

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

In the Matter of:

**ELECTRONIC APPLICATION OF)
BLUEGRASS WATER UTILITY)
OPERATING COMPANY, LLC FOR AN)
ADJUSTMENT OF SEWAGE RATES)**

Case No. 2022-00432

REBUTTAL TESTIMONY

OF

BRENT THIES

ON BEHALF OF

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC

FILED: August 11, 2023

REBUTTAL TESTIMONY

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **BRENT THIES**

4
5 **I. INTRODUCTION**

6 **Q. PLEASE STATE YOUR NAME AND POSITION.**

7 A. My name is Brent G. Thies. I am the Corporate Controller and Vice President for CSWR
8 and am providing this rebuttal testimony on behalf of Bluegrass Water Utility Operating
9 Company (“Bluegrass Water” or “Company”).

10 **Q. ARE YOU THE SAME BRENT THIES WHO PREVIOUSLY SPONSORED**
11 **DIRECT TESTIMONY ON BEHALF OF THE COMPANY IN THIS**
12 **PROCEEDING?**

13 A. Yes. I previously provided testimony in this matter as set forth in Exhibit 10 to Bluegrass
14 Water’s Application and incorporate that testimony in full here.

15 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

16 A. I offer this rebuttal testimony: (1) to update the Company’s revenue requirement in light
17 of recent action of the Commission in various Bluegrass Water dockets; (2) to respond to
18 the testimony offered by David Dittmore on behalf of the Office of the Attorney General
19 (“OAG”); and (3) to respond to the testimony offered by Ariel E. Miller for Intervenor
20 Scott County. In addition to myself, rebuttal testimony will be filed on behalf of the
21 Company by Dylan D’Ascendis addressing matters raised by the OAG involving rate of

1 return and Tim Lyons addressing matters addressed by both the OAG and Scott County
2 involving rate design and rate phase-in.

3 **II. REVENUE REQUIREMENT UPDATE**

4 **Q. PLEASE DISCUSS THE REASONS THAT AN UPDATE OF THE REVENUE**
5 **REQUIREMENT IS NECESSARY.**

6 A. As indicated in my Direct Testimony (pages 25-26), at the time that Direct Testimony was
7 filed, there were a number of matters pending before the Commission that would affect the
8 Bluegrass Water revenue requirement. First, there was a pending request for a certificate
9 of public convenience and necessity (“CPCN”) related to proposed process improvements
10 at the Delaplain wastewater treatment facility.¹ On March 30, 2023, the Commission
11 issued its Order approving the requested CPCN.

12 Second, there was a pending CPCN request to install remote monitoring equipment
13 and, consistent with the installation of that equipment, to reduce the number of required
14 site visits from daily to three times per week.² On August 2, 2023, the Commission issued
15 its Order denying the CPCN for the remote monitoring equipment as the equipment had
16 been installed during the pendency of the CPCN docket. That said, however, the
17 Commission found “that any decision regarding the recovery of costs for remote
18 monitoring should be addressed” in this rate case. Additionally, in that same Order, the

¹ Case No. 2022-00104.

² Case No. 2022-00216.

1 Commission granted the requested reduction in site visits from daily to three days per
2 week.³

3 Third, at the time that I filed my direct testimony, there was a pending application
4 to sell the Randview wastewater system to the City of Mayfield.⁴ On May 5, 2022, the
5 Commission issued its Order approving the sale of the Randview assets to Mayfield. The
6 sale of the Randview system assets to the city of Mayfield was completed on June 20,
7 2023.

8 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THESE UPDATED**
9 **ITEMS?**

10 A. Initially, I would state that the Company has chosen not to include the revenue requirement
11 impacts associated with the Delaplain CPCN in this case. The exclusion of this item should
12 not be prejudicial to customers as the impact of this capital investment would only increase
13 rates. Instead, the Company will seek to include that capital investment in a future rate
14 case after the CPCN project is completed.

15 As the following table indicates, the collective revenue requirement impact of the
16 remaining three items, coupled with an insurance expense adjustment more fully explained
17 below, is to reduce the requested revenue requirement by \$266,526.

ITEM	REV. REQ. IMPACT
Site Visit Waiver	(\$168,433)
Randview Sale of Assets	(\$7,779)
Insurance Expense Adjustment	(90,314)
TOTAL	(\$266,526)

³ As will be clarified in that proceeding by a forthcoming filing regarding the final Order, remote monitoring equipment has not yet been installed at Bluegrass Water's three non-discharging systems. As a result, Bluegrass Water seeks to recover the costs of the required daily monitoring of those three systems.

⁴ Case No. 2022-00218.

1 **Q. WHAT IS THE COMPANY’S UPDATED REVENUE REQUIREMENT?**

2 A. As reflected in my direct testimony, at the time of that filing, the Company’s total revenue
3 requirement for its sewer operations was \$3,727,085.⁵ Therefore, as a result of updating
4 for these specified items, the revenue requirement that the Company now seeks is
5 \$3,460,559. This updated revenue requirement includes impacts of the projected reduction
6 of operating costs associated with the site visit waiver, removal of depreciation expense
7 and rate base from the sale of the Randview system assets, and an insurance expense
8 adjustment.

9

10 **III. REBUTTAL TO DAVID DITTEMORE**

11 **Q. HAVE YOU REVIEWED MR. DITTEMORE’S DIRECT TESTIMONY?**

12 A. Yes. Mr. Dittemore addresses a number of revenue requirement issues for which I will
13 provide rebuttal testimony. As mentioned, in his initial and supplemental testimony, Mr.
14 Dittemore also addresses items related to capital structure and return on equity. Mr.
15 D’Ascendis will be providing rebuttal testimony on those items. Further, Mr. Dittemore
16 provides recommendations regarding rate design that will be addressed by Mr. Lyons.

17 **Q. WHAT REVENUE REQUIREMENT ISSUES WILL YOU ADDRESS?**

18 A. I will address the following issues raised by Mr. Dittemore:

- 19 • The impact of the request to charge late fees on the revenue requirement
20 including the assumption that late fee revenues should be factored up to

⁵ Thies Direct, Schedule BT-1.

- 1 account for the increase in this case as well as the appropriate tariff language
2 (pages 9-10 and pages 18-19);
- 3 • The exclusion of business development costs (pages 10-14);
 - 4 • Recovery of land appraisals (pages 15-16);
 - 5 • Recovery of alleged acquisition adjustments including reduced depreciation
6 expense associated with these alleged acquisition adjustments (page 17 and
7 pages 19-20);
 - 8 • Rate base valuations for Springcrest; Woodland Acres; and Herrington
9 Haven (page 17);
 - 10 • Bad debt expense (pages 20-22);
 - 11 • Insurance expense (pages 22-23).

12
13 **1. LATE FEE REVENUE**

14 **Q. WHAT AMOUNT OF LATE FEE REVENUE DID BLUEGRASS WATER**
15 **RECOGNIZE IN THE TEST YEAR?**

16 A. Bluegrass Water recognized and recorded \$14,244 in late fee revenue in its test year. This
17 late fee revenue was generated by charges to the customers of the Delaplain, Springcrest,
18 Herrington Haven, Woodland Acres and Darlington Creek systems. The customers of
19 these service areas, with the exception of Darlington Creek, were removed from the
20 Company's rate filing in Case No. 2020-00290 and have been subject to the tariffs that
21 were in place at the time that Bluegrass Water acquired them. Darlington Creek was
22 acquired in 2022 and is also subject to the same tariff that was in place at the time of

1 acquisition. The customers served in the Company's other services areas were part of the
2 rate filing in Case No. 2020-00290, and late fees were not charged to them, consistent with
3 the final Order entered in that proceeding.

4 **Q. HAS THE COMPANY ESTIMATED WHAT THE LATE FEES WOULD HAVE
5 BEEN UNDER THE COMPANY'S LATE FEE PROPOSAL?**

6 A. Yes. Per data request 1-66 made by the Attorney General in this rate filing case, the
7 Company calculated an estimate of \$352,865 in late fees that could have been charged if
8 the Company's late fee proposal was in effect.

9 **Q. DO YOU AGREE WITH MR. DITTEMORE THAT THE AMOUNT OF LATE
10 FEES CALCULATED IS SUSPICIOUSLY LOW?**

11 A. No. Mr. Dittmore's critique of the evidence presented by Bluegrass Water reflects a
12 misunderstanding of the responses to the Attorney General's Data Requests. Mr. Dittmore
13 claims Bluegrass Water provided a calculation of the late fees that would be generated on
14 amounts 30 days past due in Exhibit OAG 1-66. That is not true. In response to OAG 1-
15 66, Bluegrass Water provided an exhibit showing a calculation of the estimated late fees
16 that would be generated by Bluegrass Water's proposed late fee, which is not calculated
17 based on amounts 30 days past due. Instead, the late fee is incurred when payment is late,
18 and the estimated late fees in Exhibit OAG 1-66 reflect the estimated late fees consistent
19 with that proposal.

20 In Data Request No. 2-7, the Attorney General then explicitly asked Bluegrass
21 Water to calculate estimated late fees using a methodology that is not consistent with the
22 Company's proposal in this proceeding. Any difference between those estimated numbers

1 is therefore irrelevant to this proceeding, and Mr. Dittimore's attempt to discredit
2 Bluegrass Water's calculations based on the Attorney General's request for late fees using
3 a methodology Bluegrass Water does not seek to implement is not compelling.

4 **Q. HOW DOES THE ABSENCE OF LATE FEES AFFECT RATES FOR**
5 **CUSTOMERS?**

6 A. While there is some thought that late fees do little to encourage individuals to pay on time,
7 there is more to the story. Late payments have a cost to the Company. The assessment of
8 late fees is a way to associate revenue and cost with those customers that cause the costs.
9 In subsequent rate cases, late fee revenue is a component of the Company's revenue
10 requirement that can result in lower increases. In other words, the imposition of late fees
11 helps ensure that the customers causing the additional costs to the Company pay for those
12 costs, which allows base rates to stay as low as possible for those customers who timely
13 pay for the services provided without having to pay the costs caused by other customers.

14
15 **2. BUSINESS DEVELOPMENT**

16 **Q. WHAT IS MR. DITTEMORE'S UNDERSTANDING OF BUSINESS**
17 **DEVELOPMENT COST?**

18 A. Mr. Dittimore believes that \$135,709 in CSWR Executive/Business Development cost was
19 removed from expense in the filing but disagrees as he does not believe this accounts for
20 all of the Business development cost. He calculates a total of [REDACTED] to be associated

1 with Business Development Cost, which is 11.28% of total test period payroll, of
2 [REDACTED].⁶

3 **Q. DO YOU BELIEVE MR. DITTEMORE UNDERSTANDS THE WAY BLUEGRASS**
4 **WATER ACCOUNTED FOR BUSINESS DEVELOPMENT?**

5 A. No.

6 **Q. HOW DID BLUEGRASS WATER ACCOUNT FOR BUSINESS DEVELOPMENT**
7 **COST?**

8 A. In the allocation analysis provided in CONFIDENTIAL Exhibit PSC 3-18, I show the
9 methodology used in calculating the allocation. The process is to start with the total bucket
10 of CSWR expense, remove all employee payroll from the number, remove all
11 executive/business development cost, and remove other line items to exclude. Costs to be
12 recovered are then allocated from that resulting total to Bluegrass Water based on the
13 overhead allocation by quarter, as well as direct costs related to Bluegrass Water. Mr.
14 Dittemore has a lack of understanding of what this exhibit is presenting, which is shown
15 by his testimony. Throughout his testimony, Mr. Dittemore repeatedly makes reference to
16 a failure to provide proof that business development costs were “removed” or “eliminated.”
17 Mr. Dittemore fails to understand that business development costs were never allocated to
18 Bluegrass Water in the first place; costs never allocated cannot be “removed” or
19 “eliminated.”

⁶ The numbers included in this Answer were confidentially filed by the Attorney General and are subject to a pending Motion for Confidential Treatment filed by the Attorney General.

1 For example, Mr. Dittmore references Exhibits OAG 1-124 and Bluegrass Water’s
2 Response to OAG 2-26, claiming that it is unclear where “deductions are reflected.”⁷ Mr.
3 Dittmore further claims that the Business Development exclusions do not include “any
4 employee compensation.”⁸ Again, Mr. Dittmore simply does not understand how costs
5 are allocated to Bluegrass Water. As has been explained throughout this proceeding, with
6 employee timesheets being provided in CONFIDENTIAL Exhibit OAG 1-6A, CSWR
7 employees keep timesheets so that they may directly bill for business development
8 expenses. Employee costs related to business development are not assigned to any CSWR
9 operating utility, including Bluegrass Water. Of course Bluegrass Water cannot show that
10 business development expenses related to employee compensation was “removed”; they
11 were never incurred by or allocated to Bluegrass Water.

12
13 **3. RECOVERY OF LAND APPRAISALS**

14 **Q. WHAT IS MR. DITTEMORE’S STANCE ON THE USE OF LAND APPRAISALS?**

15 A. Mr. Dittmore does not recommend the “write up” of assets within the Bluegrass Water
16 rate base. He states the appraisal does not consider the unique characteristics of utility
17 property, and it is not the appropriate rate base value since the asset is not essential in the
18 provision of utility service.

⁷ Testimony of David N. Dittmore, at 11:4-15.

⁸ *Id.*

1 **Q. DO YOU AGREE WITH MR. DITTEMORE’S VIEW ON THE USE OF LAND**
2 **APPRAISALS IN DELAPLAIN AND RIVERBLUFF SYSTEMS?**

3 A. No.

4 **Q. WHAT IS BLUEGRASS WATER’S POSITION ON USE OF LAND APPRAISALS?**

5 A. As stated in my direct testimony, previous owners often fail to account for land values and
6 easements on their books and records. As there is value to the land being acquired, the best
7 way for Bluegrass Water to estimate this amount is with third-party land appraisals, as
8 done in the Delaplain and Riverbluff systems. Mr. Dittemore states that “if the asset,” in
9 this case land, “has an alternative use other than in the provision of the utility service, it
10 may have a market value greater than the nominal amount included in rate base.” The land
11 appraisals used prorated values, not the full market value and therefore are not attempting
12 to include a market value in rate base. The appraisals simply offer support for assigning a
13 portion of the purchase price to the fee simple land and easements.

14 Furthermore, it is important to note that the appraisal values owned-property
15 separately from easements. In the case of the Delaplain system, easements were appraised
16 at \$681,500 while the owned-property was appraised at only \$195,000. Mr. Dittemore’s
17 assertion that the property is not essential to the provision of utility service falls apart on
18 this point. The rights of way secured and access granted by easements to collection system
19 piping and components is critical to the provision of safe and reliable wastewater service.

1 4. RECOVERY OF ACQUISITION ADJUSTMENTS

2 **Q. WHAT IS MR. DITTEMORE’S REASON FOR EXCLUDING ACQUISITION**
3 **PREMIUMS?**

4 A. Mr. Dittmore does not agree with using acquisition adjustments as “customers are facing
5 extreme rate pressure within the Bluegrass Water system and should not be burdened with
6 incurring the write-up of rate base simply due to a change in ownership.”

7 **Q. WHAT AMOUNT OF ACQUISITION PREMIUM IS MR. DITTEMORE**
8 **PROPOSING?**

9 A. He is proposing to remove the full \$90,171 along with an associated \$2,350 in depreciation.

10 **Q. WHAT IS BLUEGRASS WATER’S RESPONSE TO MR. DITTEMORE**
11 **REGARDING ACQUISITION PREMIUMS?**

12 A. As stated in my direct testimony, the group of systems that make up the \$90,171 were all
13 acquired in 2019 and 2020, for which the only available asset valuation was the historic
14 annual report provided to the Commission. Due to the assets being significantly
15 depreciated, there was a residual amount left to which to allocate the purchase price.
16 Bluegrass Water did not ask for the acquisition premium at the time of purchase but is
17 asking for it now as the investment has been made. Bluegrass Water has also not
18 depreciated any amount out of the 114.00 Acquisition Adjustment account, thus, Mr.
19 Dittmore’s reduction in depreciation related to this account is not correct.

20 While I understand recovery of the acquisition adjustment may require a
21 consideration of legal issues, the Company believes that the underlying facts support a

1 recovery of the requested acquisition adjustments in this case, which was fully set forth in
2 my Direct Testimony and Response to PSC Request No. 4-12.

3

4

5. RATE BASE VALUATIONS

5 **Q. WHAT IS MR. DITTEMORE’S STANCE ON RATE BASE ADJUSTMENTS?**

6 A. Mr. Dittmore does not believe that the asset values of Springcrest, Woodland Acres, and
7 Herrington Haven systems related to acquisition adjustment should be included for the
8 same reasons as the acquisition premiums and land appraisals.

9 **Q. DO YOU AGREE WITH MR. DITTEMORE’S TESTIMONY ON RATE BASE
10 ADJUSTMENTS?**

11 A. No.

12 **Q. WHAT IS BLUEGRASS WATER’S STANCE ON RATE BASE ADJUSTMENTS?**

13 A. The systems that fall into this category, Springcrest, Woodland Acres, and Herrington
14 Haven, did not have historic net book values up to date, and stated that the net book value
15 was zero. The Company should not be penalized because the prior owners of these systems
16 failed to maintain accurate books and records. Accordingly, the Company should be
17 authorized to recover a rate base adjustment for the assets of these systems.

18

1 **6. BAD DEBT EXPENSE**

2 **Q. WHAT AMOUNT OF BAD DEBT EXPENSE DID BLUEGRASS WATER**
3 **RECOGNIZE IN THE TEST YEAR?**

4 A. Bluegrass Water recognized and recorded \$46,296 in bad debt expense in its test year. The
5 Company recorded \$33,382 for sewer systems and included a known and measurable
6 adjustment to our revenue requirement equal to 1% of the revenue increase for a total of
7 \$46,296.

8 **Q. WHAT AMOUNT OF BAD DEBT EXPENSE IS MR. DITTEMORE PROPOSING**
9 **AND WHAT IS HIS REASONING?**

10 A. Mr. Dittmore is proposing \$2,529 of bad debt expense. This balance represents only the
11 amount of account balances written-off during 2022. Mr. Dittmore admits that this cost is
12 low in relation to Bluegrass Water's overall Revenues but states that Bluegrass Water has
13 not supported its level of Bad Debt Expense in this filing, claiming the expense detail
14 provided in Response to PSC Request No. 1-3 does not match the test year amount of
15 expense. He also claims the Company does not have significant analytical support for the
16 allowance methodology to record bad debt expense.

17 **Q. DO YOU AGREE WITH MR. DITTEMORE'S CALCULATION OF BAD DEBT**
18 **EXPENSE?**

19 A. No, the Company does not agree with Mr. Dittmore's calculation. First, the expense detail
20 provided in Response to PSC Request No. 1-3 does not match the test year expense because
21 Bluegrass Water's Response to PSC Request No. 1-3 included both water and sewer

1 expense from the general ledger. The pro forma test year expense of \$33,382 is the sewer-
2 only amount of bad debt expense.

3 Second, the Company's allowance methodology records a small expense, currently
4 1% of each month's revenue, into an allowance for doubtful accounts. The methodology
5 recognizes that for each month of revenue, a small portion of the revenue is likely to be
6 uncollectible at some point in the future. The expense is recorded in the same period as
7 the revenue to match revenue and expenses and assign cost with the customers to whom
8 service is provided in the same period in which that service is provided. Management
9 recognizes that, at some future point, individual customer balances could become
10 uncollectible and the balances owed will be removed from accounts receivable. With the
11 allowance methodology, no further expense will need to be booked.

12 The approach proposed by Mr. Dittmore is often known as the direct write-off
13 methodology. The methodology records bad debt expense at the time that a customer's
14 balance is removed from accounts receivable. While this method is required for federal
15 income tax purposes, it is not appropriate for regulatory accounting as it creates a mismatch
16 between cost and cost causation. Most often, balances written off by Bluegrass Water
17 belong to individuals who have moved out of the address serviced by Bluegrass Water and
18 are no longer customers. Under Mr. Dittmore's methodology, the remaining customers
19 would incur the entire cost of the former customers' bad debt.

1 **IV. REBUTTAL TO ARIEL E. MILLER**

2 **Q. WHAT ISSUES WILL YOU ADDRESS FROM MS. MILLER’S TESTIMONY ON**
3 **BEHALF OF SCOTT COUNTY?**

4 A. I will address Ms. Miller’s concerns, at pages 4-9, with the use of land appraisals associated
5 with the Delaplain system as well as her concerns with my application of the *Delta* test as
6 contained in my direct testimony.

7 **Q. WHAT IS MS. MILLER’S STANCE ON LAND APPRAISALS ASSOCIATED**
8 **WITH DELAPLAIN?**

9 A. Ms. Miller claims that this amount should be booked to account 108, Utility Plant
10 Acquisition Adjustments and that the Commission does not recognize the inclusion of this
11 account in rate base or any amortization unless a utility can demonstrate with evidence that
12 overall operations and financial condition of the utility have benefited from acquisition at
13 prices in excess of net book value. She further explains the Commission has historically
14 required utilities to satisfy the five-step “Delta Test” to grant amortization under regulatory
15 asset treatment.

16 **Q. DO YOU AGREE WITH MS. MILLER’S TAKE ON WHY BLUEGRASS WATER**
17 **DOES NOT MEET THE DELTA TEST?**

18 A. While I understand there may be legal issues involved in analyzing application of the
19 “Delta Test,” I do not agree with Ms. Miller’s assessment because I believe the facts
20 presented by the Company support recovery of an acquisition adjustment.

1 **Q. HOW DOES BLUEGRASS WATER MEET REQUIREMENTS OF THE DELTA**
2 **TEST?**

3 A. First, Ms. Miller states that Bluegrass Water does not provide specific information as to
4 why a higher purchase price is warranted over net book value. However, in my Direct
5 Testimony, I explain how previous owners often fail to account for land values and
6 easements on their books and records. Thus, for the systems purchased by Bluegrass Water,
7 the net book value frequently does not accurately reflect the net book value due to poor
8 accounting practices by the prior owners. Bluegrass Water had a third-party land appraisal
9 completed on Delaplain to establish these values that the prior owner had not included in
10 their records.

11 Second, she states that utilities should be able to clearly identify purchase price of
12 utility and non-utility property. Bluegrass Water clearly meets this standard because
13 Bluegrass Water did not purchase any non-utility property. Ms. Miller's testimony on this
14 point seeks to misconstrue my Direct Testimony as asserting that a portion of the purchase
15 price was attributable to something other than utility property. In my Direct Testimony, I
16 merely pointed out that owners may demand a purchase price of the utility property that is
17 higher than net book value due to the lost personal income stream. However, the purchase
18 prices of those systems are exclusively for the utility property, not lost income, and are
19 appropriately allocated as such under relevant tax codes. A review of the Purchase
20 Agreements provided in Response to PSC Request No. 4-1(b) confirms that the assets
21 purchased by Bluegrass Water are entirely utility property.

1 Ms. Miller does not provide testimony on the remaining factors of the *Delta Test*,
2 but Bluegrass Water has also presented facts to support those factors as was set forth in my
3 Direct Testimony and in Response to PSC Request No. 4-12.

4 **Q. ARE THERE ANY OTHER REASONS YOU DO NOT AGREE WITH THE**
5 **PROPOSAL SET FORTH IN THE TESTIMONY FILED BY SCOTT COUNTY?**

6 A. Yes. The proposals made by Scott County overwhelmingly advantage the commercial
7 customers on the Delaplain system, at the expense of Bluegrass Water's residential
8 customers, including the residential customers in Scott County.

9 First, as is explained above, Scott County opposes the proposed change to the rate
10 design made by Bluegrass Water, instead proposing to continue apportioning 18.49 percent
11 of the revenue requirement to metered service. Currently, the only metered service
12 provided by Bluegrass Water is to the commercial customers in Scott County. Thus, Scott
13 County's proposal seeks to apportion as little of the revenue requirement to commercial
14 customers as possible, with a higher portion of the revenue requirement being allocated to
15 Bluegrass Water's residential customers. The Scott County proposal ignores Bluegrass
16 Water's application for a CPCN to expand the Delaplain system, which was necessitated
17 in large part due to the growth and use of services by the commercial customers on the
18 Delaplain system.

19 Second, when looking at Phase 3 of Scott County's proposal, the proposed
20 residential rate is \$106.28, which is \$6.91 per month higher than the rate proposed by
21 Bluegrass Water in this proceeding. However, the proposed monthly usage charge for
22 commercial customers under Phase 3 of Scott County's proposal is \$11.81 per 1,000

1 gallons, which is \$3.10 lower per 1,000 gallon than what is proposed by Bluegrass Water.
2 Scott County's proposal would result in Bluegrass Water's residential customers across
3 the Commonwealth paying higher monthly wastewater rates, to the advantage of the
4 Delaplain commercial customers. Thus, the proposal ignores the bill continuity concerns
5 for residential customers that was explained in the Direct Testimony of Tim Lyons.

6 As a result of the advantages Scott County proposes to give to the commercial
7 customers in Scott County vis-à-vis Bluegrass Water's residential customers across the
8 entire Commonwealth, I do not believe the Scott County proposal is fair, just, and
9 reasonable to all of Bluegrass Water's ratepayers, including the Scott County residential
10 customers.

11

12 **V. CONCLUSION**

13 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IN THIS CASE?**

14 A. I recommend that the Commission grant the Company's request for an increase to revenue
15 of \$964,307 and to allow it to begin assessing the requested late payment fee and returned
16 check charge.

17 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 A. Yes.