

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

In The Matter Of:

**ELECTRONIC TARIFF FILING OF THE CITY OF LANCASTER)
TO INCREASE THE WHOLESALE RATE CHARGED TO) CASE NO.
THE GARRARD COUNTY WATER ASSOCIATION) 2023-00424**

**DIRECT TESTIMONY OF
SEAN SMITH, GENERAL MANAGER
ON BEHALF OF THE GARRARD COUNTY WATER ASSOCIATION**

Filed: June 6, 2024

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF GARRARD)

Sean Smith, General Manager of Garrard County Water Association, Inc., being duly sworn, states that he has prepared his testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

THE GARRARD COUNTY WATER ASSOCIATION, INC.

By: *SS*
Sean Smith, General Manager

Subscribed and sworn to before me by Sean Smith, General Manager of Garrard County Water Association, Inc., on this 6th day of June, 2024.

 Missy P. Lawan
NOTARY PUBLIC

My Commission Expires: *April 8, 2028*

**DIRECT TESTIMONY
OF
SEAN SMITH**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Sean Smith. My business address is The Garrard County Water Association, Inc. ("GCWA"), 315 Lexington Road. Lancaster, Kentucky 40444. I am General Manger.

Q. HOW LONG HAVE YOU BEEN EMPLOYED AT GARRARD COUNTY AND WHAT ARE YOUR RESPONSIBILITIES?

A. I have been employed with the GCWA for 10 years in August of 2014. I am the General Manager and oversee all daily activities in the office and in the field. The office responsibilities include billing, public relations, payroll, monthly and quarterly reports, reconciling accounts and various other financial oversights. The field responsibilities include ordering materials, leak detection, completion of service calls, responding to customer requests, repairing leaks, setting meters, monitoring projects and all sampling.

Q. BRIEFLY DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.

A. I have an Associate Degree from the University of Kentucky. I also owned and operated my own excavation company for 16 years.

Q. HAVE YOU EVER TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. In an informal hearing.

Q. ARE YOU FAMILIAR WITH THE CONTENTS OF THE TARIFF FILING OF THE CITY OF LANCASTER WHICH HAS BEEN FILED WITH THE COMMISSION TO COMMENCE THIS CASE?

A. Yes, I have reviewed the record, including the responses to information requests filed by the City of Lancaster.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. No.

Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN GCWA AND THE CITY OF LANCASTER.

A. GCWA has maintained a good working relationship with the City of Lancaster.

Q. PLEASE DESCRIBE THE PURPOSE OF INTERVENING IN THIS CASE

A. GCWA intervened in this action in the interest of advocating for fair treatment among the City of Lancaster's wholesale and retail customers on behalf of GCWA's customers because the rate increase will ultimately affect GCWA's customer's rates.

Q. PLEASE GENERALLY DESCRIBE THE RELIEF SOUGHT BY GCWA IN THIS PROCEEDING.

A. GCWA respectfully requests the Commission review the rates proposed by the City of Lancaster and determine whether the rates proposed that include depreciation for the wholesale customers and do not for its retail customers are fair, just and reasonable. GCWA purchases water from the City of Lancaster on a wholesale basis. GCWA is the largest customer of the city of Lancaster and accounts for a majority of the water sales of the City of Lancaster. The wholesale rate increase to

GCWA proposed by the City of Lancaster in this proceeding will be passed on to the customers of GCWA.

Q. EXPLAIN WHY THE COMMISSION SHOULD GRANT THE RELIEF REQUESTED BY GCWA IN THIS CASE.

A. As stated above, GCWA is the largest customer of the City of Lancaster, therefore the largest impact of the rate increase is to GCWA. The City of Lancaster has stated in its Response filed May 2, 2024 to Request 1(a) that it has the statutory authority to set public policy for how it will pay its proportional share of water system infrastructure investments that benefit only retail customers and GCWA does not disagree, however the fair treatment of its customers in ratemaking does not prevent the City of Lancaster from creating policy to expend funds or utilize other sources of funding for improvements to its system. The City of Lancaster continues to state in Response to Request 1(a) that it will keep the portion of the rate increase for depreciation in a separate bank account and give notice to its wholesale customers when it decides to use those funds. GCWA appreciates this policy and agrees that this practice will aid in transparency. However, this rate increase applies a higher rate to GCWA to accumulate depreciation funds for the wholesale customers, with the future goal of proportionally applying the funds at a later date. The actual rate increase applies funds to a cost that has not been established yet, and more importantly the proportion of the application of the funds has also not been established. While, GCWA appreciates the value of a depreciation fund, there is not a justification for including depreciation expenses for its wholesale customers and not its retail customers. The intended fair allocation of the funds between

infrastructure improvements that benefit both the wholesale customers and retail customers is admirable, however city officials can change, circumstances can change, and goals of governing bodies can change over time. Sound ratemaking policy calls for adequate rates that are not discriminatory between ratepayers. Rate design should be fair among ratepayers. The City of Lancaster has not shown why GCWA should bear the burden of the entirety of the depreciation on the City of Lancaster's system in this rate increase. I feel a great responsibility to the customers of GCWA to advocate for the fairness of the rates imposed upon them. The Commission has jurisdiction to determine whether wholesale rates for service are fair, just and reasonable and likewise, whether the allocation of depreciation expense to only the wholesale customers is fair, just and reasonable.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.