BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Gascony Water Company, Inc. for a Rate Increase

File No. WR-2017-0343

STATEMENT OF POSITIONS

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COMES NOW Gascony Water Company, Inc. ("Gascony" or "Company"), by and through counsel, and submits its Statement of Positions for consideration by the Missouri Public Service Commission ("Commission"):

Introduction

Gascony was incorporated in January of 1998 and became a regulated water company under the jurisdiction of the Commission in April of 1999 (Case No. WA-97-510). The Company was developed to provide adequate facilities and maintain continuity of water service to customers in Gascony Village, which consists of 755 privately owned lots sitting on approximately 235 acres in rural Gasconade County, Missouri. Gascony Village is governed by a homeowners' association and a board of directors that is elected by the property owners.

The Company provides service to approximately 180 customers, consisting of 26 fulltime, 151 part-time, and 3 commercial customers. The commercial customers, a swimming pool and pool house, a community kitchen, and a dump station, are owned by the homeowners' association. The Company's water system consists of a well, storage tank, well house, and approximately 6¹/₂ miles of supply mains. The storage tank holds approximately 1,000 gallons of water, and the supply mains are primarily 2-inch and 2¹/₂-inch PVC piping.

The Company is seeking an increase from the rates which were originally authorized for the Company in the 1998-99 CCN proceeding. George Hoesch and Jim Russo are witnesses for the Company in this matter. Mr. Hoesch, a certified operator, is the Company's president and is solely responsible for all Company operations and management. Mr. Russo, a former Commission Staff member, is self-employed as a consultant and was retained by Gascony to assist the Company with expert witness matters. Mr. Hoesch and Mr. Russo each filed Direct Testimony and Surrebuttal Testimony in this matter.

Positions on Contested Issues

1. Revenue Requirement / Expenses

a. What amount of President of Company's compensation should be included in Company's cost of service?

RESPONSE: \$9,733 should be included for Mr. Hoesch's operational responsibilities,

and a total overall annual salary of \$27,510 should be included in the Company's cost of service.

Russo Direct, pp. 3-5. Russo Surrebuttal, pp. 2, 3-9. Hoesch Surrebuttal, pp. 7-10.

b. What amount of office rents should be included in Company's cost of service?

RESPONSE: The appropriate level of rent for the Saint Louis office is \$2,159 annually.

The appropriate level of rent expense for the Gascony Village office is \$2,210 annually.

Russo Direct, pp. 5-7. Hoesch Direct, pp. 7-8. Russo Surrebuttal, pp. 9-10. Hoesch Surrebuttal, pp. 10-11.

c. What amount of travel expense relating to President of Company's travel costs should Company be allowed to include?

RESPONSE: The Commission should continue the practice of allowing the Company to recover mileage reimbursement at the federal mileage rate. OPC's recommendation to the contrary should be rejected.

Hoesch Direct, p. 8. Russo Surrebuttal, p. 15. d. What is the appropriate amount of rate case expense to include in the cost of service for Company and what is the appropriate mechanism to apply to rate case expense costs for Company?

RESPONSE: The Company should be allowed to include in its cost of service the total amount of prudently incurred rate case expenses, including legal and expert witness fees, to be amortized over a period of six years.

Russo Direct, pp. 7-8. Russo Surrebuttal, pp. 10-12.

e. What amount of depreciation expense should be included and what is the mechanism to apply such depreciation?

RESPONSE: \$3,358 in depreciation expense should be included.

Russo Surrebuttal, Schedule SUR-jr1.

f. What is the total annual revenue required to recover the cost of providing utility service to Company's customers?

RESPONSE: The total revenue requirement for the Company is approximately \$57,300.

Revenues generated by current tariffed rates (those set in 1999) are approximately

\$36,149. An increase of \$21,148 is required in order for the Company to recover the present cost

of providing utility service to its customers. In contrast, Staff supports an increase of only \$1,231

over the revenue requirement authorized for the Company in 1999 – nearly 20 years ago. OPC

supports an increase of only \$952.

Russo Direct, p. 10. Russo Surrebuttal, Schedule SUR-jr1.

2. Rate Base

a. Should Company be allowed to include in its rate base values real property identified as Lot 27 and real property identified as the Storage Building Lot (also referred to as the Shed Property or Shed Lot)? If so, what is a reasonable amount to be allowed?

RESPONSE: Yes, rate base should include values for the real property identified as Lot 27 (\$10,000) and the Storage Building Lot (\$7,500). It would be unjust and unreasonable to deny the Company's requests in this regard.

Russo Direct, pp. 8-9. Hoesch Direct, pp. 5-6. Russo Surrebuttal, pp. 2-3. Hoesch Surrebuttal, pp. 1-4.

b. Should Company be allowed to include in its rate base values equipment identified as a trencher and a utility task vehicle ("UTV")? If so, what is a reasonable amount to be allowed?

RESPONSE: Yes, rate base should include values for the trencher (\$8,000) and the UTV

(\$3,500).

Russo Direct, pp. 9-10. Hoesch Direct, pp. 6-7. Hoesch Surrebuttal, pp. 4-7.

3. Rate Design: What are the appropriate Customer Equivalency Factors that will be used to determine rates for the various customer classes?

RESPONSE: The customer equivalent factor (for comparing part-time and full-time customers) should be increased from .35 to .5. Additionally, the swimming pool customer equivalent factor should be increased from 3.56 to 6; the kitchen customer equivalent factor should be increased from 0.565 to 2; and the dump station customer equivalent factor should be

increased from 1.65 to 2.5.

Russo Direct, pp. 12-16. Russo Surrebuttal, pp. 12-13.

4. Miscellaneous: Should the Company ensure all new customers complete an application for service per the Company's tariff and should this requirement be completed within thirty (30) days of the resolution of the case?

RESPONSE: The Company has no objection to implementing the Staff-suggested policy of requiring new customers to complete an application for service per the Company's tariff.

The dispute between the parties is regarding the Staff-suggested requirement, which is supported by OPC, that the Company "complete" the requirement within thirty days. The Company submits that there is no way to "complete" this requirement within thirty days. There may not be new customers within the thirty days following resolution of this case, and, of course, there may be new customers following the first thirty-day period. The Company has no objection to making an application available, per the Company's tariff, for new customers to fill out upon a request for new service.

Russo Direct, pp. 17-18. Russo Surrebuttal, pp. 13-14.

WHEREFORE, Gascony respectfully submits its Statement of Positions. Gascony requests such relief as is just and proper under the circumstances.

<u>/s/ Diana C. Carter</u> Diana C. Carter MBE #50527 BRYDON, SWEARENGEN & ENGLAND P.C. 312 E. Capitol Avenue P. O. Box 456 Jefferson City, MO 65102 Phone: (573) 635-7166 E-mail: dcarter@brydonlaw.com

CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document was filed in EFIS on this 12th day of March, 2018, with notice of the same being sent to all counsel of record.

/s/ Diana C. Carter_____