



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

February 17, 2010

Robert C. Moore, Esq.
Hazelrigg & Cox, LLP
P.O. Box 676
Frankfort, KY 40602

Mr. Richard O. Meier
Big Bear Wastewater, Inc.
3499 Big Bear Highway
Benton, KY 42025

David Edward Spenard, Esq.
Office of the Attorney General
Utility and Rate Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Deborah T. Eversole, Esq.
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KY 40202-2828

Re: Case No. 2009-00171
Big Bear Wastewater, Inc.

Ms. Eversole and Gentlemen:

The enclosed electronic mail messages between Commission Staff and the parties have been placed in the record of the above-referenced proceeding. Additionally, the attachment to these messages - "Revised Appendices A and B," which are referenced in these electronic mail messages and to which the parties referred in their recorded remarks to the Commission's Hearing Officer at the hearing of February 9, 2010, has also been placed in the record.

Sincerely,


Jeff Derguen
Executive Director

Enclosures

Wuetcher, Jerry (PSC)

From: Eversole, Deborah [Deborah.Eversole@skofirm.com]
Sent: Thursday, February 11, 2010 5:21 PM
To: Wuetcher, Jerry (PSC); Spenard, David (KYOAG); Robert Moore
Cc: Goff, James R (PSC)
Subject: RE: Case No. 2009-00171

Big Bear does not object to the filing of the revised Appendix A and B, distributed by Staff to the parties prior to the hearing on February 9 and referenced by the parties on the record, into the case record

Thanks,
Deborah Eversole
Counsel for Big Bear Wastewater, Inc.

From: Wuetcher, Jerry (PSC) [mailto:JWuetcher@ky.gov]
Sent: Thursday, February 11, 2010 5:14 PM
To: Eversole, Deborah; Spenard, David (KYOAG); Robert Moore
Cc: Goff, James R (PSC)
Subject: Case No. 2009-00171

Ms. Eversole and Gentlemen:

Commission Staff wishes to clarify two points regarding the above-reference proceeding.

First, while the parties have agreed that Big Bear Wastewater Inc. should be permitted to assess a monthly rate of \$48.24 immediately for sewer service, the sewer utility may not place the agreed rate into effect until the Commission has approved the parties agreement and it may not assess the rate for service rendered prior to the Commission's approval.

Second, Commission Staff Revised Appendix A & B, which Commission Staff distributed shortly before the start of the 09 Feb 2010 hearing and which the parties referenced in their remarks on the record to the Hearing Officer was not entered into the hearing record and has not yet been entered into the case record. Commission Staff proposes to file that document with the Commission by letter. A copy of that document is attached to this message. I respectfully request that each party respond to this e-mail message and advise whether it objects to the filing of Commission Staff Revised Appendix A & B into the case record.

Respectfully,

Gerald E. Wuetcher
Executive Advisor
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov
<<SCN_20100211093450.pdf>>

Wuetcher, Jerry (PSC)

From: Spenard, David (KYOAG) [david.spenard@ag.ky.gov]
Sent: Friday, February 12, 2010 8:41 AM
To: Wuetcher, Jerry (PSC); Eversole, Deborah; Robert Moore
Cc: Goff, James R (PSC)
Subject: RE: Case No. 2009-00171

Good morning.

The Attorney General does not object.

Best regards,

David

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Sent: Thursday, February 11, 2010 5:14 PM
To: Eversole, Deborah; Spenard, David (KYOAG); Robert Moore
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gerald.wuetcher@ky.gov
<< File: SCN_20100211093450.pdf >>

Wuetcher, Jerry (PSC)

From: Robert Moore [RMoore@hazelcox.com]
Sent: Friday, February 12, 2010 8:15 AM
To: Wuetcher, Jerry (PSC)
Cc: Spenard, David (KYOAG); Eversole, Deborah
Subject: RE: Case No. 2009-00171

Jerry. The Dens does not object to the filing of Revised Appendix A & B, either by letter or by a stipulation to be agreed to by the parties. Thank you. Rob Moore. 021210

Robert C. Moore
Hazelrigg & Cox, LLP
P.O. Box 676
415 West Main Street
Frankfort, Kentucky 40602-0676
Telephone: 502-227-2271
Fax: 502-875-7158

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-----Original Message-----

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Cc: Goff, James R (PSC)
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APPENDIX B TO STAFF REPORT CASE NO. 2009-00171 (REVISED)

PRO FORMA OPERATING EXPENSES BEFORE TAXES	39,212
DIVIDE BY: OPERATING RATIO	88%
TOTAL REVENUE REQUIRED BEFORE TAXES	44,559
LESS: PRO FORMA OPERATING EXPENSES BEFORE TAXES	39,212
NET INCOME ALLOWED AFTER TAXES	5,347
MULTIPLY BY TAX GROSS FACTOR	1.251564456
NET OPERATING INCOME BEFORE TAXES	6,692
PLUS: OPERATING EXPENSES BEFORE TAXES	39,212
REVENUE REQUIREMENT	45,904
REVENUE	100.00000%
LESS; FEDERAL TAX, 15% OF SUBTOTAL	14.10000%
PERCENT CHANGE IN NOI	79.900005
REVENUE CONVERSION FACTOR	125.15645%
(REVENUE OF 1 DIVIDED BY PERCENT CHANGE IN NOI)	

REVENUE REQUIREMENT	45,904
DIVIDED BY PRO FORMA NUMBER OF BILLS	1,036
RECOMMENDED RATE	44.31

INCLUDING ADDITIONAL RATE CASE EXPENSE OF \$14,308 AMORTIZED OVER 3 YEARS THE RATE WOULD BE: 48.24

REVISED APPENDIX A TO STAFF REPORT CASE NO. 2009-00171

1		1	2	3	4(1+2)	
2		2008 ANNUAL REPORT	STAFF ADJUSTMENTS	REF.	STAFF ADJUSTED	EXPLANATIONS
3						
4	OPERATING REVENUES	33,498	(2,035)	A	31,463	A. SAME AS STAFF REPORT
5						
6	OPERATION AND MAINTENANCE EXPENSES					
7	OWNER/MANAGER FEE	6,350	(2,750)	B	3,600	B. SAME AS STAFF REPORT
8	COLLECTION SYSTEM LABOR, MATERIALS AND EXPENSE	3,226	(3,226)	C	0	C. SAME AS STAFF REPORT
9	SLUDGE HAULING	0	3,200	D	3,200	D. CORRECT STAFF'S REPORT TO INCLUDE 2008 SLUDGE HAULING EXPENSE INSTEAD OF 2007.
10	UTILITY COST - WATER	5,225		E	5,225	E. \$5,225 REPRESENTS ELECTRIC EXPENSE MISCLASSIFIED BY THE UTILITY AS WATER EXPENSE. STAFF DENIAL OF UTILITY PROPOSED ADJUSTMENT IS THE SAME AS STAFF REPORT
11	CHEMICALS EXPENSE	0	2,081	F	2,081	F. SAME AS STAFF REPORT
12	ROUTINE MAINTENANCE FEE	0	13,200	G	13,200	G. SAME AS STAFF REPORT
13	MAINTENANCE OR COLLECTION SEWER	7,363	(7,363)	H	0	H. IN ITS REPORT, STAFF MISCLASSIFIED THIS EXPENSE AS OFFICE SUPPLIES AND MAINTENANCE. THE ADJUSTMENT TO THIS EXPENSE REPRESENTS THE ADJUSTMENTS PROPOSED BY THE UTILITY IN ITS APPLICATION AND TO CORRECT THE ADJUSTMENT IN STAFF'S REPORT TO ELIMINATE THE REMAINING PORTION OF THIS EXPENSE. (\$3,289 RATHER THAN \$1,575)
14	ADMIN. AND GEN. SALARIES	0	2,700	I	2,700	I. SAME AS STAFF REPORT
15	OUTSIDE SERVICES EMPLOYED	3,261		K	3,261	K. THIS ACCOUNT INCLUDED TEST PERIOD CHEMICAL TESTING OF \$1,512 AND OTHER OUTSIDE SERVICES OF \$1,749.
17	INSURANCE	967	239	L	1,206	L. SAME AS STAFF REPORT
18	EMPLOYEE PENSIONS AND BENEFITS	1,928	(1,928)	M	0	M. SAME AS STAFF REPORT
19	RENTS & LEASES	1,200		N	1,200	N. SAME AS STAFF REPORT
21	OFFICE SUPPLIES AND EXPENSE	1,212	(1,000)	Q	212	Q. REFERRED TO AS OVERHEAD IN THE STAFF REPORT AND INCLUDED THE MISCLASSIFIED WATER EXPENSE. THE \$1,000 ADJUSTMENT IS TO REMOVE THE FEE FOR THE KPDES PERMIT THAT IS BEING AMORTIZED IN ADJUSTMENT P.
26						
27	TOTAL OPERATION AND MAINTENANCE EXPENSES	30,732	5,153		35,885	
28						
29	DEPRECIATION	8,354	(7,734)	O	620	O. SAME AS STAFF REPORT
30	AMORTIZATION	0	725	P	725	P. SAME AS STAFF REPORT
31	TAXES OTHER THAN INCOME	1,982			1,982	R. MISCELLANEOUS ACCOUNT HAS BEEN REMOVED PER THE DEN'S RESPONSE TO THE STAFF REPORT.
32						
33	TOTAL OPERATING EXPENSES	41,068	(1,856)		39,212	
34						
35	UTILITY OPERATING INCOME	(7,570)	(179)		(7,749)	