

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No.:4611

Petition of the KENT COUNTY WATER AUTHORITY
Rate Application

COVENTRY FIRE DISTRICT'S RESPONSE TO
KENT COUNTY WATER AUTHORITY'S SECOND SET OF DATA REQUESTS TO
COVENTRY FIRE DISTRICT

KCWA-CFD 2-1: In addition to the Coventry Fire District, what municipal clients has Mr. Krekorian provided consulting services to? Has Mr. Krekorian provided water rate consulting services to any municipal client? If so, please provide the client's name, nature of the service, and approximate dates. If any such study included a class cost of service study performed by Mr. Krekorian, please identify it in the response.

Response: What municipal clients has Mr. Krekorian provided consulting services to?
Coventry Fire District and Central Coventry Fire District.

Has Mr. Krekorian provided water rate consulting services to any municipal client? *No. And I don't believe I have in this case. I have performed a financial analysis which included a review of available facts, circumstances, the testimony of others, research of relevant issues that I identified in my review and offered my professional opinion.*

KCWA-CFD 2-2: Where did Mr. Krekorian's understanding of cost of service methodologies come from? For example, was it only from books or articles or does any of it come from other formal training or from actual experience? Would he agree that his

overview of cost of service methodologies are [sic] essentially a summary of Chapter III-1 of the AWWA M1Manual?

Response: Where did Mr. Kerkorian's understanding of cost of service methodologies come from? *I referred to the AWWA M1 Manual (the same one which Mr. Woodcock indicated he was leading the final preparation of the 7th edition. However I have thirty-five years of experience with a variety of entities, of all sizes, dealing with financial planning, business planning, analysis of financial data, break-even analysis, etc. In this case, KCWA is setting forth a budget comprised of a number of costs and allocating those costs among product lines and general overhead, to arrive at costing. I have approached analyzing this in a similar manner as I have analyzed similar matters in the past.*

Would he agree that his overview of cost of service methodologies are [sic] essentially a summary of Chapter III-1 of the AWWA M1Manual? *Yes.*

KCWA-CFD 2-3: Regarding page 9 of his testimony, does Mr. Kerkorian agree that KCWA did indeed allocate IFR costs in its 2004 (#3660) and 2008 (#3942) petitions? Mr. Kerkorian states (page 10, line 1) that no allocation of IFR costs was included in Docket 3660; please refer to Mr. Woodcock's CPNW Sch. 3, page 2 in that docket in responding to this question.

Response: Regarding page 9 of his testimony, does Mr. Kerkorian agree that KCWA did indeed allocate IFR costs in its 2004 (#3660) and 2008 (#3942) petitions?

Yes. What is missing in each of these cases is an allocation of IFR costs to Fire Services. I had thought my original response was sufficiently clear in that regard but, to the extent that it was not, I hope this clarifies that response.

The overriding issue is that KCWA's approach regarding the allocation of IFR costs to Fire Services in Docket #4611 is inconsistent with Dockets # 3660 and 3942. I realize that #3942 needed to be expedited but the law had already changed. KCWA had the opportunity to apply the law and did not.

KCWA-CFD 2-4: In light of his comments that "The statutory change relied upon by KCWA took effect in 2009. One would think that there would have had to be an allocation of IFR costs in the 2010 petition, at least": please explain Mr. Krekorian's understanding of the purpose of the filing in Docket 4142 in 2010. Does Mr. Krekorian believe a cost allocation study was part of that filing? If there was no cost allocation as part of that study, would Mr. Krekorian agree that this docket is KCWA's first filing with a full cost allocation study since the statutory change?

Response: In light of his comments that "The statutory change relied upon by KCWA took effect in 2009. One would think that there would have had to be an allocation of IFR costs in the 2010 petition, at least": please explain Mr. Krekorian's understanding of the purpose of the filing in Docket 4142 in 2010. *It was and is my understanding that #4142 was filed by KCWA, seeking a rate change increase, as a consequence of a decrease in water usage (see Prefiled Testimony of Timothy J. Brown, PE at page 3, l. 11) and because KCWA had underfunded its IFR Restricted Account by \$2M+/- . The Petition seems to ask for a tariff change to compensate for an unanticipated loss of revenue (see Prefiled Testimony of Christopher P. N. Woodcock at page 3 at, l. 6 to page 4 at l. 7 – Ex. K-6 attached) but Mr. Brown's testimony was that he was not asking for a tariff change. Ultimately, I understand #4142 to be an application for a general rate increase from \$128.83 to \$139.3 (including an 8.16% increase for hydrant fees), using a test year of October 31, 2009.*

Does Mr. Krekorian believe a cost allocation study was part of that filing? *Mr. Woodcock testified that because he was seeking an across-the-board rate increase and that he didn't need to run a new study and, so, did not run a cost allocation study (see Prefiled Testimony of Christopher P. N. Woodcock at page 6 at, l. 10 to page 7 at l.5 – Ex. K-7 attached) but relied upon previous studies.*

If there was no cost allocation as part of that study, would Mr. Krekorian agree that this docket is KCWA's first filing with a full cost allocation study since the statutory change? *This is the first filing that allocated IFR costs to Fire Services since the statutory change.*

KCWA-CFD 2-5: Does Mr. Krekorian agree that prior to the statutory changes to 46-15.6 in 2009 that IFR costs could only be recovered based on usage? If so, please explain how public fire protection costs could have legally been recovered through a non-consumptive based hydrant charge?

Response: Does Mr. Krekorian agree that prior to the statutory changes to 46-15.6 in 2009 that IFR costs could only be recovered based on usage?

§46-15.6-6 is the applicable statutory provision. I agree that prior to 2009 IFR costs (indeed all costs) could only be recovered via a use or consumption tax. That was the legislative scheme.

If so, please explain how public fire protection costs could have legally been recovered through a non-consumptive based hydrant charge?

I don't suggest that they could.

KCWA-CFD 2-6: What "scheme" is Mr. Krekorian referring to on page 9, line 12 of his prefiled testimony?

Response: *The scheme, plan, project, plan of action, program, strategy, stratagem, tactic, game plan, course or line of action that I am referring to is KCWA's alternate proposal to directly charge CFD's taxpayers an allocated portion of the IFR costs resulting in an 80% increase in fees.*

KCWA-CFD 2-7: Does Mr. Krekorian believe it is more equitable to allocate public fire protection costs based on a customer's water use rather than property value? If so, please explain.

Response: *Each scheme or plan has its advantages and disadvantages, pros and cons. Equity in rate setting presumes that the tax relates to a cost which is reasonable and*

necessary. No plan will satisfy everyone and the scheme or plan selected is a policy decision made by the Legislature.

Some classic ways for a government to raise revenue is through a consumption or use tax, through a sales tax or through an ad valorem tax. One is neither more nor less equitable than the other. §46-15.6-6, pre-2009, limited KCWA's ability to recover its IFR costs by any method other than by a consumption or use tax. In 2009 the Legislature removed that restriction so that, post-2009, §46-15.6-6 allows KCWA to use any or all, of the classic taxes as well as any others of their choosing. That method used must be fair and equitable, must seek to recover reasonable and necessary taxes and must be authorized by this commission.

I get the sense that KCWA and I do not share the same understanding as to what the Legislature did in amending §46-15.6-6.

KCWA-CFD 2-8: What specific costs that Mr. Woodcock allocated to public fire protection does Mr. Krekorian believe should not be allocated to public fire protection. In each instance please identify the cost in question, the amount that should not be allocated to public fire protection, the customer class or service that the cost should more properly be allocated to, and the basis for Mr. Krekorian's suggested change.

Response: *I think that this question is based upon a misunderstanding of my position. I have neither questioned nor approved of the costs which KCWA has allocated to public fire protection. I am assuming that the \$6M IFR costs are appropriate. That is not my criticism.*

The concern that I raise is that the introduction of the allocation of IFR costs to Fire Services results in an 80% increase in fire hydrant fees in one year. It is just too much, too quickly.

KCWA-CFD 2-9: On page 13, line 7 Mr. Krekorian states that "KCWA (s) proposed allocation is inconsistent with past proceedings and is unreasonable." Please list each and

every instance where KCWA's proposed allocation is inconsistent with past proceedings and the basis for his belief that it is unreasonable.

Response: *I believe that I responded to this data request in my response to KCWA – CFD 2-3. In essence, my thought is: If the allocation was not needed then, why is it needed now? Nothing in the statutory change to §46-15.6-6 forces KCWA to change its methodology.*

The basis for my opinion that KCWA's plan is unreasonable is that it results in an 80% fee increase in one year.

KCWA-CFD 2-10: Regarding the testimony on page 16, lines 1-6:

- a) Does Mr. Krekorian believe that the changes in the allocation of IFR costs that Providence Water, Pawtucket Water, and Newport Water all made after the statutory change in 2009 were unreasonable? Does he believe that the Commission orders in each of those cases were unreasonable? Please explain.
- b) What costs that were included by KCWA in its filing in this docket does Mr. Krekorian believe are not necessary? Please explain each in detail as to why the cost is not necessary

Response: *Let me first state that I will not accept KCWA's invitation to criticize this commissions decisions in other matters. It is not my place to do so and would be presumptive, if not rude.*

KCWA keeps trying to encourage me to criticize its costs. I don't. I need not reach the issue of whether or not its costs are necessary. I do note, and have commented upon, the fact that KCWA failed to analyze the reasonableness and necessity of its costs.

KCWA-CFD 2-11: As treasurer of the Coventry Fire District and Central Coventry Fire District, if the Commission approves KCWA's proposal for a direct charge to customers for public fire protection thereby eliminating the charge from KCWA for fire protection and the cost to each of the fire districts, would Mr. Krekorian recommend a concurrent reduction in

the fire districts' budgets and tax rates or would he recommend that they replace that cost with a new expense? Please explain.

Response: *I would recommend the decision to the Board but it is the Board's and not mine to recommend to the Taxpayers. . Ultimately under our system of governance, the decision is made by our Taxpayers at their Annual Financial District Meeting (at which CFD's budget is adopted).*

KCWA-CFD 2-12: Does Mr. Krekorian agree that, all things being equal, the increased allocation of IFR costs to public fire protection also results in a decrease in the allocation of IFR costs to the metered water rates?

Response: *Budgeting is a zero sum game. If you reduce a cost charged to one account or product line, you must increase it elsewhere in order to raise the same revenue. One political aspect of budgeting is to put the increase where there will be the least complaint (that is the moral behind the Sen. Russell quotation). I believe that the real question is whether or not an 80% fee increase, in one year, is justifiable. My opinion is that it is not.*

KCWA-CFD 2-13: Regarding page 18, lines 20-21: Please indicate the portion(s) of the KCWA's proposed rate design that are inconsistent AWWA M1 Manual.

Response: *I believe that KCWA's proposed rate design violates the principal of "gradualism" (see AAWA M1 at page 92-93), which I have defined as "Yielding the necessary revenue in a stable and predictable manner." While "[m]inimizing unexpected and unpredictable changes to customer's bills."*

KCWA's proposal results in a huge 80% increase being thrown at CFD (or its taxpayers) at a time when it is unable to plan and prepare for so great a burden.

CFD will present its budget to the taxpayers on December 13, 2016, barely three weeks from now.

The CFD FY2017 budget includes a line item for fire hydrant rental fees of \$128,000. This would be payable in four equal installments of \$32,000 each.

KCWA's proposal, if approved, would be effective in CFD's third quarter, starting July 1, 2017.

If KCWA's first proposal is approved then CFD's hydrant fees would be unchanged in the first two quarters of FY2017 from the budgeted \$32,000 per quarter. However, the third and fourth quarter fees, having increased by 80% would balloon to \$57,000 per quarter. CFD having only budgeted \$32,000 per quarter, there would be a shortfall of \$25,000 for each of the third and fourth quarters, or a total shortfall of \$50,000 (or 2% of CFD's FY2017 budget).

If KCWA's second proposal (i.e. to pass the hydrant fee onto the water users – our taxpayers) were approved then CFD would still pay the first two quarterly installments of \$32,000 for a total of \$64,000 and would be exempt from paying the second two installments. This would result in an improvement to CFD's budget of \$64,000.

So what figure should CFD use, now, as a budget line item for hydrant fees in that proposed budget given KCWA's timing of its petition and the uncertainty? It will not take effect until the last half of FY2017.

This real life problem illustrates why the principal of gradualism is a laudable goal of good rate-setting..

Is it reasonable, is it justifiable that KCWA be allowed to impose so large a burden at such a late date on CFD? How is CFD to budget? How is CFD to explain to its taxpayers in three weeks that it may have to call a special meeting to increase its tax rate because of KCWA's actions?

If the commission is to approve KCWA's petition, I suggest that it phase in the increase in smaller increments and over a multi-year period. I would suggest ten years beginning with FY2018 in order to give municipalities or municipal corporations a reasonable opportunity to prepare and reasonable time within which to do so and within which to gradually increase their tax rates to accommodate the increase.

The law was amended in 2009. KCWA could have acknowledged the issue and perhaps approached the water users (such as CFD) about the law change and develop a rate structure and time frame that was acceptable to all.

KCWA-CFD 2-14: In light of Mr. Krekorian's testimony on pages 20-21 related to KCWA's inability to satisfy CFD's requests regarding proof of a written request for installation and ownership of public fire hydrants, please explain why he now states that the "current problems [which KCWA has] with fire districts not paying their charges" has "been addressed and cured". Does Mr. Krekorian believe that KCWA "cannot ... charge CFD's taxpayers" for public fire protection?

Response: In light of Mr. Krekorian's testimony on pages 20-21 related to KCWA's inability to satisfy CFD's requests regarding proof of a written request for installation and ownership of public fire hydrants, please explain why he now states that the "current problems [which KCWA has] with fire districts not paying their charges" has "been addressed and cured"

This question is objected to as being phrased in such a way that I cannot understand what I am being asked.

It is unclear how CFD's requests for information regarding fire hydrants relates to the "current problem" relates to charges being addressed and cured.

There are two unrelated issues.

The first is the issue of unpaid fees. KCWA sued CFD and obtained a default judgment. CFD is paying that judgment. Therefore, Mr. Brown's observation in the KCWA Minutes, previously provided, to the effect that the rate increase was caused by the fire districts not paying their bills, is no longer accurate. If unpaid charges are the basis for the rate increase and those charges are now paid or in payment status, then the reason for the rate increase is gone.

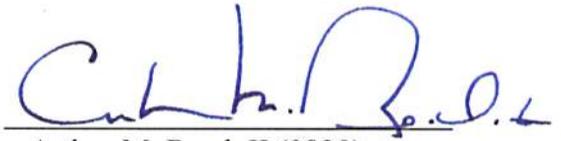
The second is that because KCWA obtained its court judgment by default. The Court never heard CFD's underlying defense. That defense (which KCWA's responses herein seem to validate) is that KCWA is charging CFD in error, it not having any evidence that CFD was responsible for the debt in the first place.

That issue may be left to a declaratory judgment at a later date and is not before this commission nor does it factor into my opinion other than to the extent that KCWA's underlying reason behind the rate increase is now gone.

Witness Responsible: D. Krekorian

Certification

I certify that I forward a copy of the foregoing via e-mail to all on the following service list on November 29, 2016.



Arthur M. Read, II (0830)

Docket No. 4611- Kent County Water Authority – Multi-Year Rate Plan
Service List 10/27/16

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Timothy Brown, P.E. General Manager Chief Engineer Kent County Water Authority PO Box 192 West Warwick, RI 02893-0192	tbrown@kentcountywater.org ;	401-821-9300
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EXHIBIT K-5

**ALLOCATION OF RATE YEAR EXPENSES TO
GENERAL WATER, FIRE, AND CUSTOMER SERVICE**

EXPENSE ITEM	PRO FORMA EXPENSE	ALLOC. SYMBOL (1)	GENERAL WATER		FIRE SERVICE		CUST. SERVICE	
			%	AMOUNT	%	AMOUNT	%	AMOUNT
FIXED CHARGES								
Debt Service	\$3,932,319	J	80.9%	\$3,180,748	19.1%	\$751,028	0.0%	\$542
O&M Reserve	\$500,668	G	76.8%	\$384,729	7.8%	\$38,871	15.4%	\$77,068
R&R Reserve	\$463,332	J	80.9%	\$374,777	19.1%	\$88,491	0.0%	\$64
Renewal & Replacement - Equip	\$100,000	J	80.9%	\$80,887	19.1%	\$19,099	0.0%	\$14
Infrastructure Replacement	\$6,000,000	I	100.0%	\$6,000,000	0.0%	\$0	0.0%	\$0
Payroll Taxes	\$155,228	H	60.1%	\$93,221	11.0%	\$17,121	28.9%	\$44,884
PILOT	\$23,123	L	81.0%	\$18,732	18.1%	\$4,180	0.9%	\$202
SUBTOTAL FIXED	\$11,174,668		80.7%	\$10,133,094	8.2%	\$918,800	1.1%	\$122,774
OPERATING REVENUE	\$1,065,107	K	86.6%	\$922,517	7.3%	\$77,575	6.1%	\$65,014
TOTAL EXPENSES	\$21,657,097	K	86.6%	\$18,757,788	7.3%	\$1,577,355	6.1%	\$1,321,954
Less: Available Restricted Deb	\$0	J	80.9%	\$0	19.1%	\$0	0.0%	\$0
Miscellaneous Income	(\$179,384)	K	86.6%	(\$155,369)	7.3%	(\$13,065)	6.1%	(\$10,950)
Interest Income	(\$112,598)	K	86.6%	(\$97,522)	7.3%	(\$8,201)	6.1%	(\$6,873)
Merchand & Jobbing	(\$2,384)	K	86.6%	(\$2,085)	7.3%	(\$174)	6.1%	(\$146)
6.8% of Water Prot Fee	(\$60,600)	K	86.6%	(\$52,487)	7.3%	(\$4,414)	6.1%	(\$3,699)
Total Revenue Requirement	\$21,302,134	K	86.6%	\$18,450,345	7.3%	\$1,551,502	6.1%	\$1,300,287

(1) See CPNW Sch. 3B

EXHIBIT K-6

1

2 **Q: Are you the same Christopher Woodcock that has prefiled testimony on behalf of the**
3 **Kent County Water Authority in other rate filings?**

4 **A: Yes I am.**

5

6 **Q: What is the purpose of your testimony in this docket?**

7 **A: As the Commission is aware, water utilities in Rhode Island have experienced a significant**
8 **shortfall in expected revenues over the past few summers, particularly in 2009. This is**
9 **most likely due to several factors: (a) a wet and cool summer resulting in reduced irrigation**
10 **demands, (b) an overall reduction in non-residential use, (c) a general increase in consumer**
11 **awareness to not waste water, and (d) an economic slowdown.**

12

13 **The Kent County Water Authority's most recent rate case¹ had a rate year that encom-**
14 **passed November 1, 2008 – October 30, 2009 (RI PUC Docket No. 3942). This rate year was**
15 **right in the middle of this period of reduced water sales. As a result, the Authority has not**
16 **realized its authorized revenues. My analysis of actual sales for the Docket 3942 rate year**
17 **shows that the reduced use resulted in actual revenues that were some \$1.56 million be-**
18 **low the authorized rate revenues of \$19.45 million. This reduced revenue is even more**
19 **pronounced when one considers these revenues are after an additional 1.53% pass through**
20 **increase to the Authority's rates in Docket 4067. With this pass through, the authorized**
21 **rate revenues were \$19.7 million. Because the rate year in Docket 3942 ended so recently,**
22 **the Authority is requesting that the Commission consider an increase in the Authority's**
23 **rates based on that recently completed docket.**

24

25 **The loss in revenues results in the Authority having projected losses. KCWA is unable to**
26 **make deposits to the Infrastructure Replacement Fund it is required to fund under RI Gen-**
27 **eral Laws and Commission orders. Under its bond covenants, the Board must do all it can**

¹ Non- pass through

1 to rectify the projected losses. The only remedy available is to petition the Commission for
2 a rate increase.

3
4 Because the shortfall is so large, the Authority does not believe it can take the time to pre-
5 pare and litigate a complete new rate filing. It is the Authority's hope that this filing can be
6 handled in an expedited manner. Because of this desire, the issues involved in this filing
7 have been kept to a minimum.

8

9 **Q: What are the issues in this filing?**

10 **A: The Authority is proposing only two changes to the recently completed filing in Docket**
11 **3942:**

- 12 • We have revised the usage (including sales to and from Warwick) to match the actual
13 sales for the Docket 3942 rate year – November 1, 2008 – October 30, 2009. This in-
14 cludes not only the metered water sales but also the numbers of meters and fire servic-
15 es to the actual number at the end of October 2009.
- 16 • We have modified the cost of purchased water to reflect the actual net purchases from
17 Providence Water for the Docket 3942 rate year.

18 The result of these modifications is actually a request for a reduced revenue allowance.

19

20 **Q: Can you explain why there is a reduction in the revenues you are requesting?**

21 **A: Yes. The currently allowed rate revenues² are:**

22	Docket 3942:	\$19,450,307
23	Docket 4067 ³ :	\$19,708,228

24 Because the reduced retail sales also results in reduced purchases from Providence Water,
25 I have adjusted the purchase water cost allowed in the previous two dockets to the actual

² Exclude miscellaneous or non-rate revenues
³ Pass through of Providence Water Increase added \$257,921

1 purchases (net of sales and purchases from Warwick). This results in a reduction to the
2 revenue requirement of \$359,992.

3

4 **Q: Does that mean you are asking the Commission for a reduction in revenues?**

5 **A: Yes it does. However, because of the substantially reduced sales, we are asking for an in-**
6 **crease in rates to recover that reduced cost.**

7

8 **Q: What have you used as the basis for purchased water costs?**

9 **A: I have used the wholesale rate for Providence Water approved in Docket 4061 – \$1,544.16**
10 **per million gallons. I have used the actual purchased water volumes for the Docket 3942**
11 **rate year, November 1, 2008 – October 30, 2009. The difference between the projected**
12 **rate year purchases in Docket 3942 and the actual purchases for that year are shown be-**
13 **low.**

14	Docket 3942 Projected:	2,918.0 mg/yr
15	Actual	2,684.8 mg/yr

16 This reduction in purchases results in the reduced purchased water cost of nearly \$360,000
17 per year and the resulting request for a revenue allowance decrease.

18

19 **Q: You mentioned that you are looking for an expedited finding by the Commission in this**
20 **case. Can you explain that?**

21 **A: Because the loss of revenues from reduced sales is so significant, the Authority is asking the**
22 **Commission to expedite a finding in this docket. We have taken several steps in the hope**
23 **of achieving this.**

24 **1. Despite other changes in costs that may have occurred since the end of the Docket 3942**
25 **rate year (since October 2009) and increases that are likely for a future rate year, we**
26 **have made no adjustments to the amounts allowed in Docket 3942 other than the re-**
27 **duction in purchased water costs. Our hope is that by minimizing the revenue require-**
28 **ment issues, the case can proceed quickly.**

1 2. We have made no changes to the actual sales that occurred in the rate year⁴. Again, our
2 hope is to minimize this docket to only two changes: the reduced purchases and re-
3 duced sales. By using actual purchases and sales with no further adjustments we hope
4 that there will be no issues regarding projections.

5 3. We have met with the Division staff to go over this filing. While I certainly do not pre-
6 sume to speak for the Division, it is my understanding that the Division has no objec-
7 tions to this filing. We hope that the Division can quickly file documentation that pro-
8 vides its support or lack of any opposition.

9
10 **Q: Have you prepared any exhibits to go along with your testimony?**

11 **A: Yes I have. The exhibits attached to my testimony have the same numbering as the filing in**
12 **Docket 3942. Because we are asking for an across the board adjustment to the revenues, I**
13 **have not run the reduced revenue requirements through the cost of service allocations.**
14 **We are simply seeking an 8.16% across the board increase to all rates and charges. As a re-**
15 **sult, not all the cost allocation exhibits are included in this filing. I have included:**

- 16 • **Sch 1: presents the revenue requirements allowed in Docket 3942 with the purchased**
17 **water costs adjusted for the subsequent pass through increase in Docket 4067. It also**
18 **presents the sole adjustment in this docket – the reduction to purchased water costs.**
- 19 • **Sch 1A: presents the derivation of the proposed purchased water costs. This shows the**
20 **actual purchases and sales of Providence Water, and the Authority’s net costs at the**
21 **current providence Water wholesale rate.**
- 22 • **Sch 2: presents the water sales for the 12 months through October 30, 2009 – the rate**
23 **year in the most recent full rate filing by KCWA. It also shows the numbers of meters**
24 **and fire services as of October 30, 2009.**
- 25 • **Sch 9: presents a comparison of the current and proposed rates; all rates are increased**
26 **at 8.16% (rounded to the nearest penny).**

⁴ Such as the recently announced complete shutdown of the Clarion facility

EXHIBIT K-7

- 1 2. We have made no changes to the actual sales that occurred in the rate year⁴. Again, our
2 hope is to minimize this docket to only two changes: the reduced purchases and re-
3 duced sales. By using actual purchases and sales with no further adjustments we hope
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15 **sult, not all the cost allocation exhibits are included in this filing. I have included:**

- 16 • **Sch 1: presents the revenue requirements allowed in Docket 3942 with the purchased**
17 **water costs adjusted for the subsequent pass through increase in Docket 4067. It also**
18 **presents the sole adjustment in this docket – the reduction to purchased water costs.**
- 19 • **Sch 1A: presents the derivation of the proposed purchased water costs. This shows the**
20 **actual purchases and sales of Providence Water, and the Authority's net costs at the**
21 **current providence Water wholesale rate.**
- 22 • **Sch 2: presents the water sales for the 12 months through October 30, 2009 – the rate**
23 **year in the most recent full rate filing by KCWA. It also shows the numbers of meters**
24 **and fire services as of October 30, 2009.**
- 25 • **Sch 9: presents a comparison of the current and proposed rates; all rates are increased**
26 **at 8.16% (rounded to the nearest penny).**

⁴ Such as the recently announced complete shutdown of the Clarion facility

- 1 • Sch 10: presents the impact on customers with varying use, again showing the 8.16% increase across the board.
- 2
- 3 • Sch 11: presents a reconciliation of revenues at the current and proposed rates as well
- 4 as a comparison of the revenues to the requirements.
- 5 • Sch 12: presents an overall summary of revenues and expenses.

6

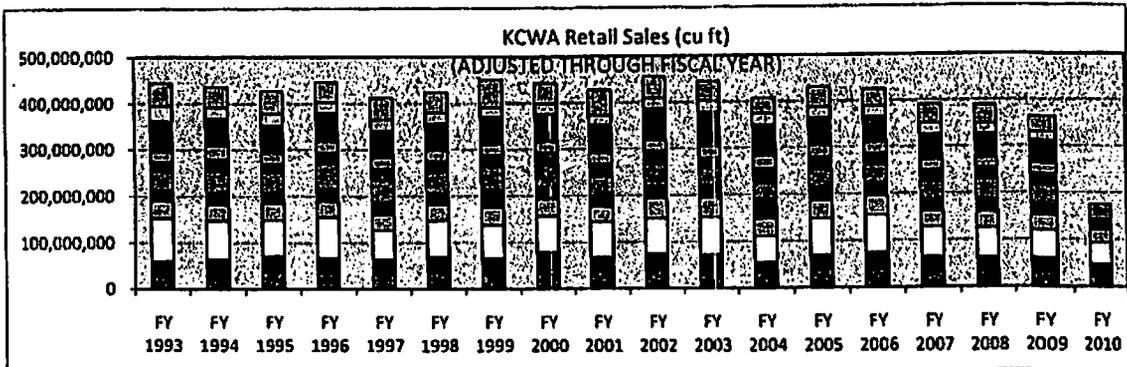
7 **Q: Have you continued to monitor the retail sales since October 2009?**

8 **A:** Yes, we see no indications that the sales will increase. The chart below shows a history of

9 sales by fiscal year through December 2009. This shows the general downward trend in

10 sales since FY 2002. It also shows that through the first six months of FY 2010 (through De-

11 cember 2009) that sales continue to show downward movement.



12

13

14 **Q: What happens if sales go back up this coming summer? Won't the Authority then generate excess revenues?**

15

16 **A:** Yes, if sales do reverse the trend over the past 7 or 8 years, this could happen. The possibility of revenues exceeding allowed expenses was addressed in the establishment of a

17 partial restricted operating revenue allowance in Docket 3942. In the Report and Order,

18 the Commission ordered that "If revenues exceed the total allowed rate revenue by more

19 than 3%, the full amount of the revenue in excess of the allowed rate revenue shall be deposited to the restricted operating revenue reserve." This provision will assure that excess

20 revenues will be restricted and would only be allowed to be used based on subsequent

21

22