

1 recognize additional Revenue from the proposal. Therefore, the Company seeks to
2 increase Revenue in excess of its stated \$1.29 million base rate increase. The AG sought
3 to quantify the impact of the Company's proposal on its ongoing Revenue stream, which
4 is necessary to quantify an appropriate Revenue requirement. The Attachment to AG 1-66
5 indicates that an additional \$352,865 of Revenue would be generated if the fee had been
6 implemented in 2022, based on accounts that were **30 days past due**. However, the
7 Company seeks to implement the fee based upon any past due amounts, not simply those
8 30 days past due. The AG attempted to clarify the Revenue impact of the proposal on all
9 account balances that were past due, consistent with the Company's proposal in request
10 AG 2-7. The information provided in AG 2-7 reflects the Company would have charged
11 late fee Revenue of \$356,034 to any past due balance based upon 2022 accounts
12 receivable activity. The claim that the Revenue associated with amounts that are **30 days**
13 **past due** is nearly identical to the Revenue that would be generated for **all past due**
14 balances is not reasonable.

15 ~~Q. Do you have an example of an area of discovery where the Company has failed to~~
16 ~~provide necessary information?~~

17 ~~A. Yes. A third example of unresolved issues centers around confirmation of the amount of~~
18 ~~Business Development related costs the Company has removed from its Revenue~~
19 ~~requirement proposal. The Company's response to AG 1-124 indicates it has removed~~
20 ~~\$135,709 in CSWR Executive/Business Development costs from total CSWR General~~
21 ~~Ledger costs in this case. The Business Development costs are subtracted from total~~

DND

1 ~~CSWR costs⁷ to arrive at net costs subject to applying the Company's general three-part~~
2 ~~allocation percentage. Based upon the line-item description in this calculation, the reader~~
3 ~~assumes that the Business Development line item reflects all costs identified and~~
4 ~~excluded by the Company, however, this is not the case. A close examination of the~~
5 ~~response to AG 1-124 indicates that these Business Development exclusions are~~
6 ~~comprised of apparent employee travel expenses and the costs of third-party contractors~~
7 ~~and do not include any employee compensation.⁸ In response to AG 2-26, the Company~~
8 ~~identifies those employees the Company claims are devoted to Business Development~~
9 ~~activities and which were purportedly subtracted in arriving at the level of costs assigned~~
10 ~~or allocated to Bluegrass. The response identifies three full-time employees who are~~
11 ~~100% devoted to Business Development activities, one whose time is 95% dedicated to~~
12 ~~Business Development activities, and five executives who each devote 11% of their time~~
13 ~~to Business Development activities. However, it is unclear how and where these~~
14 ~~deductions are reflected in the identical calculations provided in response to AG 1-124~~
15 ~~and PSC 2-30.~~

16 ~~Q. Do you have specific discovery requests related to the issue of Business Development~~
17 ~~costs where requested information has not been provided?~~ DND

⁷ Other items are deducted from total CSWR expenses prior to applying the general allocator. Other subtractions include items identified as Payroll, and other Line-Item Exclusions. The excluded payroll costs reflect those directly charged or indirectly allocated to various CSWR affiliates. The CSWR payroll assigned to Bluegrass operations (water and wastewater) was \$333,896 in the test period out of total CSWR payroll/EE costs of \$7,224,534. A review of the items identified as payroll indicates such totals also include Property Insurance.

⁸ The detailed information publicly provided in AG 1-124 was designated as Confidential in PSC response 3-18. While the cost detail provided was similar, additional cost identifiers were provided in PSC response 3-18 that were not contained in OAG response 1-24.

1 ~~A. Yes. I have attached Exhibit DND 3, which contains AG Discovery request 2-30 and~~
2 ~~related questions posed in PSC 3-18. Neither response clearly identifies the amount of~~
3 ~~Business Development payroll excluded in this case, nor is it traced back to the~~
4 ~~calculation provided in AG 1-124, demonstrating such costs were eliminated in~~
5 ~~determining costs allocated to Bluegrass. Other information requested in AG 2-30~~
6 ~~concerning the development of costs assigned to Bluegrass remain unanswered.⁹~~

7 **Q. Do you have any information indicating the amount of expense the Company claims**
8 **to have designated as Business Development costs that are not subject to allocation**
9 **to Bluegrass?**

10 A. The Company has provided information in Confidential Response AG 1-53 regarding
11 compensation by employee. I then applied this information to the list of employees
12 engaged either fully or partially in Business Development activities provided in response
13 to AG 2-26. Matching these two pieces of information, I have calculated a total of
14 [REDACTED] associated with the Business Development function. ~~Again, I wish to~~
15 ~~emphasize that while the amount has been quantified, it is unclear how it has been~~
16 ~~eliminated in the Company's cost allocation calculations. The Company should~~
17 ~~demonstrate that this amount of base compensation has been eliminated from its~~
18 ~~corporate cost allocations, plus a ratable portion of related employee taxes and benefits.~~

19 ~~Q. If the Company can demonstrate that it removed the amount above from costs~~
20 ~~allocated to Bluegrass, would that satisfy your concerns?~~ DND

⁹ See AG 2-30, parts b – e.

1 ~~A. The Company's transparency on this issue would confirm that the Company has~~
2 ~~performed its calculation consistent with its explanation, inclusive of payroll taxes and~~
3 ~~employee benefits. However, the Commission must also consider whether the claimed~~ DND
4 costs are a reasonable estimation of Business Development costs given the historic
5 growth of the system coupled with the number of open acquisition dockets throughout the
6 CSWR footprint.

7 **Q. How does your calculation of the Business Development payroll, per the Company's**
8 **explanation, compare to the total test period payroll?**

9 A. The Business Development payroll of [REDACTED] represents 11.28% of the total test
10 period payroll.¹⁰ This ratio seems like a relatively small percentage of total payroll costs,
11 given the scope of the Company's acquisition efforts.

12 **Q. Have you discovered other evidence suggesting the costs purportedly subtracted as**
13 **Business Development costs are understated?**

14 A. Yes. An examination of the detail provided in ^{AG 1-124 DND} ~~PSC 3-18~~ identifies an employee who
15 incurred nearly \$5,000 in expenses labeled Business Development related costs.
16 However, this employee is not listed as an employee that incurs any Business
17 Development labor costs identified in response to AG 2-26. Another aspect of the AG 2-
18 26 response that causes me to believe that the Company is understating its Business
19 Development activities is that there are no internal legal resources identified by the
20 Company associated with its Business Development activities. In my opinion, the term
21 Business Development includes the process of acquiring systems. While the Company

¹⁰ The total CSWR payroll is calculated as [REDACTED] per the Confidential response to AG 1-53.