00 | | | 377,206 | 384,136 | 6,930 | 1.8% |
| Marshall Ridge | 479 | 1.62% | | | 97.00 | | | 45,580 | 46,417 | 837 | 1.8% |
| Persimmon Non-Residential (1) | 12 | 0.04% | | | 242.50 | | | 2,858 | 2,910 | 53 | 1.8% |
| Persimmon Residential | 4,292 | 14.53% | | | 97.00 | | | 408,818 | 416,329 | 7,511 | 1.8% |
| Randview | 661 | 2.24% | | | 97.00 | | | 62,947 | 64,104 | 1,157 | 1.8% |
| River Bluffs | 2,164 | 7.33% | | | 97.00 | | | 206,140 | 209,927 | 3,787 | 1.8% |
| Springcrest | 504 | 1.71% | | | 97.00 | | | 48,006 | 48,888 | 882 | 1.8% |
| Timberland | 826 | 2.80% | | | 97.00 | | | 78,707 | 80,153 | 1,446 | 1.8% |
| Woodland Acres | 1,091 | 3.69% | | | 97.00 | | | 103,934 | 105,844 | 1,910 | 1.8% |
| | 29,542 | 100.00% | | | | | | \$ 3,058,915 | \$ 3,225,556 | \$ 166,640 | 5.4% |

Commercial Residential Equivalents
Multifamily Residential Equivalents

Base Rate Revenue Requirement \$ 3,585,640

Unrecovered Phase 1 Revenue (526,725)
Unrecovered Phase 2 Revenue (360,085)

Total Unrecovered Phase In Revenue \$ (886,809)

Total Phase 1 Proposed Charges \$ 3,225,556
Delaplain Commercial Proposed Charges 596,710

Percent of Revenue 18.50%

Phase 3 Rates

| Bills | Percentage of Bills | Phase 2 | | Metered Usage | Phase 3 | | Scott Co Proposed Fixed Rate | Scott Co Volumetric Rate | Current Total Charge | Scott Co Proposed Phase 3 Charge | Difference | Percent Difference |
|-------------------------------|---------------------|---------------|--------------------|---------------|-----------|-----------------|------------------------------|--------------------------|----------------------|----------------------------------|------------|--------------------|
| | | Fixed Charges | Volumetric Charges | | Proposed | Volumetric Rate | | | | | | |
| Airview Residential | 2,373 | 8.03% | \$ 97.00 | | \$ 106.28 | | \$ 106.28 | | \$ 230,201 | \$ 252,224 | \$ 22,023 | 9.6% |
| Arcadia Pines | 310 | 1.05% | 97.00 | | 106.28 | | 106.28 | | 30,069 | 32,946 | 2,877 | 9.6% |
| Brocklyn Multifamily (2) | 1,119 | 3.79% | 72.75 | | 79.71 | | 79.71 | | 81,407 | 89,195 | 7,788 | 9.6% |
| Brocklyn Residential | 884 | 2.99% | 97.00 | | 106.28 | | 106.28 | | 85,949 | 93,949 | 8,203 | 9.6% |
| Carriage Park | 454 | 1.54% | 97.00 | | 106.28 | | 106.28 | | 44,054 | 48,269 | 4,215 | 9.6% |
| Darlington Creek | 1,400 | 4.74% | 97.00 | | 106.28 | | 106.28 | | 135,823 | 148,817 | 12,994 | 9.6% |
| Delaplain Commercial (1) | 408 | 1.38% | 242.50 | 10.00 | 49,777 | | 265.70 | 11.81 | 596,710 | 696,272 | 99,562 | 16.7% |
| Delaplain | 3,654 | 12.37% | 50.00 | | 106.28 | | 106.28 | | 182,711 | 388,372 | 205,660 | 112.6% |
| Fox Run Residential | 420 | 1.42% | 97.00 | | 106.28 | | 106.28 | | 40,740 | 44,638 | 3,898 | 9.6% |
| Golden Acres Residential | 348 | 1.18% | 97.00 | | 106.28 | | 106.28 | | 33,756 | 36,985 | 3,229 | 9.6% |
| Great Oaks Residential | 1,927 | 6.52% | 97.00 | | 106.28 | | 106.28 | | 186,950 | 204,835 | 17,885 | 9.6% |
| Herrington Haven | 288 | 0.97% | 97.00 | | 106.28 | | 106.28 | | 27,936 | 30,609 | 2,673 | 9.6% |
| Kingswood Residential | 1,570 | 5.32% | 97.00 | | 106.28 | | 106.28 | | 152,332 | 166,906 | 14,574 | 9.6% |
| Lake Columbia Flat | 396 | 1.34% | 97.00 | | 106.28 | | 106.28 | | 38,412 | 42,087 | 3,675 | 9.6% |
| Longview Residential | 3,960 | 13.41% | 97.00 | | 106.28 | | 106.28 | | 384,136 | 420,886 | 36,750 | 9.6% |
| Marshall Ridge | 479 | 1.62% | 97.00 | | 106.28 | | 106.28 | | 46,417 | 50,858 | 4,441 | 9.6% |
| Persimmon Non-Residential (1) | 12 | 0.04% | 242.50 | | 265.70 | | 265.70 | | 2,910 | 3,188 | 278 | 9.6% |
| Persimmon Residential | 4,292 | 14.53% | 97.00 | | 106.28 | | 106.28 | | 416,329 | 456,159 | 39,830 | 9.6% |
| Randview | 661 | 2.24% | 97.00 | | 106.28 | | 106.28 | | 64,104 | 70,236 | 6,133 | 9.6% |
| River Bluffs | 2,164 | 7.33% | 97.00 | | 106.28 | | 106.28 | | 209,927 | 230,011 | 20,084 | 9.6% |
| Springcrest | 504 | 1.71% | 97.00 | | 106.28 | | 106.28 | | 48,888 | 53,565 | 4,677 | 9.6% |
| Timberland | 826 | 2.80% | 97.00 | | 106.28 | | 106.28 | | 80,153 | 87,822 | 7,668 | 9.6% |
| Woodland Acres | 1,091 | 3.69% | 97.00 | | 106.28 | | 106.28 | | 105,844 | 115,970 | 10,126 | 9.6% |
| | 29,542 | 100.00% | | | | | | | \$ 3,225,556 | \$ 3,764,799 | \$ 539,244 | 16.7% |

Commercial Residential Equivalents
Multifamily Residential Equivalents

Base Rate Revenue Requirement \$ 3,764,793
Difference \$ 6

Total Phase 1 Proposed Charges \$ 3,764,793
Delaplain Commercial Proposed Charges 696,272
Percent of Revenue 18.49%

Phase-In Amortization Calculation

| | |
|-------------------------------------|---------------------|
| Total Unrecovered Phase In Revenue | \$ 886,809 |
| Amortized: Five Years | <u>5</u> |
| Annual Amortization | \$ 177,362 |
| Gross Revenue Conversion Factor | <u>1.01</u> |
| Additional Revenue Requirement | \$ 179,153 |
| Base Rate Revenue Requirement | <u>3,585,640</u> |
| Total Base Rate Revenue Requirement | <u>\$ 3,764,793</u> |

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF BLUEGRASS |) | |
| WATER UTILITY OPERATING COMPANY, LLC |) | CASE NO. |
| FOR AN ADJUSTMENT OF SEWAGE RATES |) | 2022-00432 |

VERIFICATION BY
AFFIDAVIT

Comes the affiant, Ariel E. Miller, and being duly sworn states that the foregoing testimony and attached exhibits were prepared by her and are, to the best of her information and belief, true and correct.

Ariel Miller

Commonwealth of Pennsylvania
County of Cambria

Subscribed and sworn to me by the Affiant Ariel E. Miller this 29th day of June, 2023.

Lois A Banda
Notary Public

Commonwealth of Pennsylvania - Notary Seal
Lois A. Banda, Notary Public
Cambria County
My commission expires May 21, 2024
Commission number 1006228
Member, PENNSYLVANIA ASSOCIATION of Notaries

