

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

MAY 17 2013

by  
State Corporation Commission  
of Kansas

In the Matter of the Application of Suburban Water, )  
Inc., d/b/a Suburban Water Company, for Approval )  
of the Commission to Make Certain Changes in its )  
Rates for Water Service )

Docket No. 13-SUBW- 700 -RTS

**APPLICATION**

COMES NOW the Applicant, Suburban Water, Inc., d/b/a Suburban Water Company ("Suburban Water" or "Applicant"), and pursuant to K.S.A. 66-117, K.S.A. 66-1,230, 66-1,232, 66-1,233, the Kansas Corporation Commission's ("Commission") Rules of Practice and Procedure, Rule 82-1-231(b)(3), and the Commission's Order issued in Docket No. 12-SUBW-359-RTS ("359 Docket"), states as follows:

1. Applicant is a corporation duly organized under the laws of the State of Kansas, and has its principal place of business at 1216 N. 155<sup>th</sup> Street, Basehor, Kansas 66007.

2. All communications regarding this Application should be addressed to:

Travis J. Miles  
Suburban Water Company  
1216 N. 155<sup>th</sup> Street, P. O. Box 588  
Basehor, Kansas 66007  
[travis@suburbanwaterinc.com](mailto:travis@suburbanwaterinc.com)

James G. Flaherty  
Anderson & Byrd, LLP  
216 S. Hickory, P. O. Box 17  
Ottawa, Kansas 66067  
[jflaherty@andersonbyrd.com](mailto:jflaherty@andersonbyrd.com)

Gregory L. Wilson, CPA  
Twenty-First Century Mgmt. Consultants  
P. O. Box 532  
DeSoto, Kansas 66  
[Greg12@sprynet.com](mailto:Greg12@sprynet.com)

3. Applicant is duly authorized to transact business in the State of Kansas, holds appropriate certificates from this Commission to transact business as a water public utility, and is now and has been engaged in the purchase, transmission, sale and distribution of water in the State of Kansas in accordance with the laws of said State and the Rules and Regulations of this Commission.

Applicant provides retail water service to approximately 1,500 residential and small commercial customers in Leavenworth County, Kansas. Applicant also provides wholesale water service to Rural Water District No. 10 and Rural Water District No. 6 in Leavenworth County, Kansas.

4. This Application is made pursuant to the Commission's regulations that allow Suburban Water to make an "abbreviated filing" when filing within 12 months of the Commission's order in a prior rate case and when such abbreviated filing has been approved by the Commission. The Commission approved Suburban Water's use of an abbreviated rate case filing to seek recovery of the January 1, 2013, Board of Public Utilities ("BPU") rate increase in its wholesale water rate to Suburban Water in the 359 Docket. The terms of the abbreviated rate case are set out in detail in the Stipulation and Agreement ("S&A") between Suburban Water, the Commission Staff and CURB, which was approved by the Commission in the 359 Docket.<sup>1</sup>

5. In the S&A, Suburban Water, the Commission Staff and CURB agreed Suburban Water shall use the abbreviated rate case procedure to seek recovery of the January 1, 2013, BPU rate increase in its wholesale rate charged to Suburban Water as contemplated and summarized in Staff's letter dated November 23, 2010, to Suburban Water.<sup>2</sup>

6. Staff's letter dated November 23, 2010, to Suburban Water indicated Suburban Water would plan to rely "on the cost of service set during the second proceeding (359 Docket), as adjusted for the increased cost of water (from BPU) and the cost of filing the rate case."<sup>3</sup>

7. Included as part of this Application is the prefiled testimony and exhibits of Gregory

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<sup>1</sup>Order Approving Unanimous Stipulation and Agreement, dated July 11, 2012, p. 25, 359 Docket.

<sup>2</sup>S&A filed on April 23, 2012, in 359 Docket.

<sup>3</sup>Exhibit JTG-1, Docket No. 11-SUBW-448-RTS attached to the Direct Testimony of Justin Grady, filed March 16, 2011.

L. Wilson, outside accountant. Mr. Wilson supports the schedules, which rely on the cost of service set during the 359 Docket, as adjusted for the increased cost of water from BPU and the cost of filing the rate case. Mr. Wilson also supports the schedules showing the increase in rates. In addition to reflecting the increase in the BPU rate and the rate case expenses, Mr. Wilson addresses the PILOT fee refund in his testimony and schedules. Based upon Mr. Wilson's schedules, Suburban Water is seeking an increase in rates of \$35,030.00. Under the rate design proposed by Mr. Wilson, the monthly customer charge would remain unchanged at \$20.00. The commodity charge would change from \$7.74 per 1,000 gallons for all sales over 1,000 gallons to \$8.07 per 1,000 gallons for all sales over 1,000 gallons. A customer using 7,000 gallons a month would experience a monthly increase of \$1.98 per month.

8. Also included as part of this Application is the prefiled testimony of Travis J. Miles, Vice President of Suburban Water. Mr. Miles addresses the following non-rate issues, which the Commission asked Suburban Water to discuss in this rate case filing:

A. EMPLOYEE WRITTEN LOAN AGREEMENTS WITH PAYMENT SCHEDULES. Mr. Miles' testimony states all employees' written loan agreements have been paid off by the employees and Suburban Water will provide Staff and CURB written documentation of the loan agreements, proof that employee loans have all been paid off, and Suburban Water is in compliance with this requirement.

B. IMPLEMENTATION OF A BIDDING PROCESS TO ENSURE SUBURBAN WATER'S PROPERTY PLANT AND EQUIPMENT ARE BEING PURCHASED AND INSTALLED AT COMPETITIVE PRICES. Mr. Miles' testimony states Suburban Water conducted a bidding process to obtain an outside contractor to perform routine maintenance and repair work on its system. Mr. Miles testimony states the bid documents, Suburban Water's analysis of said bid documents, and the

results of the bidding process were submitted to the Commission in Suburban Water's compliance docket, Docket No. 13-SUBW-175-CPL ("175 Docket"). Mr. Miles' testimony also indicates Suburban Water will provide Staff and CURB access to Suburban Water's files to confirm Suburban Water is in compliance with this requirement.

C. SUBURBAN WATER SHALL DISCONTINUE PAYING FOR PERSONAL EXPENSES OF EMPLOYEES AND NON-EMPLOYEES. Mr. Miles' testimony states Suburban Water's Board of Directors passed a resolution that Suburban Water shall discontinue paying for personal expenses of employees and non-employees. Mr. Miles' testimony also states Suburban Water has discontinued paying for personal expenses of employees and non-employees and is in compliance with this requirement.

D. RENTAL PAYMENTS SHALL BE APPLIED TO SUBURBAN WATER'S NOTE RECEIVABLES UNTIL MR. BREUER'S DEBT TO SUBURBAN WATER HAS BEEN PAID. Mr. Miles' testimony states Mr. Ray Breuer's debt to Suburban Water has been paid in full.

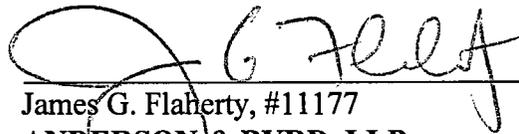
E. NEW GROUNDWATER SUPPLIES. Mr. Miles' testimony states Suburban Water hired Layne, Inc. to conduct preliminary work and a study to determine if new groundwater supplies are located in proximity to Suburban Water's distribution system. Mr. Miles' testimony also indicates a copy of the Groundwater Supply Reconnaissance Study dated November 12, 2012, prepared by Layne, was submitted to the Commission in the 175 Docket on December 3, 2012. Mr. Miles' testimony also indicates what steps Suburban Water is taking in response to that Study and how it intends to proceed.

9. The Commission also asked Mr. Ray Breuer, President of Suburban Water, to file a succession plan in this abbreviated rate case. Attached to Mr. Miles' testimony and incorporated herein by reference, is an affidavit from Mr. Breuer that he has developed a succession plan as an

integral part of his estate planning and a copy of his estate planning documents may be reviewed by the Staff at the law offices of Anderson & Byrd, LLP, pursuant to a Commission Protective Order, so Mr. Breuer and his wife can maintain the confidentiality of their estate planning.

10. Suburban Water will schedule a public meeting with its customers and mail notice of this abbreviated rate case, the date and time of the public meeting, and the contact information to allow customers to submit comments to the Commission regarding the proposed rate increase once said notice is approved by the Commission Staff.

WHEREFORE, Applicant respectfully requests the Commission's approval to adjust rates to increase annual revenues by \$35,030.00; and such other necessary and proper relief as required to fulfill this Application.



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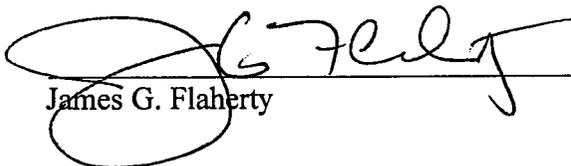
James G. Flaherty, #11177  
**ANDERSON & BYRD, LLP**  
216 S. Hickory, P. O. Box 17  
Ottawa, Kansas 66067  
(785) 242-1234, telephone  
(785) 242-1279, facsimile  
Attorneys for Suburban Water, Inc.

VERIFICATION

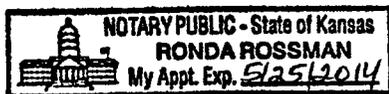
STATE OF KANSAS            )  
                                          )ss:  
COUNTY OF FRANKLIN    )

James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Suburban Water, Inc., named in the foregoing Application, and is duly authorized to make this affidavit; that he has read the foregoing Application, and knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.

  
James G. Flaherty

**SUBSCRIBED AND SWORN** to before me this 15<sup>th</sup> day of May, 2013.



  
Notary Public

Appointment/Commission Expires:

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Suburban Water, )  
Inc., d/b/a Suburban Water Company, for Approval ) Docket No. 13-SUBW-\_\_\_\_-RTS  
of the Commission to Make Certain Changes in its )  
Rates for Water Service )

**DIRECT TESTIMONY OF TRAVIS J. MILES**

1 **I. INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME?**

3 A. My name is Travis J. Miles.

4 **Q. WHAT IS YOUR BUSINESS ADDRESS?**

5 A. My business address is Suburban Water, Inc., 1216 N. 155<sup>th</sup> Street, Basehor, Kansas 66007.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by Suburban Water Inc. ("SWC"). My position is Vice President and Chief  
8 Executive Officer. I am also a member of SWC's board or directors.

9 **Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES?**

10 A. My current job responsibilities are to oversee the day to day operations of the utility  
11 operations. I am responsible for the development and implementation of annual budgets, with  
12 a focus on overall cost management. In addition, I am responsible for the utility's information  
13 technology network, monthly customer billing, geographic information system and hydraulic  
14 modeling.

15 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**

1           **EXPERIENCE?**

2           A.    I earned a Bachelor of Science in Business from the University of Kansas with a major in  
3           Information Systems. While I was attending college I was employed part time by SWC. Upon  
4           graduation I was employed full time by SWC as the utility's IT manager. My responsibilities  
5           included maintaining and upgrading SWC's computer network, developing and maintaining  
6           the utility's website and exchange server, performing hydraulic modeling of the distribution  
7           system, performing monthly bill processing for all customers, AUTOCAD drafting for water  
8           main extensions and maintaining the utility's geographical information system.

9           **Q.    HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS CORPORATION**  
10           **COMMISSION ("COMMISSION")?**

11          A.    Yes. I previously filed testimony in Docket No. 10-SUBW-603-TAR and Docket No.  
12          12-SUBW-359-RTS ("359 Docket").

13          **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14          A.    My direct testimony addresses the following:

- 15                   (1)    Employee Written Loan Agreements;
- 16                   (2)    Implementation of Bidding Process by SWC Relating to Obtaining Outside  
17                   Contractor to Perform Routine Maintenance and Repair Work on Distribution System;
- 18                   (3)    Discontinuance of Paying for Personal Expenses of Employees and  
19                   Non-Employees;
- 20                   (4)    Mr. Ray Breuer's Debt To SWC Has Been Paid in Full;
- 21                   (5)    SWC's Initial Plan In Response to Groundwater Study Performed by Layne; and

1 (6) Mr. Ray Breuer's Succession Plan.

2 **II. SWC HAS NO OUTSTANDING EMPLOYEE LOAN AGREEMENTS**

3 **Q. AS PART OF THE STIPULATION AND AGREEMENT ("S&A") AND THE ORDER**  
4 **APPROVING THAT S&A IN THE 359 DOCKET, SWC WAS TO PROVIDE COPIES**  
5 **OF ALL OUTSTANDING LOAN AGREEMENTS AND PAYMENT SCHEDULES**  
6 **WITH ITS EMPLOYEES SO THE COMMISSION STAFF AND CURB CAN**  
7 **CONFIRM SWC IS IN COMPLIANCE WITH THIS PROVISION OF THE S&A.**  
8 **CAN YOU ADDRESS THIS ISSUE?**

9 A. Yes. All loan agreements with all employees have been paid in full and there are no current  
10 outstanding loan agreements with any of the utility's employees. Copies of the loan  
11 agreements, payment schedules, and proof the loan agreements have all been paid in full will  
12 be made available to the Commission Staff and CURB so they can confirm there are no  
13 outstanding loan agreements with any of the utility's employees.

14 **III. SWC HAS IMPLEMENTED COMPETITIVE BIDDING PROCESS TO OBTAIN OUTSIDE**  
15 **CONTRACTOR TO PERFORM ROUTINE MAINTENANCE AND REPAIR WORK ON**  
16 **DISTRIBUTION SYSTEM AND TO PERFORM OTHER PROJECTS**

17 **Q. AS PART OF THE S&A AND THE ORDER APPROVING THAT S&A IN THE 359**  
18 **DOCKET, SWC WAS TO PROVIDE STAFF AND CURB ACCESS TO SWC'S FILES**  
19 **AND RECORDS TO CONFIRM SWC HAS IMPLEMENTED A COMPETITIVE**  
20 **BIDDING PROCESS RELATING TO OBTAINING AN OUTSIDE CONTRACTOR**  
21 **TO PERFORM ROUTINE MAINTENANCE AND REPAIR WORK ON SWC'S**  
22 **DISTRIBUTION SYSTEM. CAN YOU ADDRESS THIS ISSUE?**

1 A. Yes. In August 2012, SWC conducted a competitive bidding process to obtain an outside  
2 contractor to perform routine maintenance and repair work on its system for the next two year  
3 period. The bid documents, SWC's analysis of said bid documents and the results of the  
4 bidding process were submitted to the Commission, its Staff and CURB in SWC's compliance  
5 docket, Docket No. 13-SUBW-175-CPL ("175 Docket") on September 28, 2012. SWC has  
6 also used a competitive bid process to select outside contractors for specific projects that have  
7 been conducted since the last rate case and has provided the bid information to the  
8 Commission its Staff and CURB in the 175 Docket. For example, SWC submitted the  
9 competitive bid information regarding the project to extend its distribution system to serve the  
10 new Kansas Turnpike Authority facility on December 3, 2012, as part of its monthly  
11 compliance filing in the 175 Docket. SWC will provide Staff and CURB access to SWC's  
12 files to confirm SWC is in compliance with this requirement of the S&A.

13 **IV. SWC HAS DISCONTINUED PAYING FOR PERSONAL EXPENSES OF EMPLOYEES AND**  
14 **NON-EMPLOYEES**

15 **Q. WHAT HAS SWC DONE WITH RESPECT TO DISCONTINUING THE PAYMENT**  
16 **FOR PERSONAL EXPENSES OF EMPLOYEES AND NON-EMPLOYEES?**

17 A. The SWC board of directors passed a resolution prohibiting SWC from paying for personal  
18 expenses of employees and non-employees. SWC does not pay for personal expenses of  
19 employees and non-employees.

20 **V. MR. RAY BREUER'S DEBT OWED TO SWC HAS BEEN PAID IN FULL**

21 **Q. AS PART OF THE S&A IN THE 359 DOCKET, SWC AGREED TO HAVE THE**  
22 **\$30,000 ANNUAL RENTAL PAYMENTS PAID BY SWC TO RAY BREUER BE**

1           **APPLIED TO MR. BREUER'S DEBT TO SWC UNTIL THAT DEBT WAS PAID IN**  
2           **FULL. CAN YOU ADDRESS THIS ISSUE?**

3           A.     Yes. Mr. Breuer's debt to SWC has been paid in full. SWC will provide Staff and CURB  
4           access to SWC's records to confirm the debt has been paid in full.

5           **VI. SWC'S INITIAL PLAN IN RESPONSE TO LAYNE GROUND WATER STUDY**

6           **Q.     UNDER THE S&A IN THE 359 DOCKET, SWC AGREED TO CONDUCT THE**  
7           **PRELIMINARY WORK REQUIRED TO DETERMINE IF NEW GROUND WATER**  
8           **SUPPLIES ARE LOCATED IN PROXIMITY TO THE UTILITY'S DISTRIBUTION**  
9           **SYSTEM AND AT THE CONCLUSION OF THE GROUND WATER STUDY TO**  
10           **FILE A REPORT ON THE RESULT OF THE STUDY WITH THE COMMISSION**  
11           **AND TO INCLUDE SWC'S RECOMMENDATION ON HOW IT INTENDED TO**  
12           **PROCEED BASED UPON THAT STUDY. CAN YOU ADDRESS THIS ISSUE?**

13          A.     Yes. SWC included a copy of the Groundwater Supply Reconnaissance Study dated  
14          November 12, 2012, prepared by Layne Hydro ("Layne Study") with its December 3, 2012,  
15          monthly compliance filing in the 175 Docket. Pursuant to the S&A in the 359 Docket, SWC  
16          plans to file a report on the result of the study and its recommendation on how it intends to  
17          move forward based upon that report in the 175 Docket. That report is still being compiled.  
18          However, I can provide the Commission with some comments with respect to SWC's initial  
19          review of the Layne Study.

20          **Q.     PLEASE CONTINUE.**

21          A.     SWC has completed its initial review of the Layne Study. The findings of the Layne Study



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**VII. SWC HAS A SUCCESSION PLAN**

**Q. THE COMMISSION ASKED SWC TO FILE ITS SUCCESSION PLAN IN THIS ABBREVIATED RATE CASE. HAS MR. RAY BREUER DEVELOPED A SUCCESSION PLAN FOR THE WATER UTILITY?**

A. Mr. Ray Breuer owns 100% of the stock of SWC. It is my understanding Mr. Breuer and his wife have included a succession plan for the ownership and operation of SWC in their estate planning documents. Attached to my testimony as Exhibit TJM-2 is an affidavit prepared by Mr. Breuer that states he has included a succession plan for the ownership and operation of SWC in his and in his wife's estate planning documents. Mr. Breuer has indicated to SWC he wishes not to disclose the succession plan. However, he has given SWC permission to allow the KCC Staff to review the succession plan in camera and under a protective order at the law

1 offices of his attorneys, so the KCC Staff can confirm a succession plan exists.

2 **VIII. CONCLUSION**

3 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes.**



**EXHIBIT TJM-1**

**CONFIDENTIAL**

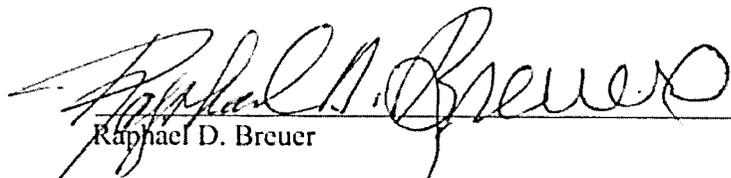
**AFFIDAVIT**

STATE OF KANSAS, COUNTY OF LEAVENWORTH, ss:

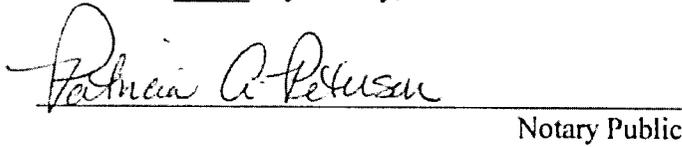
Being first duly sworn upon his oath, Raphael D. Breuer, states:

1. My name is Raphael ("Ray") D. Breuer.
2. I am President of Suburban Water, Inc., d/b/a Suburban Water Company ("SWC").
3. My business address is 1216 N. 155<sup>th</sup> Street, Basehor, Kansas 66007.
4. I own 100% of the stock and am the sole stockholder of SWC.
5. I have prepared a succession plan with respect to the ownership and operation of SWC.
6. The succession plan is included in and is an integral part of our estate planning.
7. My wife and I do not wish to publicly disclose our estate planning.
8. SWC has asked for my permission to allow the Kansas Corporation Commission Staff and the Kansas Corporation Commission to review *in camera* and subject to a Protective Order to protect the confidentiality of our estate planning, to review our estate planning to confirm I have prepared a succession plan with respect to the ownership and operation of SWC.
9. I have granted SWC's request provided (1) the review take place at my attorneys' offices; and (2) the provisions of our estate planning are kept confidential and not disclosed to the public.

Further affiant saith naught.

  
\_\_\_\_\_  
Raphael D. Breuer

SUBSCRIBED AND SWORN to before me this 13<sup>th</sup> day of May, 2013.

  
\_\_\_\_\_  
Notary Public

Appointment/Commission Expires: /-3-2015

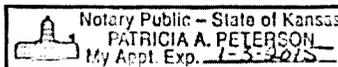


EXHIBIT TJM-2

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Suburban Water,            )  
Inc., d/b/a Suburban Water Company, for Approval         )     Docket No. 13-SUBW-\_\_\_\_-RTS  
of the Commission to Make Certain Changes in its         )  
Rates for Water Service                                            )

**DIRECT TESTIMONY OF GREGORY L. WILSON**

1     **I.     INTRODUCTION**

2     **Q.     STATE YOUR NAME AND BUSINESS ADDRESS.**

3     A.     My name is Gregory L. Wilson. My business address is P.O. Box 532, DeSoto, Kansas 66018.

4     **Q.     BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

5     A.     I am a self-employed consultant. I am a sole proprietor doing business under the name 21<sup>st</sup>  
6            Century Management Consultants.

7     **Q.     DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**  
8            **EXPERIENCE.**

9     A.     I hold two degrees from Kansas University: a Bachelor of Science in Business and a Master  
10            of Public Administration. I am a Certified Public Accountant, license number 4094. I am a  
11            member of the American Institute of Certified Public Accountants and the Kansas Society of  
12            Certified Public Accountants. I have over 30 years experience in public utility management  
13            and consulting: on the staff of the Kansas Corporation Commission ("KCC"); Chief  
14            Accountant for the Kansas Municipal Energy Agency ("KMEA"); Accounting Manager for  
15            Water District No. 1 of Johnson County ("WaterOne") and for the past 23 years as a  
16            management consultant.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KCC?**

2 A. Yes. I have testified numerous times before the KCC.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I am sponsoring testimony and schedules in support of Suburban Water, Inc. d/b/a Suburban  
5 Water Company's ("SWC") abbreviated rate case application to recover costs associated with  
6 the January 1, 2013, Board of Public Utilities ("BPU") rate increase in its wholesale water rate  
7 to SWC.

8 **II. SUPPORT FOR SWC'S ABBREVIATED RATE CASE FILING**

9 **Q. WHAT PERIMETERS DID YOU USE IN PREPARING YOUR TESTIMONY AND**  
10 **SCHEDULES IN SUPPORT OF SWC'S ABBREVIATED RATE CASE FILING?**

11 A. The KCC approved SWC's use of an abbreviated rate case filing to seek recovery of the BPU  
12 rate increase and the cost of the rate case filing in SWC's last rate case, KCC Docket No.  
13 12-SUBW-359-RTS ("359 Docket"). The terms of the abbreviated rate case filing are set out  
14 in detail in the Stipulation and Agreement ("S&A") between SWC, the KCC Staff and CURB,  
15 which was approved by the KCC In the 359 Docket. In the S&A, SWC, the KCC Staff and  
16 CURB agreed SWC shall use the abbreviated rate case procedure to seek recovery of the BPU  
17 rate increase as contemplated and summarized in the KCC Staff's letter to SWC dated  
18 November 23, 2010 ("Staff Letter"). The Staffs Letter states SWC shall rely on cost of service  
19 set during the second rate case ("359 Docket"), as adjusted for the increased cost of water from  
20 BPU and the cost of filing the rate case. In the 359 Docket, the KCC also asked SWC to  
21 address the PILOT fee refund made as part of 359 Docket. These are the perimeters I used in  
22 preparing my testimony and schedules in support of SWC's abbreviated rate case filing.

1 **Q. CAN YOU IDENTIFY THE SCHEDULES INCLUDED IN YOUR EXHIBIT GLW-1?**

2 A. The following schedules, which I prepared, are included in Exhibit GLW-1:

3 Schedule 1. Summary of Revenue and O&M Adjustments to Cost of Service Set  
4 During the 359 Docket and Calculation of Revenue Deficiency

5 Schedule 2. Support for O&M Adjustment Number 1: 2012 (test year) Cost of  
6 Purchased Water.

7 Schedule 3. Support for O&M Adjustment Number 2: BPU 2013 Wholesale Rate  
8 Increase.

9 Schedule 4. Support for Revenue Adjustment Number 2: Reduction in Revenues Due  
10 to Rate Reduction ordered in 359 Docket.

11 Schedule 5. Support for O&M Adjustment Number 5: Amortization of Rate Case  
12 Expense.

13 Schedule 6. Proposed Rate Design.

14 **Q. CAN YOU EXPLAIN THE INFORMATION SHOWN ON SCHEDULE 1?**

15 A. Yes. Based upon the language included in the Staff Letter that SWC shall rely upon the cost  
16 of service set in the second rate case (359 Docket) and the language in the S&A in the 359  
17 Docket that the test year shall be 12 months ending September 30, 2012, the information  
18 shown at the top of the page on Schedule 1 sets for the revenues by class for the test year. The  
19 test year revenues totaled \$1,323,863. I made one adjustment to test year revenues. Revenue  
20 Adjustment Number 2 reduces test year revenues by \$10,163. This adjustment is made to  
21 account for the reduction in revenues due to the rate reduction ordered in the 359 Docket that  
22 took effect August 1, 2012. The support for the \$10,163 reduction in test year revenues is set

1           forth in my Schedule 4. This results in test year revenues of \$1,313,700.

2           The information on the bottom half of Schedule 1 starts off showing the pro forma  
3           2010 test year operation and maintenance (O&M) expenses proposed by the KCC Staff in the  
4           359 Docket of \$1,080,931. The S&A agreed to by SWC, the KCC Staff and CURB, and  
5           approved by the KCC in the 359 Docket was what is referred to as a black box settlement,  
6           meaning the exact cost of service was not agreed to by the parties or set by the KCC. As  
7           mentioned in my earlier testimony, the Staff Letter says SWC shall rely upon the cost of  
8           service set in the second rate case in this case. In order to develop the cost of service set in the  
9           second rate case, SWC met with the KCC Staff and CURB to discuss how the parties would  
10          determine the cost of service set in the 359 Docket given the black box settlement. What I  
11          have done in Schedule 1, and what SWC discussed with the KCC Staff and CURB, is I have  
12          started with the KCC Staff's recommended O&M expenses (\$1,080,931) and adjusted those  
13          expenses to account for the positions taken by the parties that led to the agreed upon revenue  
14          requirement in the 359 Docket. Those adjustments reduced the KCC Staff's recommended  
15          O&M expenses in the 359 Docket by \$58,055. This provided for operating expenses based  
16          upon what I am using as the cost of service set in the 359 Docket of \$1,138,986. I then made  
17          adjustments to the KCC Staff's recommended O&M expenses to account for the BPU increase  
18          in the cost of water and the rate case expense for this rate case. O&M Adjustment No. 1  
19          adjusts O&M expenses relating to the cost of water based upon the test year by \$95,860.  
20          Support for this adjustment is provided in Schedule 2. O&M Adjustment No. 2 adjusts the  
21          cost of water to account for the BPU rate increase in the amount of \$22,237. A breakdown of  
22          the BPU rate increase and support for the adjustment is included in Schedule 3. O&M

1 Adjustment No. 5 increases O&M expenses by \$10,723 to amortize the rate case expense from  
2 prior rate cases that has not been recovered in rates and the estimated \$8,000 in total rate case  
3 expense for this rate case (divided \$5,000 for SWC's costs and \$3,000 for Staff and CURB's  
4 costs). Schedule 5 provides the breakdown of the rate case expense.

5 The total adjustments to account for test year cost of water, the BPU increase and the  
6 rate case expense amortized over five years resulted in an increase in expenses of \$128,820  
7 to the \$1,138,986 cost of service based upon the 359 Docket for an adjusted test year O&M  
8 expenses of \$1,267,806.

9 At the bottom of Schedule 1, I show the difference between the adjusted test year  
10 revenues (\$1,313,700) and the adjusted test year O&M expenses (\$1,267,806) results in a net  
11 margin of \$45,894. SWC is entitled to earn a 6% margin on its expenses, or based upon  
12 adjusted test year O&M expenses a margin of \$80,924. This is shown on Schedule 1. The  
13 difference between the approved margin, \$80,924, and the net margin earned during the test  
14 year, \$45,894, is the revenue deficiency, \$35,030 being requested by SWC.

15 **Q. WHAT IS SHOWN ON SCHEDULE 6 OF EXHIBIT GLW-1?**

16 A. This schedule sets forth support for SWC's proposed rate design. The monthly customer  
17 charge, which includes the first 1,000 gallons used by the customer, remains the same at  
18 \$20.00 per month. The volumetric charge, or commodity charge, for all volumes above the  
19 first 1,000 gallons used by the customer will increase from \$7.74 per 1,000 gallons to \$8.07  
20 per 1,000 gallons. A residential customer using 7,000 gallons will see a monthly increase in  
21 his or her water bill of \$1.98.

22 **Q. WHAT IS SHOWN ON EXHIBIT GLW-2?**

1 A. Exhibit GLW-2 is the rate tariff showing the proposed rates.

2 **Q. HOW WAS THE PILOT FEE REFUND ORDERED IN THE 359 DOCKET**  
3 **ADDRESSED IN THIS ABBREVIATED CASE?**

4 A. The reduction in rates due to the PILOT fee refund in the 359 Docket was removed from base  
5 rates as agreed to by the parties in Paragraph 21.c. of the S&A in the 359 Docket.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 A. Yes.

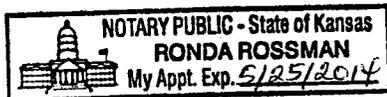
**VERIFICATION OF GREGORY L. WILSON**

STATE OF KANSAS )  
 ) ss:  
COUNTY OF FRANKLIN )

On the 13 day of May, 2013, before me appeared Gregory L. Wilson, to me personally known, who, being by me first duly sworn, states that he is a Certified Public Accountant and owner of Twenty-First Century Management Consultants and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct.

  
\_\_\_\_\_  
Gregory L. Wilson

SUBSCRIBED AND SWORN to before me this 13 day of May, 2013.



  
\_\_\_\_\_  
Notary Public

Appointment/Commission Expires:

<b>Suburban Water Company</b>		
<b>For the Test Year Ending September 30, 2012</b>		
<b>Actual Water Sales Analysis</b>		
<b>TY Water Sales Revenues:</b>	<b>TY</b>	<b>Adj. Number</b>
Residential	\$ 1,188,624	
Commercial	\$ 33,380	
Wholesale	\$ 82,840	
Meter Sales	\$ 15,000	
Unmetered Water Revenues	\$ 4,019	
TY Total Revenues:	<u>\$ 1,323,863</u>	
<b>Adjustments:</b>		<b>Revenue Adj. Number</b>
Staff Adj. # 17 (5 Year)	Eliminated	1
Reduction in TY Rates	\$ (10,163)	2
Total Revenue Adjustments	<u>\$ (10,163)</u>	
Adjusted TY Total Revenues:	<u>\$ 1,313,700</u>	
 <b>TY Operating &amp; Maintenance Expenses:</b>		
KCC Staff Pro Forma 2010 TY O&M Expenses:	\$ 1,080,931	<b>O &amp; M</b>
S & A Adjustment to Staff's O&M Expenses	\$ 58,055	
<b>Adjustments:</b>		<b>Adj. Number</b>
Purchased Water Cost (Match TY Billing Units)	\$ 95,860	1
KCKBPU 2013 Wholesale Rate Increase	\$ 22,237	2
Salaries & Wages Inc. (3% over 21 Mo's)	Eliminated	3
Employer Payroll Taxes on Increase	Eliminated	4
Amortization of Rate Case Expense Adj.	\$ 10,723	5
Reverse Staff Adj # 19 (2010 Rate Case)	Eliminated	6
Total O&M Adjustments	<u>\$ 128,820</u>	
Adjusted TY O&M Expenses	<u>\$ 1,267,806</u>	
TY Adjusted Operating Margin	<u>\$ 45,894</u>	
TY Allowed Adj. Operating Margin	<u>\$ 80,924</u>	
Revenue Requirement Inc. (Dec) Required	<u>\$ 35,030</u>	

Note: No provision for income tax expense

**Suburban Water Company**  
**For the Test Year Ending September 30, 2012**  
**Operation & Maintenance Adjustment Number 1**

Cost of Test Year Purchased Water:	\$ 300,611
Docket 359-RTS cost of purchased water:	<u>\$ 204,751</u>
Increase in the cost of purchased water:	\$ 95,860

	A	B	C	D	E	F	G
	Water Pumped <u>Harper</u>	Water Pumped <u>Moran</u>	Water Purchased <u>KCKBPU</u>	Total Pumped and <u>Bought</u>	BPU as a Percent <u>of Total</u>	Cost of <u>BPU Water</u>	Cost per <u>1,000 Gallons</u>
Test Year							
Sep-11		6,370,000	9,577,392	15,947,392	60.1%	\$ 22,100.38	\$ 2.31
Oct-11		6,789,000	5,289,856	12,078,856	43.8%	\$ 12,286.80	\$ 2.32
Nov-11		6,777,000	8,112,808	14,889,808	54.5%	\$ 18,748.15	\$ 2.31
Dec-11		4,330,100	6,793,336	11,123,436	61.1%	\$ 16,695.42	\$ 2.46
Jan-12		3,408,700	5,705,744	9,114,444	62.6%	\$ 14,050.94	\$ 2.46
Feb-12		3,404,500	6,147,812	9,552,312	64.4%	\$ 15,125.83	\$ 2.46
Mar-12		3,870,400	5,932,388	9,802,788	60.5%	\$ 14,602.03	\$ 2.46
Apr-12		4,180,200	4,358,596	8,538,796	51.0%	\$ 10,775.35	\$ 2.47
May-12		5,765,000	17,785,196	23,550,196	75.5%	\$ 43,422.10	\$ 2.44
Jun-12		4,259,500	18,321,512	22,581,012	81.1%	\$ 44,726.15	\$ 2.44
Jul-12		3,780,000	19,289,424	23,069,424	83.6%	\$ 47,079.62	\$ 2.44
Aug-12		3,717,000	14,408,724	18,125,724	79.5%	\$ 35,212.21	\$ 2.44
Sep-12		3,362,000	11,395,780	14,757,780	77.2%	\$ 27,886.25	\$ 2.45
Totals		<u>53,643,400</u>	<u>123,541,176</u>	<u>177,184,576</u>	69.7%	\$ 300,610.85	\$ 2.43

4/3/2013

**Suburban Water Company  
For the Test Year Ending September 30, 2012  
Operation & Maintenance Adjustment Number 2**

KCK-BPU 2013 Rate increase:

Current average rate:	\$	2.45	per 1,000 gallons
2013 Average rate:	\$	2.63	per 1,000 gallons
Increase:	\$	<u>0.18</u>	per 1,000 gallons

TY gallons purchased:	123,541,176
TY adjustment to cost of purchased water:	\$ 22,237

5/15/2013

**Suburban Water Company  
For the Test Year Ending September 30, 2012  
Revenue Adjustment Number 2**

Per S&A, tariff rates were reduced effective August 1, 2012  
Test Year tariff water sales, October 1, 2011 through July 31, 2012

Gallons sold under tariff rates:		84,692,737
Rate Reduction:	\$0.12 / 1,000 gallons	\$ 10,163

**Suburban Water Company**  
**For the Test Year Ending September 30, 2012**  
**Operation & Maintenance Adjustment Number 5**

## Rate Case Expense Schedule:

## Legal Costs:

2011	\$	17,677	
2012	\$	49,416	
2013	\$	3,000	\$ 23,364

## Rate Consultant:

2011	\$	9,450	
2012	\$	13,200	
2013	\$	2,000	\$ 8,217

## CURB:

2012	\$	10,599	
2013	\$	1,500	\$ 6,050

## KCC Staff:

2011	\$	1,276	
2012	\$	8,585	
2013	\$	1,500	\$ 3,787

Total Rate Case Expenses:		\$ 118,203	\$ 41,417
Five Year amortization:		\$ 23,641	
Docket 359-RTS Rate Case Expense:		\$ 12,918	
Rate Case Expense adjustment:		\$ 10,723	

**Suburban Water Company  
Proposed Rate Design  
Docket No. 12-SUBW-358-RTS**

Customer Charge per Month     \$   20.00 Includes the first 1,000 gallons  
Volumetric Charge               \$     8.07 per 1,000 gallons above the first 1,000 gallons

Test Year	Customers	Gallons in		Commodity Rate Volumes (1000s)	Customer Charge Revenues	Commodity Rate Revenues	Total Tariff Revenues
		Customer Charge 1,000	Commodity Rate				
Oct-11	1,559	1,559	9,584	\$31,180	\$ 77,343	\$ 108,523	
Nov-11	1,562	1,562	5,632	\$31,240	\$ 45,450	\$ 76,690	
Dec-11	1,564	1,564	6,193	\$31,280	\$ 49,978	\$ 81,258	
Jan-12	1,569	1,569	6,073	\$31,380	\$ 49,009	\$ 80,389	
Feb-12	1,573	1,573	5,178	\$31,460	\$ 41,786	\$ 73,246	
Mar-12	1,580	1,580	5,362	\$31,600	\$ 43,271	\$ 74,871	
Apr-12	1,583	1,583	7,325	\$31,660	\$ 59,113	\$ 90,773	
May-12	1,585	1,585	9,737	\$31,700	\$ 78,578	\$ 110,278	
Jun-12	1,591	1,591	12,255	\$31,820	\$ 98,898	\$ 130,718	
Jul-12	1,594	1,594	17,353	\$31,880	\$ 140,039	\$ 171,919	
Aug-12	1,596	1,596	12,239	\$31,920	\$ 98,769	\$ 130,689	
Sep-12	1,595	1,595	10,105	\$31,900	\$ 81,547	\$ 113,447	
Sum		18,951	107,036	\$379,020	\$ 863,781	\$ 1,242,801	
Total Gallons Sold			125,987				
Revenue From Tariff Rates	\$1,242,801						
Unmetered Revenue	\$4,019						
Meter Sales	\$15,000						
Wholesale Sales	\$82,840						
Total Revenue	\$1,344,660						
Revenue Requirement	\$1,343,874						
Difference	\$785						

SUBURBAN WATER COMPANY

Schedule \_\_\_\_\_

(Name of Issuing Utility)

ENTIRE SERVICE AREA

Replacing: Index \_\_\_\_, Schedule \_\_\_\_\_, Sheet \_\_ of \_\_

(Territory to which schedule is applicable)

which was filed

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet \_\_\_ of \_\_\_

RATE SHEET

CUSTOMER CHARGE: \$20.00 per month for the first 1,000 gallons or less.

COMMODITY CHARGE: \$8.07 per 1,000 for all gallons used.

Issued	_____	_____	2013
	Month	Day	Year
Effective	_____	_____	_____
	Month	Day	Year
By	_____	_____	_____
	Signature		Title