

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

AUG 16 2013

by
State Corporation Commission
of Kansas

In the Matter of the Application of Suburban)
Water, Inc., d/b/a Suburban Water Company,) Docket No. 13-SUBW-700-RTS
for Approval of the Commission to Make)
Certain Changes in its Rates for Water Service.)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

The Staff of the Kansas Corporation Commission ("Staff") hereby submits its Report and Recommendation dated August 16, 2013. The Report and Recommendation addresses Staff's recommended change in rates for Suburban Water Company based upon increased costs in purchased water from the Kansas City, Kansas, Board of Public Utilities ("BPU") and rate case expense for this docket. The Report and Recommendation includes Staff's schedules and associated work papers.

Respectfully submitted,



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Judy Jenkins, S. Ct. #23300
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STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

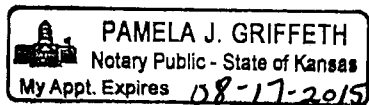
VERIFICATION

Michael Neeley, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Notice of Filing of Staff's Report and Recommendation*, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Michael Neeley # 25027
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 16th day of August, 2013.


Notary Public

My Appointment Expires: August 17, 2015

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Mark Sievers
Commissioner Thomas E. Wright
Commissioner Shari Feist Albrecht

FROM: Bill Baldry, Senior Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jim Sanderson, Managing Economist
Bob Glass, Chief of Economic Policy and Planning
Jeff McClanahan, Director of Utilities

DATE: August 16, 2013

DATE SUBMITTED TO LEGAL: 8/16/13

DATE SUBMITTED TO COMMISSIONERS: 8-16-13

SUBJECT: 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

EXECUTIVE SUMMARY:

Suburban Water filed an abbreviated rate case (the third of three rate cases) on May 17, 2013, requesting an increase in rates of \$35,030, due to the increased cost of water purchased from the Board of Public Utilities and rate case expense incurred in this Docket. Staff recommends a rate increase of \$21,398, or a two percent increase. Staff's recommendation would result in the average residential customer bill increasing \$1.33 per month or \$15.96 annually. According to the Order Setting Procedural Schedule and Designating Prehearing Officer dated July 3, 2013, Staff must file its Report and Recommendation by August 16, 2013, regarding this matter.

BACKGROUND:

Suburban Water, Inc. (Suburban or Company) serves approximately 1,600 customers in Leavenworth County, Kansas. Suburban obtains 30% of its water from the Company's own wells and 70% is purchased from the Kansas City, Kansas, Board of Public Utilities (BPU). In 2009, BPU began raising its rates for all customer classes to pay for a six year capital expenditures program, increased operation and maintenance expense, and to increase its reserve

fund (that covers operation and maintenance expense) from 35 days to 45 days. Suburban absorbed the 2009 and 2010 BPU rate increases without filing a rate case with the Kansas Corporation Commission (Commission). In Docket No. 10-SUBW-602-TAR (602 Docket), Suburban requested a purchased water cost adjustment (PWA) to allow cost recovery to occur in the same period during which charges in prices paid for water occur. However, the Commission denied Suburban's Application and ordered the Company to use the traditional rate case process to recover the increased costs of water. In the latter part of 2010, Company and Staff agreed in a letter dated November 23, 2010, that Suburban would file a rate case each year for three years beginning in 2011 to recover the future price increases from BPU. The 2011 and 2013 rate cases would be abbreviated rates cases, and the 2012 filing would be a full rate case.

Suburban filed the first rate case (abbreviated) on December 21, 2010 (Docket No. 11-SUBW-448-RTS), and the Commission approved a rate increase of \$44,913 on June 3, 2011. Suburban filed the second rate case (full rate case) on November 16, 2011 (Docket No. 12-SUBW-359-RTS), and the Commission approved a rate decrease of \$13,500 on July 11, 2012. Suburban filed this rate case (the third of three) as an abbreviated rate case on May 17, 2013, requesting an increase in rates of \$35,030.¹ In this abbreviated rate case, the Company and Staff are limited to adjusting revenue (from customers subject to the tariff) to reflect the volumetric rate approved in the 12-SUBW-359-RTS Docket and making adjustments to the cost of purchased water and rate case expense.

HISTORY OF SUBURBAN COMPLIANCE REQUIREMENTS:

In a series of Commission Orders, Suburban has been required to comply with the following directives. Each directive, as well as Staff's observations regarding Suburban's compliance with the directives, are listed below.

Requirement of the Commission Order in Docket No. 05-SUBW-104-RTS

- Suburban shall keep Minutes for each Board of Directors' Meeting, ¶8(c) of the Commission Order. While on-site, Staff saw evidence that the Company is holding regular Board of Directors' meetings and is keeping a written record of each meeting.

Requirements of the Order Approving Stipulation and Agreement in Docket No. 12-SUBW-359-RTS and the Company's Compliance with the Requirements

- *Personal Purchases through Suburban, ¶12 of the Stipulation and Agreement.* Staff made an on-site visit to the Company's office on July 12, 2013. During Staff's July 12th visit, Travis Miles (Chief Executive Officer and Vice President) stated that the Company no longer allows employees to make personal purchases through Suburban Water.
- *Competitive Bidding Process, ¶13 of the Stipulation and Agreement.* In the Stipulation and Agreement (S & A) in Docket No. 12-SUBW-359-RTS (12-359 Docket), Suburban agreed to implement a bidding process and to bid out its routine and time sensitive

¹ The Commission Order in Docket No. 12-SUBW-359-RTS, ¶58 and ¶59 (July 11, 2012), stated that Suburban was required to file an abbreviated rate case within one year of the issuance of its Order based on a Test Year ending September 30, 2012.

maintenance and repair projects.² The S & A specified that the contract would be on a two-year cycle.

During the on-site visit, Staff saw evidence that Suburban had received bids on seven time sensitive maintenance projects during the period April 2012 to August 1, 2012.

In August 2012, Suburban requested several companies to submit bids on a two-year maintenance and repair contract. Staff reviewed the bids three companies submitted for the maintenance contract that was awarded to Westland Construction in September 2012. Staff reviewed invoices for maintenance projects that Westland Construction performed after the contract had been awarded. Staff was able to compare the hourly rates submitted by Westland in its bid for the contract to the rates Westland billed on work performed on sixteen repair projects during the period of October 2012 through June 2013.

Staff also reviewed bids companies made on four projects that were not routine maintenance projects. Travis Miles noted that there has not been much development activity recently that resulted in so few non-routine maintenance projects that could be subject to the bidding process.

Staff reviewed bids companies made on a construction project performed in November 2012 and reviewed bids from truck dealerships on a new utility truck the Company purchased in January 2013.

- *Company Payment of Personal Expenses, ¶14 of the Stipulation and Agreement.* While Staff was on-site, Travis Miles stated that the Company has stopped the practice of paying for personal expenses of its employees.
- *Regulatory Expense Recovery \$6,165, ¶16 of the Stipulation and Agreement.* Suburban will pay the \$6,165 of regulatory expense in the Commission's fiscal year of 2014, and the Commission's compliance officer is aware of this requirement.
- *Suburban's Notes Receivable from Ray Breuer, ¶17 of the Stipulation and Agreement.* All employees paid off their note receivables by October 12, 2012.³
- *New Ground Water Supplies, ¶20 of the Stipulation and Agreement.*⁴ The Company is progressing with the search for new ground water supplies. The Company is currently in the process of negotiating with two landowners to obtain access to their land. When the Company gains access to the land, the Company will submit an application to the Department of Agriculture. Once Suburban is able to secure permanent land access, Suburban will perform the engineering that is required to develop the necessary well supply pumping system, treatment process and infrastructure improvements. When all of these steps have been performed, Suburban will evaluate the results and file its report

² Stipulation and Agreement attached to the July 11, 2012, Commission Order, ¶13

³ Mike Breuer paid off his note receivable on June 29, 2012, general ledger account 144.3. Staff DR No. 1.

Ray Breuer paid off his note receivable on October 12, 2012, general ledger account 144.1. CURB DR No. 2.

⁴ The Stipulation and Agreement required Suburban to conduct preliminary work to determine if new ground water supplies are located near Suburban's distribution system. Suburban had a ground water supply study performed by Lane Hydro.

with the Commission.⁵ Suburban expects to complete its ground water study by September 1, 2013.

- *Contribution to General Fund fee (Pilot Fee), ¶21(c) of the Stipulation and Agreement.* The Contribution to General Fund (Pilot Fee) of \$7,467 was refunded to the Company's customers by virtue of it being included in the revenue requirement in the 12-359 Docket.
- *Succession Plan, ¶60 of the Commission Order.* Staff made an on-site visit to the Company's attorney's office on August 6, 2013, and reviewed Suburban Water's written succession plan. Staff has no concerns regarding the succession plan.
- *Compliance Docket, ¶62 of the Commission Order.* Suburban Water made its first compliance filing on September 4, 2012, as directed by the Commission Order in Docket No. 12-SUBW-359-RTS.⁶ Suburban has made monthly filings from September 2012 through the most recent filing received in August 2013 that track the progress of the Company's efforts to comply with the requirements in the 12-359 Docket Commission Order. The Compliance filings are documented in Docket No. 13-SUBW-175-CPL.

ANALYSIS:

Proof of Revenue

Residential and Commercial Customers

Staff prepared a Proof of Revenue using the customer charge and volumetric rates that were in effect during the Test Year and agreed to the revenues reflected in the Application. The customer charge of \$20.00 for the first 1,000 gallons for Residential and Commercial customers was in effect for the entire Test Year. Suburban's commodity charge of \$7.86 per 1,000 gallons was in effect through July 31, 2012. The Commission issued its Order in Docket 12-SUBW-359-RTS on July 11, 2012, that reduced the Company's commodity rate to \$7.74 per 1,000 gallons.⁷ Suburban began billing its customers the \$7.74 rate on August 1, 2012.

To verify that Suburban was billing its Residential and Commercial customers the tariff rates that were in effect during the Test Year, Staff obtained a sample of five customer bills for each customer class for the months of February, March, July, and August 2012 and confirmed that the billed rates matched Suburban's tariff rates.⁸

Wholesale Customers

Suburban Water has long term contracts to provide water to Rural Water Districts No. 6 and No. 10. Using each water district's contract price with Suburban, Staff multiplied the price by the volume of water each district purchased during the Test Year and verified the wholesale revenue reported in the Company's Application. Staff also confirmed that each water district's contract

⁵Staff Data Request No. 5

⁶Commission Order dated 07-11-2012, ¶62

⁷Commission Order dated 07-11-2012, ¶50

⁸Staff Data Request No. 10

rate matched the rate Suburban billed to them for the months of February, March, July, and August 2012.⁹

Proof of Purchased Water

Staff verified the cost of water purchased from BPU during the Test Year and verified the associated rate per 1,000 gallons for each month of 2012 by comparing each monthly invoice from BPU¹⁰ to the amount the Company reported in its Application.¹¹

Staff Adjusting Entries

Staff Adjustment to Eliminate the Revenue Requirement in Docket No. 12-SUBW-359-RTS

Suburban's revenue requirement is based on the cash flow/margin method rather than the rate base rate of return used for large electric and natural gas utilities. In previous rate cases, Suburban has been allowed to earn a 6% margin on its expenses under the cash flow/margin method, and Staff is proposing that the Company be allowed to earn a 6% margin in this rate case.

This Docket is an abbreviated rate case, so the Company and Staff are limited to making adjustments to only the cost of purchased water and rate case expense. Column A in Schedule B-1 of Staff Schedules in this Docket reflects the revenues and expenses from Staff Schedules in the 12-359 Docket that resulted in a revenue decrease of \$71,555. To isolate the effect on the revenue requirement for increases in the cost of purchased water and rate case expense in this rate case, Staff believes an adjustment is necessary to eliminate the revenue decrease of \$71,555. Eliminating the revenue decrease of \$71,555 will get the Company's revenue requirement back to zero, so only adjustments for the increased cost of purchased water and rate case expense will impact the revenue requirement. To eliminate the revenue decrease of \$71,555, Staff proposes an adjusting entry that increases expense by \$67,506 on line 24, column B of Schedule B-1. The \$67,506 adjustment plus a 6% operating margin will eliminate the \$71,555 negative revenue requirement.

Staff Adjustment No. 1 – Rate Case Expense

Staff Adjustment No. 1 of \$17,731 reduces rate case expense from the Company's Application amount of \$23,641 to actual rate case expense amortized over three years of \$5,910. The Company's Application reflects rate case expense recorded on its books during the Test Year¹² plus an estimated amount for the 2013 rate case to arrive at total rate case expense. The Company divided total rate case expense by five years, and subtracted rate case expense reported on Staff Schedules in the 12-SUBW-359-RTS rate case to arrive at the increase in rate case expense.

Staff believes only rate case expense associated with this rate case should be reflected in the Company's cost of service amortized over three years. Staff Adjustment No. 1 eliminates rate case expense included in the cost of service from Docket No. 12-SUBW-359-RTS, eliminates the Company's rate case expense adjustment, and reflects one-third of actual rate case expense incurred by the Company, CURB, and Staff in this rate case.

⁹ Staff Data Request No. 10

¹⁰ Staff Data Request No. 15

¹¹ Exhibit GLW – 1, Schedule 2 of Suburban's Application

¹² These expenses relate to the 2011 and 2012 rate cases; Staff Data Request Nos.17 and 23.

RATE DESIGN ANALYSIS:

Proposed Rate Design

Details of Suburban's rate design proposal are presented in the Application. A number of details were defined in the 12-SUBW-359-RTS rate case. As noted above, the Commission determined that Suburban would use an abbreviated rate case procedure to seek recovery of a January 1, 2013, BPU wholesale rate increase. In addition, it was also determined that Suburban would use the cost of service developed in the 12-359 Docket¹³. Finally, the Commission-approved Stipulation and Agreement in the 12-359 Docket stated that Suburban will utilize a test year consisting of the 12 months ending September 30, 2012.¹⁴

Suburban is seeking a rate increase of \$35,030. Under Suburban's proposed design, the monthly customer charge would remain at \$20 per month and the commodity charge would be increased from \$7.74 per 1,000 gallons (for usage above the first 1,000 gallons) to \$8.07¹⁵. Suburban's design produces total Tariff revenues of \$1,242,801.¹⁶

Staff Rate Design

The Commission approved a relatively simple rate design in the 12-359 Docket. Page 7 of the Stipulation and Agreement states that,

"The monthly charge will remain at \$20.00 per month per customer, which includes the first 1,000 gallons of usage. The commodity charge shall be \$7.74 per 1,000 gallons for all sales over 1,000 gallons."¹⁷

Staff's recommended design conforms with the Commission-approved 12-359 Docket design. Staff is recommending a \$20 per month customer charge and a single volumetric rate. Staff has developed a rate design that will produce the *Staff-recommended* revenue requirement. Following review of the Application, Staff made an adjustment related to rate case expenses. Staff is recommending revenue from sale of water of \$1,233,239, representing an increase in Suburban's revenue requirement of \$21,398.

Staff recommends a monthly customer charge of \$20 as proposed in the Application. Staff also recommends a volumetric rate of \$7.98 per 1,000 gallons over the first 1,000 gallons. The table below lists the monthly test year billing determinants and revenue calculations and illustrates that Staff's design will produce the required revenue from sale of water.

¹³ Docket No. 13-SUBW-700-RTS, Application, page 2

¹⁴ Docket 12-SUBW-359-RTS, Stipulation and Agreement, page 5

¹⁵ Docket No. 13-SUBW-700-RTS, Application, page 3

¹⁶ Docket No. 13-SUBW-700-RTS, Application, Exhibit GLW-1, Schedule 6

¹⁷ Docket 12-SUBW-359-RTS, Stipulation and Agreement, page 7

Staff Design
13-SUBW-700-RTS

customer charge \$ 20.00
volumetric charge \$ 7.98

month	customers	commodity volumes (1000)	customer charge revenues	commodity rate revenues	tariff revenues
Oct-11	1,559	9,584	\$ 31,180	\$ 76,487	\$ 107,667
Nov-11	1,562	5,632	\$ 31,240	\$ 44,947	\$ 76,187
Dec-11	1,564	6,193	\$ 31,280	\$ 49,424	\$ 80,704
Jan-12	1,569	6,073	\$ 31,380	\$ 48,467	\$ 79,847
Feb-12	1,573	5,178	\$ 31,460	\$ 41,324	\$ 72,784
Mar-12	1,580	5,362	\$ 31,600	\$ 42,792	\$ 74,392
Apr-12	1,583	7,325	\$ 31,660	\$ 58,458	\$ 90,118
May-12	1,585	9,737	\$ 31,700	\$ 77,708	\$ 109,408
Jun-12	1,591	12,255	\$ 31,820	\$ 97,803	\$ 129,623
Jul-12	1,594	17,353	\$ 31,880	\$ 138,489	\$ 170,369
Aug-12	1,596	12,239	\$ 31,920	\$ 97,675	\$ 129,595
Sep-12	1,595	10,105	\$ 31,900	\$ 80,645	\$ 112,545
					<u>\$ 1,233,239</u>
other revenue					
unmetered	4,019				
meter sales	15,000				
wholesale	<u>82,840</u>				
total	<u>\$1,335,098</u>				

RECOMMENDATION:

Suburban Water is complying with the requirements specified in the Commission Order in Docket Nos. 05-SUBW-104-RTS and 12-SUBW-359-RTS. Staff recommends that the Company be allowed to increase its revenue by \$21,398.

In the Matter of the Application of)
Suburban Water, Inc., d/b/a Suburban)
Water Company, for Approval of the) DOCKET NO. 13-SUBW-700-RTS
Commission to Make Certain Changes in its)
Rates for Water Service)

SCHEDULES

PREPARED BY

STAFF

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

SUBURBAN WATER COMPANY
DOCKET NO. 13-SUBW-700-RTS

INDEX

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B-3

EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT

KCC/EXCEL/05-29-13
BB/SUBW/KS
REV REQ
9:13 AM
8/16/2013

DOCKET NO. 13-SUBW-700-RTS
SCHEDULE REV REQ
WEB EXHIBIT NO. 1

SUBURBAN WATER COMPANY
STAFF REVENUE REQUIREMENT
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2012

LINE NO.	DESCRIPTION	STAFF ADJUSTED
*****	*****	*****
1	STAFF ADJUSTED TEST YEAR NET OPERATING EXPENSE	\$1,259,526
2	OPERATING MARGIN REQUIREMENT	<u>6.0%</u>
3	OPERATING MARGIN REQUIRED	75,572
4	STAFF ADJUSTED TEST YEAR OPERATING MARGINS	<u>54,174</u>
5	REVENUE INCREASE/(DECREASE) REQUIREMENT	21,398
6	GROSS UP FOR TAX EXPENSE	<u>0</u>
8	PROFORMA REVENUE REQUIREMENT INCREASE/(DECREASE)	<u><u>\$21,398</u></u>

SUBURBAN WATER COMPANY
STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2012

LINE NO.	DESCRIPTION	A ADJUSTED AMOUNTS PER STIPULATION & AGREEMENT 12-SUBW-359-RTS	B STAFF BLACK BOX SETTLEMENT ADJUSTMENT 12-SUBW-359-RTS	C STAFF REVENUE REQUIREMENT ADJUSTED TO ZERO	D APPLICANT TEST YEAR ADJUSTMENTS	E APPLICANT ADJUSTED TEST YEAR	F STAFF TEST YEAR ADJUSTMENTS	G STAFF ADJUSTED TEST YEAR	H STAFF PRO FORMA ADJUSTMENTS	I STAFF PRO FORMA TEST YEAR
<u>OPERATING REVENUES:</u>										
1	SALE OF WATER	\$1,038,824		\$1,038,824	\$173,017	\$1,211,841	\$0	\$1,211,841	\$21,398	\$1,233,239
2	UNMETERED WATER REVENUES	10,598		10,598	(6,579)	4,019	0	4,019		4,019
3	MISCELLANEOUS REVENUES	48,160		48,160	(33,160)	15,000	0	15,000		15,000
4	WHOLESALE WATER SALES	119,761		119,761	(36,921)	82,840	0	82,840		82,840
5	TOTAL REVENUES	\$1,217,343		\$1,217,343	\$96,357	\$1,313,700	\$0	\$1,313,700	\$21,398	\$1,335,098
<u>OPERATING EXPENSES:</u>										
6	REPAIR AND MAINTENANCE	\$9,959		\$9,959		\$9,959	\$0	\$9,959		\$9,959
7	PURCHASED WATER COST	204,751		204,751	118,097	322,848	0	322,848		322,848
8	OUTSIDE SERVICES	103,768		103,768		103,768	0	103,768		103,768
9	SALARIES & WAGES	263,193		263,193		263,193	0	263,193		263,193
10	OFFICE LEASE	36,000		36,000		36,000	0	36,000		36,000
11	ADMINISTRATIVE AND GENERAL	29,169		29,169		29,169	0	29,169		29,169
12	PRODUCTION ELECTRIC COST	21,515		21,515		21,515	0	21,515		21,515
13	MATERIALS & SUPPLIES	20,506		20,506		20,506	0	20,506		20,506
14	TRANSPORTATION EXPENSES	18,646		18,646		18,646	0	18,646		18,646
15	INSURANCE EXPENSE	17,187		17,187		17,187	0	17,187		17,187
16	REGULATORY COSTS	1,758		1,758		1,758	0	1,758		1,758
17	RATE CASE EXPENSE	12,918		12,918	10,723	23,641	(17,731)	5,910		5,910
18	UTILITY PROPERTY TAXES	43,121		43,121		43,121	0	43,121		43,121
19	MISCELLANEOUS CORPORATE FEES	8,997		8,997		8,997	0	8,997		8,997
20	CLEAN DRINKING WATER FEE	3,030		3,030		3,030	0	3,030		3,030
21	INTEREST EXPENSE	69,060		69,060		69,060	0	69,060		69,060
22	PAYROLL TAX EXPENSE	27,698		27,698		27,698	0	27,698		27,698
23	DEPRECIATION EXPENSE	189,655		189,655		189,655	0	189,655		189,655
24	ELIMINATE REV REQUIRE IN 12-359	0	67,506	67,506		67,506	0	67,506		67,506
25	TOTAL OPERATING EXPENSES	\$1,080,931	\$67,506	\$1,148,437	\$128,820	\$1,277,257	(\$17,731)	\$1,259,526		\$1,259,526
26	ADDITIONAL REVENUE FOR TAXES					\$0		\$0	\$0	0
27	LESS: TAX EXPENSE									0
28	LESS: TAX EXPENSE GROSS UP									0
29	NET OPERATING INCOME	\$136,412		\$68,906	(\$32,463)	\$36,443	\$17,731	\$54,174	\$21,398	\$75,572

SUBURBAN WATER COMPANY
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
 FOR THE TEST YEAR ENDED SEPTEMBER 30, 2012

LINE NO.	DESCRIPTION	A STAFF ADJUSTED TEST YEAR	B STAFF ADJUSTMENT NO. 1	C TOTAL ADJUSTMENTS	D STAFF ADJUSTED
<u>OPERATING REVENUES:</u>					
1	SALE OF WATER	\$1,211,841		\$0	\$1,211,841
2	UNMETERED WATER REVENUES	4,019		0	4,019
3	MISCELLANEOUS REVENUES	15,000		0	15,000
4	WHOLESALE WATER SALES	82,840		0	82,840
5	TOTAL REVENUES	<u>\$1,313,700</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,313,700</u>
<u>OPERATING EXPENSES:</u>					
6	REPAIR AND MAINTENANCE	\$9,959		\$0	\$9,959
7	PURCHASED WATER COST	322,848		0	322,848
8	OUTSIDE SERVICES	103,768		0	103,768
9	SALARIES & WAGES	263,193		0	263,193
10	OFFICE LEASE	36,000		0	36,000
11	ADMINISTRATIVE AND GENERAL	29,169		0	29,169
12	PRODUCTION ELECTRIC COST	21,515		0	21,515
13	MATERIALS & SUPPLIES	20,506		0	20,506
14	TRANSPORTATION EXPENSES	18,646		0	18,646
15	INSURANCE EXPENSE	17,187		0	17,187
16	REGULATORY COSTS	1,758		0	1,758
17	RATE CASE EXPENSE	23,641	(17,731)	(17,731)	5,910
18	UTILITY PROPERTY TAXES	43,121		0	43,121
19	MISCELLANEOUS CORPORATE FEES	8,997		0	8,997
20	CLEAN DRINKING WATER FEE	3,030		0	3,030
21	INTEREST EXPENSE	69,060		0	69,060
22	PAYROLL TAX EXPENSE	27,698		0	27,698
23	DEPRECIATION EXPENSE	189,655		0	189,655
24	ELIMINATE REV REQUIRE IN 12-359	67,506		0	67,506
25	TOTAL OPERATING EXPENSES	<u>\$1,277,257</u>	<u>(\$17,731)</u>	<u>(\$17,731)</u>	<u>\$1,259,526</u>
26	TAXES OTHER THAN INCOME TAXES	0		0	0
27	INCOME TAXES - CURRENT & DEFERRED	0		0	0
28	NET OPERATING EXPENSES	<u>\$1,277,257</u>	<u>(\$17,731)</u>	<u>(\$17,731)</u>	<u>\$1,259,526</u>
29	NET OPERATING INCOME	<u>\$36,443</u>	<u>\$17,731</u>	<u>\$17,731</u>	<u>\$54,174</u>

SUBURBAN WATER COMPANY
EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2012

LINE NO. *****		INCREASE / (DECREASE) TO OPERATIONS *****
1	ELIMINATE REV REQUIRE IN 12-359	\$67,506
2	To elminate Staff's Revenue Requirement of (\$71,555) in Docket 12-SUBW-359-RTS.	
	<u>STAFF ADJUSTMENT NO. 1</u>	
3	RATE CASE EXPENSE	(\$17,731)
4	To reflect the actual cost of rate case expense in Docket No. 13-SUBW-700-RTS.	

Suburban Water
13-SUBW-700-RTS
Adjustment to Make Revenue Requirement Equal to Zero
Test Year Ending September 30, 2012

Adjustment to Operating Expense shown in Docket No. 12-SUBW-359-RTS to Make
Revenue Requirement Equal to Zero in Docket No. 13-SUBW-700-RTS:

Staff's Revenue Requirement in Docket 12-SUBW-359-RTS	(\$71,555)
Divide Revenue Requirement by (1 + .06 (margin))	/ 1.06
Increase in Expenses Needed to Make Revenue Requirement Equal to Zero	<hr/> \$67,506

Suburban Water
13-SUBW-700-RTS
Staff Adjusting Entry No. 1 - Rate Case Expense
Test Year Ending September 30, 2012

Line No.	Description	Amount
1	Reverse Rate Case Expense Built Into Rates from the 12-SUBW-359-RTS rate case	(12,918) (1)
2	Reverse Suburban Water's Rate Case Expense Adjustment in 13-SUBW-700-RTS	(10,723) (2)
3	Record One Third of Rate Case Expense in Docket No. 13-SUBW-700-RTS	5,910
4	Rate Case Expense Adjustment	<u>(17,731)</u>

(1) Source: Docket No. 12-SUBW-359-RTS, Staff Schedules

(2) Source: Docket No. 13-SUBW-700-RTS, Application, Exhibit GLW - 1, Schedule 5

Suburban Water
13-SUBW-700-RTS
Rate Case Expense
Test Year Ending September 30, 2012

(a)	(b)	(c)	(d)	(e)
Line No.	Invoice Date	Description	Rate Case Expense Incurred	Amount Billed to Howison Heights
1	10/1/2012	Twenty-First Century Management Consultants - Accounting	\$1,500.00	
2	10/2/2012	Twenty-First Century Management Consultants - Accounting	\$450.00	
3				\$1,950.00
4	6/30/2013	Twenty-First Century Management Consultants - Accounting	3,000.00	3,000.00
5	11/1/2012	Anderson & Byrd - Attorney Fees	77.55	
6	11/1/2012	Anderson & Byrd - Attorney Fees	77.55	
7	11/1/2012	Anderson & Byrd - Attorney Fees	155.10	
8	11/1/2012	Anderson & Byrd - Attorney Fees	58.75	
9	11/1/2012	Anderson & Byrd - Attorney Fees	77.55	
10	11/1/2012	Anderson & Byrd - Attorney Fees	58.75	
11	11/1/2012	Anderson & Byrd - Attorney Fees	77.55	
12				582.80
13	12/3/2012	Anderson & Byrd - Attorney Fees	58.75	
14	12/3/2012	Anderson & Byrd - Attorney Fees	58.75	
15	12/3/2012	Anderson & Byrd - Attorney Fees	155.10	
16	12/3/2012	Anderson & Byrd - Attorney Fees	507.60	
17	12/3/2012	Anderson & Byrd - Attorney Fees	117.50	
18	12/3/2012	Anderson & Byrd - Attorney Fees	272.60	
19	12/3/2012	Anderson & Byrd - Attorney Fees	176.25	

Suburban Water
13-SUBW-700-RTS
Rate Case Expense
Test Year Ending September 30, 2012

(a)	(b)	(c)	(d)	(e)
Line No.	Invoice Date	Description	Rate Case Expense Incurred	Amount Billed to Howison Heights
20	12/3/2012	Anderson & Byrd - Attorney Fees	77.55	
21	12/3/2012	Anderson & Byrd - Attorney Fees	23.38	
22	12/3/2012	Anderson & Byrd - Attorney Fees	46.77	
23	12/3/2012	Anderson & Byrd - Attorney Fees	52.00	
24	12/3/2012	Anderson & Byrd - Attorney Fees	6.13	
25				1,552.38
26	4/1/2013	Anderson & Byrd - Attorney Fees	39.20	39.20
27	5/1/2013	Anderson & Byrd - Attorney Fees	61.25	
28	5/1/2013	Anderson & Byrd - Attorney Fees	161.70	
29	5/1/2013	Anderson & Byrd - Attorney Fees	306.25	
30	5/1/2013	Anderson & Byrd - Attorney Fees	80.85	
31	5/1/2013	Anderson & Byrd - Attorney Fees	80.85	
32	5/1/2013	Anderson & Byrd - Attorney Fees	161.70	
33	5/1/2013	Anderson & Byrd - Attorney Fees	61.25	
34	5/1/2013	Anderson & Byrd - Attorney Fees	570.85	
35	5/1/2013	Anderson & Byrd - Attorney Fees	80.85	
36	5/1/2013	Anderson & Byrd - Attorney Fees	80.85	
37	5/1/2013	Anderson & Byrd - Attorney Fees	39.20	
38	5/1/2013	Anderson & Byrd - Attorney Fees	61.25	
39	5/1/2013	Anderson & Byrd - Attorney Fees	80.85	

Suburban Water
13-SUBW-700-RTS
Rate Case Expense
Test Year Ending September 30, 2012

(a)	(b)	(c)	(d)	(e)
Line No.	Invoice Date	Description	Rate Case Expense Incurred	Amount Billed to Howison Heights
40	5/1/2013	Anderson & Byrd - Attorney Fees	490.00	
41	5/1/2013	Anderson & Byrd - Attorney Fees	80.85	
42	5/1/2013	Anderson & Byrd - Attorney Fees	490.00	
43	5/1/2013	Anderson & Byrd - Attorney Fees	30.00	
44	5/1/2013	Anderson & Byrd - Attorney Fees	55.00	
45	5/1/2013	Anderson & Byrd - Attorney Fees	8.63	
46				2,982.18
47	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
48	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
49	6/4/2013	Anderson & Byrd - Attorney Fees	693.35	
50	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
51	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
52	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
53	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
54	6/4/2013	Anderson & Byrd - Attorney Fees	183.75	
55	6/4/2013	Anderson & Byrd - Attorney Fees	161.70	
56	6/4/2013	Anderson & Byrd - Attorney Fees	183.75	
57	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
58	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
59	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
60	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	

Suburban Water
13-SUBW-700-RTS
Rate Case Expense
Test Year Ending September 30, 2012

(a)	(b)	(c)	(d)	(e)
Line No.	Invoice Date	Description	Rate Case Expense Incurred	Amount Billed to Howison Heights
61	6/4/2013	Anderson & Byrd - Attorney Fees	122.50	
62	6/4/2013	Anderson & Byrd - Attorney Fees	122.50	
63	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
64	6/4/2013	Anderson & Byrd - Attorney Fees	61.25	
65	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
66	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
67	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
68	6/4/2013	Anderson & Byrd - Attorney Fees	39.20	
69	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
70	6/4/2013	Anderson & Byrd - Attorney Fees	19.60	
71	6/4/2013	Anderson & Byrd - Attorney Fees	19.60	
72	6/4/2013	Anderson & Byrd - Attorney Fees	19.60	
73	6/4/2013	Anderson & Byrd - Attorney Fees	80.85	
74	6/4/2013	Anderson & Byrd - Attorney Fees	12.97	
75				2,600.17
76		Citizens' Utility Ratepayer Board	411.00	210.00
77		Staff	6,046.25	4,813.50
78		Total Rate Case Expense		17,730.23
79				/ 3 years

Suburban Water
13-SUBW-700-RTS
Rate Case Expense
Test Year Ending September 30, 2012

(a)	(b)	(c)	(d)	(e)
Line No.	Invoice Date	Description	Rate Case Expense Incurred	Amount Billed to Howison Heights
80		Annual Rate Case Expense		5,910.08

Note: The monthly billings from Anderson & Byrd contain long distance, postage, copies, etc. The billing does not allocate the miscellaneous charges to the various dockets Mr. Flaherty worked on during the month. Since there is no allocation, Staff included the miscellaneous charges in rate case expense in the months where the majority the majority of the attorney fees on the monthly billing related to this docket.

Source: Data Request No. 24 and the Commission's Fiscal Office

Suburban Water

13-SUBW-700-RTS

Reconciliation Between Suburban Water's Revenue Requirement and Staff's Revenue Requirement

Test Year Ending September 30, 2012

Line No.		
1	Suburban's Revenue Requirement	\$35,030 (1)
2	Reverse Suburban's S & A Adjustment	(58,055) (1)
3	Add: Staff's S & A Adjustment	67,506 (2)
4	Add: Staff's Rate Case Expense Adjustment	(17,731) (2)
5	Reverse Suburban's Allowed Operating Margin	(80,924) (1)
6	Add: Suburban Allowed Operating Margin based on the 6% operating margin	75,572 (2)
7	Staff's Revenue Requirement	<u>\$21,398</u>

(1) Source: Suburban's Application, Exhibit GLW - 1, Schedule 1

(2) Source: Staff's Schedules, Schedule B-1

CERTIFICATE OF SERVICE

13-SUBW-700-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 16th day of August, 2013, to the following parties who have waived receipt of follow-up hard copies.

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CERTIFICATE OF SERVICE

13-SUBW-700-RTS

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Pamela Griffeth
Administrative Specialist