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August 6, 2009

BY HAND

Joel H. Peck, Clerk
Document Control Center
State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

Application of Massanutten Public Service Corporation
For an increase in water and sewer rates
Case No. PUB-2009-00041

Dear Mr. Peck:

On behalf of Massanutten Public Service Corporation, enclosed please find the original and twelve copies of its application for an increase in water and sewer rates ("Application") and the direct testimony in support of the Application. Also enclosed are five copies of the public version of the rate case schedules required by the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings to be included in this Application. Under separate cover letters, the confidential version of the rate case schedules are being filed under seal, along with a Motion for Entry of a Protective Order ("Motion"). Copies of the Application, direct testimony, rate case schedules, and the Motion have been submitted to the Commission Staff.

Also enclosed are a copy of the Schedule 40 ("Jurisdictional and Class Cost of Service Study") and the public version of Schedule 29 ("Workpapers for Earnings Test and Ratemaking Adjustments"). The confidential version of Schedule 29 is being filed under seal.

A copy of the Application, direct testimony and public version of the rate case schedules have been hand delivered to the Division of Consumer Counsel, Office of the Attorney General ("Consumer Counsel") and mailed to the Chairman of the Board of Supervisors and the County Attorney for Rockingham County.

ATLANTA CHICAGO HONG KONG LONDON NEW YORK NEWARK NORFOLK ORANGE COUNTY
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Enclosed is an extra copy of the filing to be stamped as filed and returned to us by the courier delivering this filing. Thank you for your assistance in this matter.

Sincerely yours,


Donald G. Owens

Enclosures
1855806

CERTIFICATE OF SERVICE

This is to certify that a copy of the Massanutten Public Service Corporation's Application for an increase in water and sewer rates (and its direct testimony and public version of the rate case schedules) was served on this 6th day of August 2009, by hand or by first class mail, postage prepaid, on the persons listed below.

Howard M. Spinner, Director
Division of Economics & Finance
State Corporation Commission
1300 East Main Street, 4th Floor
Richmond, VA 23219

Frederick E. Eberly, Chairman
Board of Supervisors of Rockingham County
Administration Center
20 East Gay Street
Harrisonburg, VA 22802

William H. Chambliss, Esquire
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State Corporation Commission
1300 East Main Street, 10th Floor
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County Attorney
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Division of Public Utility Accounting
State Corporation Commission
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Office of Attorney General
Division of Consumer Counsel
900 East Main Street - 2nd Floor
Richmond, VA 23219

William F. Stephens, Director
Division of Energy Regulation
State Corporation Commission
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF
MASSANUTTEN PUBLIC SERVICE
CORPORATION
For an increase in water and sewer
rates

Case No. PUE-2009-00 687

APPLICATION
AND
DIRECT TESTIMONY

(VOLUME I)

**MASSANUTTEN PUBLIC SERVICE CORPORATION
2009 RATE CASE FILING
CASE NO. PUE-2009-_____**

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** Submitted separately pursuant to Rule 20 VAC 5-201-10 I

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF
MASSANUTTEN PUBLIC SERVICE
CORPORATION

Case No. PUE-2009-00_____

For an increase in water and sewer
rates

APPLICATION

Pursuant to Chapter 10 of Title 56 of the Code of Virginia, and Commission Rules Governing Utility Rate Applications and Annual Informational Filings ("Rate Case Rules"), Massanutten Public Service Corporation ("Massanutten PSC") files this Application for a general increase in its water and sewer rates, and in support thereof, states:

1. The name and post office address of the applicant are: Massanutten Public Service Corporation, 5701 Westpark Drive, Suite 101, Charlotte, NC 28217. Legal counsel for Massanutten PSC are Donald G. Owens and Thomas C. Walker, Jr., Troutman Sanders LLP, P.O. Box 1122, Richmond, Virginia 23218-1122.

2. Pursuant to the Commission's Rate Case Rules, 20 VAC 5-201-10 *et seq.*, Massanutten PSC requests approval of a change in its rates so as to produce additional annual revenues that are necessary to cover its annual operating costs and that will allow Massanutten PSC the opportunity to earn a fair rate of return. For the twelve months ended December 31, 2008, Massanutten PSC realized on a per books basis an overall rate of return of only 3.23%, as compared to the 9.09% rate of return it should be

earning. The proposed change in rates being sought by this Application will produce additional annual revenues of \$905,250, which is necessary if Massanutten PSC is to be given the opportunity to achieve its required rate of return. The overall increase in additional annual revenues would result from increasing rates for water service so as to produce an additional \$526,250 in annual revenues and increasing the rates for sewer services so as to produce additional annual revenues of \$379,000.

3. The current monthly rate applicable to water service for all customers includes a customer charge of \$10.00 and a usage charge of \$3.84 for each 1,000 gallons. Under the proposed rates, the minimum monthly base facilities charge for water service (based upon meter size) for both Single Family residential and General Service (defined as multifamily dwellings and nonresidential, nonindustrial business enterprises) would be \$16.18 and there would be a usage charge of \$6.19 for each 1,000 gallons. The monthly base facilities charge would increase as the size of the meter increases from \$16.18 for a meter of less than 1" to \$404.43 for a 4" meter.

4. The current monthly rate applicable to sewer service for all metered customers includes a customer charge of \$12.50 and a usage charge of \$5.09 for each 1,000 gallons. Under the proposed rates, the minimum base facilities charge for sewer service to Single Family residential customers would be \$21.14 per month and there would be a usage charge of \$6.09 for each 1,000 gallons. For General Service, the minimum base facilities charge for sewer service (based upon meter size) would be \$21.14 per month and there would be a usage charge of \$6.09 for each 1,000 gallons. The monthly base facilities charge for General Service customers would increase as the size of the meter increases from \$21.14 for a meter of less than 1" to \$528.61 for a 4"

meter. The charge for residential unmetered sewer service is currently \$36.99 per month and it is proposed that this be increased to \$50.35 per month.

5. There would be no change to the current monthly fee of \$4.35 for water and \$4.35 for sewer for those lot owners who have water and sewer lines adjacent to their property but have not yet constructed a dwelling on that property.

6. Massanutten PSC's revenue requirements are reflected in the schedules filed with this Application in accordance with the Commission's Rate Case Rules and the prepared testimony of its witnesses submitted in support of this Application. That testimony, and the exhibits included with it, set forth the facts showing why the proposed rate increase is needed and is incorporated by reference as part of this Application.

7. Massanutten PSC's need for the requested increase in annual revenues and the proposed rate design and tariffs to produce those revenues are established in the testimony of Martin J. Lashua, John D. Williams, Patrick L. Baryenbruch and Burnice C. Dooley and Pauline M. Ahern's testimony presents studies that show what is a reasonable return on Massanutten PSC's equity capital, as well as the overall rate of return that Massanutten PSC requires.

8. Massanutten PSC's proposed rates reflect an effective date of September 5, 2009, but Massanutten PSC requests that the Commission suspend that effective date through December 31, 2009 and permit the proposed new rates to go into effect on January 1, 2010, on an interim basis.

WHEREFORE, Massanutten PSC requests that it be permitted to place its proposed rates into effect on January 1, 2010, that the Commission order appropriate notice to be given and schedule this matter for hearing, and, upon completion of such hearing, approve Massanutten PSC's proposed rates as just and reasonable.

Respectfully submitted,
MASSANUTTEN PUBLIC
SERVICE CORPORATION

By: 
Counsel

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**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

**APPLICATION OF
MASSANUTTEN PUBLIC SERVICE
CORPORATION**

Case No. PUE-2009-00__

**For an increase in water and sewer
rates**

**DIRECT TESTIMONY
OF
MARTIN J. LASHUA
ON BEHALF OF
MASSANUTTEN PUBLIC SERVICE CORPORATION**

**DIRECT TESTIMONY
OF
MARTIN J. LASHUA
ON BEHALF OF
MASSANUTTEN PUBLIC SERVICE CORPORATION
BEFORE THE VIRGINIA STATE CORPORATION COMMISSION**

CASE NO. PUE-2009-_____

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

2 A. My name is Martin J. Lashua and I am Regional Director of Utilities, Inc. ("UI"),
3 the parent corporation of Massanutten Public Service Corporation ("Massanutten
4 PSC" or "Company"). My business address is 5701 Westpark Drive, Suite 101,
5 Charlotte, NC 28217.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
7 BACKGROUND.**

8 A. I hold a Bachelors Degree in Biology from the University of North Carolina at
9 Chapel Hill. I joined UI in 1988 and have spent over 20 years in the water and
10 wastewater industry. I have been in my present position since October 2007. In
11 my career, I have both operated and managed water distribution and supply
12 systems and wastewater treatment facilities and collection systems. I have also
13 overseen the completion of major capital improvements and have served as the
14 UI spokesperson with regard to matters related to health, environment, and utility
15 regulation in several states.

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE PUBLIC UTILITY
17 COMMISSIONS IN RATE CASES?**

1 A. Yes. I have testified before public utility commissions in North Carolina,
2 Tennessee and Kentucky.

3 **Q. PLEASE DESCRIBE YOUR DUTIES WITH MASSANUTTEN PSC.**

4 A. I am responsible for all operating personnel, facilities and maintenance, customer
5 care and billing and capital projects for the Company. I am also responsible for
6 communications with state and federal agencies, including state utility
7 commissions, regarding environmental and drinking water standards, as well as
8 other operational issues. It is also my responsibility to ensure that we achieve
9 our goal of providing our customers quality utility service.

10 **Q. PLEASE DESCRIBE MASSANUTTEN PSC AND ITS OPERATIONS.**

11 A. Massanutten PSC is a Virginia public service corporation that provides water and
12 sewer services in and around Massanutten Village, a mountain resort community
13 located in Rockingham County, Virginia. Massanutten PSC was first issued
14 certificates of public service and convenience by the Commission in 1985 to
15 provide these services and its certificates were later amended to add to the
16 Company's service area. Massanutten PSC is a wholly-owned subsidiary of
17 Utilities, Inc., a holding company that owns and operates water and sewer
18 companies in 15 states and has approximately 290,000 customers.

19 Water is provided from four deep-drilled wells and conveyed over 25 miles of
20 water distribution mains. Five ground storage reservoirs ranging in size from
21 250,000 gallons to 500,000 gallons and totaling over 1.5 million gallons of

1 storage provide water to meet peak demands. The water distribution system is
2 quite complex to operate due to multiple pressure zones, pressure reducing
3 stations, and booster stations

4 The Company has a state of the art 1.5 million gallons per day wastewater
5 treatment facility. The wastewater system includes over 27 miles of sewer
6 collection mains.

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

8 A. I will introduce the other witnesses who will be testifying in support of our
9 requested rate increase. They are Burnice Dooley, Pauline Ahern, Patrick
10 Baryenbruch and John Williams. Their testimony and exhibits will show that the
11 increase being sought is needed and that the increase should be allocated in
12 accordance with the rate design we are proposing in this proceeding. I shall also
13 describe the improvements that have been made to Massanutten PSC's systems
14 since our last rate filing at the end of 2006.

15 **Q. WHO WILL PRESENT THE COMPANY'S REVENUE REQUIREMENT UPON**
16 **WHICH THE RATE INCREASE IS BASED?**

17 A. Mr. Burnice Dooley's testimony presents the financial results of our most recent
18 year of operations in his cost of service study. His study shows that during the
19 12 months ended December 31, 2008, which is referred to as the "test year" in
20 our testimony, the Company realized an overall 3.23% rate of return on the funds
21 that finance the assets used in providing service to our customers. This

1 compares to 9.09% overall rate of return the Company should be earning. Mr.
2 Dooley's study also shows that with respect to the return on the equity capital
3 used to finance those assets, the Company realized only a 1.56% return during
4 the test year, as compared to the 11.95% return on equity it requires.

5 **Q. PLEASE DESCRIBE THE TYPES OF IMPROVEMENTS THAT HAVE BEEN**
6 **MADE SINCE THE COMPANY'S LAST RATE CASE.**

7 A. As we explained in the 2006 rate case, substantial investments have been made
8 in recent years in the assets used to serve our customers. The level of
9 investment has continued as additional improvements have been made over the
10 last three years. The improvements we have made over this period of time
11 include the addition of a 520 gallon per minute new well (Well #40) which was
12 drilled and developed to meet the increasing demand. Improvements were
13 completed to pressure reducing stations for zones 2 and 3. Flush valves were
14 installed on the iron removal filtration plant to allow better operation and flushing.
15 New automated blow off valves were added to Well #10 for better flushing and
16 the well pump and motor in Well #10 were replaced. A new leak detector was
17 purchased to allow better, more precise location of leaks. New controls were
18 added to the water system for better operations. A new office addition was made
19 at the water treatment plant for a more controlled environment for field testing
20 and record storage.

21 **Q. HAS THERE ALSO BEEN A MAJOR IMPROVEMENT MADE BY UTILITIES,**
22 **INC. SINCE THE COMPANY'S LAST RATE CASE?**

1 A. Yes. We have completed "Project Phoenix" which replaced our outdated
2 information and technology systems. This project is discussed in the testimony
3 from John Williams.

4 **Q. ARE THESE IMPROVEMENTS REFLECTED IN THE REVENUE**
5 **REQUIREMENT OF THE COMPANY AS SHOWN BY THE COST OF SERVICE**
6 **STUDY MR. DOOLEY PERFORMED?**

7 A. Yes. Mr. Dooley's cost of service study shows that in order for the Company to
8 realize a fair rate of return, the Company's annual revenues need to be increased
9 by \$905,250. The Company realizes that our customers do not welcome a rate
10 increase of this size. However, in order for our customers to continue receiving
11 good quality utility service, the improvements were necessary and the cost of
12 these improvements and increased operating costs need to be recovered
13 through our rates.

14 **Q. WHAT ELSE WILL BE ADDRESSED IN MR. DOOLEY'S TESTIMONY?**

15 A. He will present the rates proposed in this proceeding and his analysis of the
16 impact of the proposed rates. His testimony explains that for the average
17 residential customer who uses 4,000 gallons of water per month, the monthly bill
18 would increase from \$58.22 to \$86.44, or an increase of \$28.22 per month or
19 less than \$1.00 per day.

20 **Q. WHICH WITNESS WILL ADDRESS WHAT IS A FAIR RATE OF RETURN FOR**
21 **THE COMPANY?**

1 A. We have asked Ms. Pauline Ahern to present her cost of capital studies that
2 establish a fair rate of return for the Company. A principal focus of her studies
3 was to determine the Company's cost of equity. As equity is one form of capital
4 used to finance the improvements we make to our systems, it is imperative that
5 rates be set at a level that will produce revenue sufficient to provide a return that
6 will attract equity capital. Ms. Ahern's studies show that investors in a company
7 like Massanutten PSC would expect a return on equity of 11.95%. Based upon
8 that equity return and the Company's cost of debt, Ms. Ahern's studies show that
9 the Company requires an overall rate of return of 9.09%. In order to attract the
10 capital we need, the rates set in this case should be designed to produce a rate
11 of return of this amount.

12 **Q. WILL THE COMPANY HAVE A WITNESS WHO WILL BE DISCUSSING THE**
13 **SERVICES MASSANUTTEN PSC RECEIVES FROM THE SERVICE**
14 **COMPANY OF ITS PARENT ORGANIZATION?**

15 A. Yes. Mr. Patrick Baryenbruch will be addressing this matter.

16 **Q. WHAT IS THE RELATIONSHIP OF MASSANUTTEN PSC AND UTILITIES,**
17 **INC. AND HOW IS THIS RELATIONSHIP BENEFICIAL TO THE COMPANY'S**
18 **CUSTOMERS?**

19 A. As I mentioned earlier, Massanutten PSC is part of Utilities, Inc., which has 85
20 operating subsidiaries in 15 states. UI is unique in that for over 40 years its
21 business has been owning and operating smaller water and sewer companies. It
22 is an advantage to Massanutten PSC to be part of an organization whose sole

1 focus is on its type and size of operations. UI has the expertise needed in areas
2 of importance to small water and sewer companies, such as in construction and
3 engineering, accounting, data processing, billing and customer services, and
4 regulation. By only being in the water and sewer business, UI's personnel have
5 the knowledge and ability to meet the challenges facing this industry today.
6 Massanutten PSC is benefited financially by being provided services by Water
7 Service Corporation ("WSC"), the service company of UI. If the Company were
8 to be operated totally on a "stand alone" basis, it would have to retain, at a
9 greater cost, outside consultants to provide many of the services provided by
10 WSC. This is demonstrated by the testimony of Mr. Baryenbruch who has
11 examined the services provided by WSC to Massanutten PSC. His studies show
12 that if the managerial and professional services provided by WSC had been out-
13 sourced during the test period, Massanutten PSC and its ratepayers would have
14 incurred over \$406,000 in additional expenses.

15 **Q. WHO ELSE WILL BE TESTIFYING ON BEHALF OF THE COMPANY?**

16 A. Mr. John Williams, who is Director of Governmental Affairs of UI, will testify on
17 four matters. First, he will discuss Project Phoenix, which I mentioned earlier.
18 As his testimony will explain, this project was essential to replace our antiquated,
19 non-standard systems with the technology and programs needed for the efficient
20 operations of our financial, accounting, and customers' information systems. The
21 accounting and financial component of Project Phoenix is providing the
22 resources and information to aid our management and administrative staff in
23 such important areas as capital projects, fixed assets and equipment

1 management, procurement, financial accounting, and regulatory reporting. The
2 customer information systems component of Project Phoenix enables us to
3 provide better service with respect to customer accounts matters, field
4 operations, and also provides more informative and customer-useful billing
5 information. Second, Mr. Williams will explain the customer class cost of service
6 study he performed that has resulted in the design of the rates being proposed to
7 recover the revenue requirement established by Mr. Dooley. Third, he will also
8 explain the system of allocations that is employed in allocating assets and other
9 costs to Massanutten PSC from WSC. Fourth, the final matter Mr. Williams will
10 discuss is the appropriate rate of depreciation for allocated assets with short
11 useful lives.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A. Yes. It does.**

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**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

**APPLICATION OF
MASSANUTTEN PUBLIC SERVICE
CORPORATION**

Case No. PUE-2009-00__

**For an increase in water and sewer
rates**

**DIRECT TESTIMONY
OF
BURNICE C. DOOLEY
ON BEHALF OF
MASSANUTTEN PUBLIC SERVICE CORPORATION**

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**DIRECT TESTIMONY
OF
BURNICE C. DOOLEY
ON BEHALF OF
MASSANUTTEN PUBLIC SERVICE CORPORATION
BEFORE THE VIRGINIA STATE CORPORATION COMMISSION
CASE NO. PUE-2009-_____**

7

I. INTRODUCTION

8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Burnice C. Dooley. My address is 21 South Sheppard Street,
10 Richmond, Virginia.

11 **Q. WHAT IS YOUR BUSINESS AFFILIATION AND ON WHOSE BEHALF ARE
12 YOU TESTIFYING IN THIS CASE?**

13 A. I am a partner in the firm of Dooley & Vicars, CPAs, LLP. Massanutten Public
14 Service Corporation ("Massanutten PSC" or "Company") has engaged our firm to
15 assist in the preparation of an Application ("Application" or "Company
16 Application") for an increase in rates.

17 **Q. WOULD YOU PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE
18 AND EDUCATIONAL QUALIFICATIONS?**

19 A. My experience and qualifications are summarized in Appendix A.

20 **Q. ARE YOU SPONSORING ANY OF THE SCHEDULES INCLUDED WITH THE
21 COMPANY'S APPLICATION IN THIS PROCEEDING?**

1 A. Yes. I am sponsoring Schedules 1 through 39 and Schedules 41 through 43 of
2 the Company's Application. I shall be referencing several of these "Schedules"
3 in my testimony and they are included with the Application's other schedules filed
4 in this proceeding.

5 **Q. WHAT SUBJECTS WILL YOU DISCUSS IN YOUR TESTIMONY?**

6 A. Massanutton PSC is requesting a total increase in rates of \$905,250 consisting
7 of an increase in sewer rates of \$379,000 and an increase in water rates of
8 \$526,250. The requested increase in rates will give the Company an opportunity
9 to earn an 11.95% return on equity. I will address the revenue requirements
10 based on the cost of service as reflected in Schedule 21 and the ratemaking
11 adjustments made to the per books cost of service as reflected in Schedule 25. I
12 shall also describe the proposed rates which are included in Schedule 41 and
13 the revenue impact of the increases for water and sewer on the average
14 residential customer which is shown on Schedule 43.

15 **II. REVENUE REQUIREMENTS**

16 **Q. PLEASE DISCUSS THE REVENUE REQUIREMENT AS DETAILED IN**
17 **SCHEDULE 21.**

18 A. Schedule 21 contains three rate of return statements reflecting the total
19 Company rate of return as well as separate statements for water and sewer.
20 Schedule 21, page 1 of 3, reflects the sum of the separate rate of return
21 statements developed for water and sewer operations. Schedule 21 reflects
22 revenues, expenses, net income, rate base and returns earned on rate base and

1 equity for the test year. Column 1 shows per books Virginia jurisdictional results
2 for the test year. All customers are Virginia jurisdictional customers; therefore a
3 separation of non-jurisdictional cost of service is unnecessary. For the test year
4 the Company had operating revenues of \$1,932,613 and operating expenses of
5 \$1,681,746, which resulted in a net operating income of \$250,867. After
6 deducting interest on customer deposits, interest on debt and adding interest
7 and other income, the net income for the year was \$61,890. The rate base
8 consists of cash working capital of \$153,671 net utility plant of \$8,954,142 less
9 rate base deductions of \$611,900, which results in total rate base of \$8,495,913.
10 Rate base on a total Company basis, as well as for water and sewer, is shown in
11 greater detail on Schedule 24.

12 Column 2 reflects adjustments necessary to reflect a rate year level of revenues,
13 expenses, and rate base. The rate year used in this Application is the twelve
14 months beginning January 1, 2010. These adjustments result in a decrease to
15 net operating income of \$107,762 and a decrease to net income of \$197,043.
16 Rate base decreases by \$615,925 as a result of adjustments made in Column 2.
17 The details of all the adjustments are reflected in Column 2 on Schedule 25. All
18 the adjustments have been computed separately for water and sewer service.

19 Column 3 shows revenues, expenses, and rate base after all adjustments. After
20 all adjustments, total operating revenues are \$1,955,236 and operating

1 expenses are \$1,812,131 which produces net operating income of \$143,105 and
2 a net loss of \$135,163.

3 Column 4 reflects the increase in revenues of \$905,250 that Massanutten PSC is
4 requesting. The increase in gross receipts taxes and income tax expense
5 resulting from the rate increase is also shown in Column 4.

6 Column 5 reflects revenues, expenses, and rate base after the proposed rate
7 increase. After the rate increase, total operating revenues are \$2,860,486 and
8 operating expenses are \$2,142,502 resulting in net operating income of
9 \$717,984. After deducting interest expense, the proposed rates result in net
10 income of \$439,726.

11 **Q. HAVE YOU PREPARED A SCHEDULE REFLECTING THE ADJUSTMENTS**
12 **MADE IN COLUMN 2 OF SCHEDULE 21, PAGES 2 AND 3, AND THE RATE**
13 **BASE ADJUSTMENTS MADE IN COLUMN 2 OF SCHEDULE 24, PAGES 2**
14 **AND 3?**

15 A. Yes. Schedule 25 reflects all the adjustments made to the Company's revenues,
16 expenses and rate base. Most of the adjustments and the resulting increase in
17 Massanutten PSC's revenue requirement are the result of increases in the
18 Company's investment in utility plant and operating costs, and the need to earn a
19 fair return on its investment in rate base. Detailed work papers supporting the
20 adjustments have been provided in Schedule 29. All adjustments have been
21 computed separately for water and sewer service.

1 **Q. PLEASE EXPLAIN THE PROPOSED CAPITAL STRUCTURE SHOWN IN**
2 **SCHEDULE 8.**

3 A. Schedule 8 reflects a consolidated capital structure at December 31, 2008. A
4 return of 11.95% was used as the cost of common equity. Company witness
5 Pauline Ahern has supported the return on equity of 11.95% in her testimony.

6 **III. PROPOSED RATES AND RATE IMPACT**

7 **Q. ARE THE RATES PROPOSED IN THIS CASE INCLUDED IN SCHEDULE 41?**

8 A. Yes. These rates are the product of the class cost of service study discussed in
9 the testimony of John Williams and are designed to more equitably recover
10 Massanutten PSC's revenue requirement.

11 **Q. PLEASE DESCRIBE MASSANUTTEN PSC'S CURRENT RATES AND ITS**
12 **PROPOSED RATES?**

13 A. The current monthly rate for water service for all customers includes a customer
14 charge of \$10.00 and a usage charge of \$3.84 for each 1,000 gallons. Under
15 the proposed rates, the minimum monthly base facilities charge for water service
16 (based upon meter size) for both Single Family residential and General Service
17 (defined as multifamily dwellings and nonresidential, nonindustrial business
18 enterprises) would be \$16.18 and there would be a usage charge of \$6.19 for
19 each 1,000 gallons. The monthly base facilities charge would increase as the
20 size of the meter increases from \$16.18 for a meter of less than 1" to \$404.43 for
21 a 4" meter.

1 With respect to the sewer rates, the current monthly rate for all metered
2 customers includes a customer charge of \$12.50 and a usage charge of \$5.09
3 for each 1,000 gallons. Under the proposed rates, the minimum base facilities
4 charge for sewer service to Single Family residential customers would be \$21.14
5 per month and there would be a usage charge of \$6.09 for each 1,000 gallons.
6 For General Service, the minimum base facilities charge for sewer service
7 (based upon meter size) would be \$21.14 per month and there would be a usage
8 charge of \$6.09 for each 1,000 gallons. The monthly base facilities charge for
9 General Service customers would increase as the size of the meter increases
10 from \$21.14 for a meter of less than 1" to \$528.61 for a 4" meter. The charge for
11 residential unmetered sewer service is currently \$36.99 per month and it is
12 proposed that this be increased to \$50.35 per month.

13 **Q. WILL THERE BE A CHANGE WITH RESPECT TO THE FEE CHARGED TO**
14 **LOTS THAT ARE NOT CONNECTED TO WATER AND SEWER SYSTEMS?**

15 A. There would be no change to the current monthly fee of \$4.35 for water and
16 \$4.35 for sewer for those lot owners who have water and sewer lines adjacent to
17 their property but have not yet constructed a dwelling on that property.

18 **Q. HAVE YOU ANALYZED THE IMPACT OF THE PROPOSED RATES ON**
19 **CUSTOMERS?**

20 A. Yes. Schedule 43 details the impact of the proposed rates on a customer's bill,
21 assuming the use of 3,000, 4,000 and 5,000 gallons monthly. During the test

1 year the average residential monthly consumption was 4,160 gallons. For a
2 sewer bill at 4,000 gallons of usage, the proposed sewer increase will raise the
3 bill from \$32.86 to \$45.50, an increase of approximately 38%. A water bill at
4 4,000 gallons usage would increase from \$25.36 to \$40.94, which is an increase
5 of approximately 61%. The increase in a customer's total bill would be
6 approximately 48%.

7 **Q. WHEN WOULD THE PROPOSED RATES BE EFFECTIVE?**

8 A. As filed, the rates designed to recover the proposed increases for water and
9 sewer would become effective on September 5, 2009. However, the Company
10 has requested that the proposed rates be suspended through December 31,
11 2009 and permitted to go into effect on January 1, 2010, on an interim basis,
12 pending the final decision in this case.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes, it does.

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Burnice C. Dooley, C.P.A.

Mr. Dooley is the Senior Partner and Manager of Dooley & Vicars, Certified Public Accountants, L.L.P. He is responsible for the firm's public utility consulting services, financial audits, and various special assignments.

For example, Mr. Dooley has presented testimony before the Virginia State Corporation Commission, the Delaware Public Service Commission and the Maryland Public Service Commission concerning revenue requirements of numerous electric, telephone, gas, and water utilities. In addition, he has testified concerning the following specialized issues: cost allocation principles, affiliate relationships and codes of conduct, utility mergers, acquisition of service territory, appropriate capital structure, and rate design.

Mr. Dooley has also testified before the Maryland State Senate Finance Committee and the Maryland House of Delegates Environmental Affairs Committee on utility diversification and cost allocation.

Mr. Dooley assisted Davies Associates in a comprehensive management audit of New Jersey-American Water Company for the New Jersey Board of Public Utilities. He was responsible for the audit of the finance and accounting functions as well as the audit of relationships with affiliated companies.

In addition to utility consulting, Mr. Dooley also supervises and assists on financial audits of various entities including housing authorities, telephone and water utilities. Representative audit assignments include the Hampton Redevelopment and Housing Authority; the Hopewell Redevelopment and Housing Authority; the Housing Authority of the City of Norwalk, Connecticut; and Trails End Utility Company.

Prior to forming Dooley & Vicars, Mr. Dooley was a senior partner and manager at Johnson & Dooley, Certified Public Accountants, L.L.P., for twenty years. Prior to Johnson & Dooley, he was also a staff member of the Virginia State Corporation Commission. In that capacity he audited electric, gas, telephone, water and sewer utilities requesting an increase in rates. Some of these companies include Virginia Power, Delmarva Power and Light, Appalachian Power, Washington Gas Light, C & P Telephone, Virginia Electric Cooperative, and Virginia-American Water Company.

A Certified Public Accountant, Mr. Dooley holds a B.S. in Accounting and an M.B.A. from Virginia Commonwealth University. In addition, Mr. Dooley is a Certified Management Accountant. He is a member of the American Institute of Certified Public Accountants and the Virginia Society of Certified Public Accountants.