



**State of West Virginia  
Department of Administration  
Purchasing Division**

**NOTICE**

Due to the size of this bid, it was impractical to scan every page for online viewing. We have made an attempt to scan and publish all pertinent bid information. However, it is important to note that some pages were necessarily omitted.

If you would like to review the bid in its entirety, please contact the buyer. Thank you.

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**SNAVELY KING MAJOROS O'CONNOR & BEDELL, INC.**  
ECONOMIC AND MANAGEMENT CONSULTANTS

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August 30, 2010

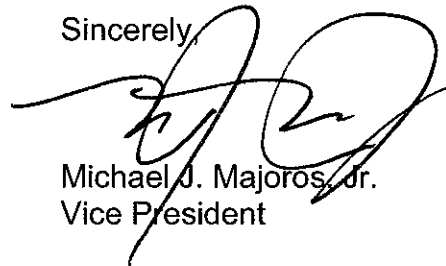
Byron Harris, Director  
Consumer Advocate Division  
Public Service Commission of West Virginia  
201 Brooks Street  
Charleston, WV 25305-0130

Re: West Virginia American Water Company  
2010 Base Rate Case – PSC Case No. 10-0920-W-42T

Dear Mr. Harris:

We are pleased to submit the attached proposal to provide assistance to your office in Case No. 10-0920-W-42T – West Virginia American Water Company base rate case. Our proposal addresses the revenue requirement and accounting aspects of the filing. Please call me at (202) 371-9153 if you have any questions or comments.

Sincerely,



Michael J. Majoros, Jr.  
Vice President

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PURCHASING DIVISION  
STATE OF WV

**Snavely King Majoros & O'Connor, Inc.**

**PROPOSAL**

**I. INTRODUCTION**

Snavely King Majoros and O'Connor, Inc. ("Snavely King") would like to thank the West Virginia Consumer Advocate Division ("CAD") for the opportunity to submit this proposal to provide professional public utility consulting services in the West Virginia American Water Company ("WVAWC" or "the Company") 2010 base rate case. Snavely King is proposing to provide assistance in the revenue requirement and accounting areas of the requested increase.

**II. THE FIRM**

Snavely King is a District of Columbia corporation located at 1111 14th Street, N.W., Washington, DC 20005. The firm was established in 1970 to conduct economic analysis of the costs, revenues, services and rates of regulated enterprises. Most of its activities have related to the preparation and presentation of expert witness testimony before Federal and state regulatory, legislative and judicial agencies. Snavely King presently employs 11 experts in economics, accounting, engineering and costs analysis. Over the course of its 40-year history, members of the firm have participated in over 1000 proceedings before almost of the state commission and Federal commissions that regulate utilities or transportation industries.

Snavely King has consistently represented state commissions and consumer advocates in literally dozens of cases involving all types of utilities, i.e., water, gas, electric, telephone, sewerage and waste removal. The CAD is familiar with Snavely King through several contracts dating back to the late 1980's.

Snavely King's experience encompasses a wide range of issues typically addressed in rate cases. These include rate of return, revenue requirement issues, depreciation, and cost of service and rate design. In the course of this experience, Snavely King's senior analyst have become familiar with the full range of concepts and practices used in public utility rate proceedings and have addressed a majority of these issues either directly in testimony or by other means such as through the issuance of audit reports. Snavely King prides itself in its provision of services and work products that meet the most demanding professional standards. We assure the CAD that it will receive no less.

### **III. DISCUSSION**

Snavely King has reviewed the Company's last application and the final order in that case (08-0900-W-42T), the Company's recent Distribution System Improvement Charge (DSIC) filing, and the Company's current filing. We note that the CAD took aggressive positions on a number of revenue requirement issues in the previous case, e.g., American Water Works Service Company (AWWSC) charges, WVAWC wage levels and vacancy rate, and effective tax rate under the parent company loss adjustment (PCLA), are familiar with all of the issues that CAD raised in that proceeding. We also note that on August 9, 2010 the Commission moved the Company's DSIC into the current case. Snavely King proposes to emulate the approach taken in the previous case, but to enhance the approach with an evaluation of WVAWC's depreciation rates.

### **IV. SCOPE OF WORK**

Snavely King proposes to review, analyze and evaluate WVAWC's application, testimony, and exhibits and to prepare independent findings of the appropriateness of the Company's claims.

Snavely King will address the following specific areas:

Accounting and Policy. This will include expert assistance and testimony for all issues which may arise in the areas of rate base, revenues, expenses, taxes and regulatory policy. Our review of rate base will address the Company's short and long-term construction-work-in progress for compliance with established Commission policy. The rate base evaluation will also include a review and analysis of other components, e.g., CWC, materials and supplies and accumulated deferred taxes to ensure compliance with Commission precedent and practice.

Snavely King will consider the propriety of normalized revenue and expense levels. It is incumbent upon CAD to determine whether the Company's revenue and expense levels properly reflect its operation in the pro forma period test year and also are matched to the level of allowable expenditures included in the rate base. This will necessarily include a test of the Company's calculation of revenues at present rates, and may require a customer growth adjustment depending upon how the Company has presented its operations. Snavely King will scrutinize each expense in conjunction with the total annual revenue requirement.

Depreciation. Snavely King has special expertise in the depreciation area. The analysis will include of a review of the Company's rates for reasonableness and compliance with its most recent depreciation study. Snavely King will examine all lives, curves and net salvage values and it will reconcile that with WVAWC's Asset

Management Plan. Snavelly King recently added this latter analysis to our general approach as a result of our work relating to Northern Kentucky Water District on behalf of the CAD.

The Total Annual Revenue Requirement. This summarizes and incorporates all other total cost issues in the case, including the appropriate rate of return and capital structure. Snavelly King prefers costs to be funded and that amortizations not be abused. The issues in these area will be defined by the Company's filing

## **V. PERSONNEL ASSIGNED**

The following Snavelly King personnel will be assigned to this project.

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Function</u></b>	<b><u>Role</u></b>
Michael Majoros	Vice President	Project Director/ Witness	Depreciation, revenue requirement
Karl Pavlovic	Senior Consultant	Chief analyst	Technical support in all areas
James Garren	Analyst	Analyst	Analytical support in all areas

This project will be conducted under the overall supervision of Michael J. Majoros, Jr., Vice President of Snavelly King. Mr. Majoros will also provide testimony relating to revenue requirements and depreciation. Mr. Majoros has testified in a multitude of public utility rate proceedings before Federal and state Commissions on a wide range of topics. Mr. Majoros has published articles in the Public Utility Fortnightly and has spoken before the Iowa State Regulatory Conference, NARUC, and NASUCA. Mr. Majoros acted as chief auditor in conjunction with the Georgia Public Service Commission staff on audits of Southern Bell Telephone & Telegraph Company's and Georgia Power Company's affiliated transactions and regulated vs. non-regulated cost allocation. Mr. Majoros also heads the firm's depreciation staff, having personally conducted dozens of public utility depreciation studies. As his resume indicates, he has an accounting training and has passed the CPA examination.

Dr. Pavlovic supports Mr. Majoros in all projects. Dr. Pavlovic has over 25 years of experience in regulatory proceedings addressing almost all aspects of the operations and costs of regulated utilities. He will act as chief analyst on this project.

Resumes are attached.

**VI. SAMPLE WORK PRODUCTS**

Attached are two recent examples of Snavely King's revenue requirement testimony. Mr. Majoros submitted both within the last year.

**VII. COST**

Snavely King proposes \$70,000 for the revenue requirement/depreciation aspects of this case. The Project Budget is attached.

RFQ No. RSC 11521

STATE OF WEST VIRGINIA  
Purchasing Division

**PURCHASING AFFIDAVIT**

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

**DEFINITIONS:**

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

**EXCEPTION:** The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (West Virginia Code §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

**WITNESS THE FOLLOWING SIGNATURE**

Vendor's Name: SMITH-LEWIS MACHINERY & CO CONNOR, Inc

Authorized Signature: [Signature] Date: 8/30/10

State of District of Columbia

County of \_\_\_\_\_ to-wit:

Taken, subscribed, and sworn to before me this 30 day of August, 2010.

DONNA ANN JEFFRIES

My Commission expires NOTARY PUBLIC DISTRICT OF COLUMBIA  
My Commission Expires July 14, 2015, 20  .

**AFFIX SEAL HERE**

**NOTARY PUBLIC** [Signature]