

Exhibit No.: _____

Issues: (1) STEP Connection
Charges
(2) Customer Deposits
(3) Non-STEP CIAC
Depreciation Offset
(4) Capital Structure

Witness Name: Dale W. Johansen

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Central Rivers
Wastewater Utility, Inc.

Case No.: SR-2014-0247

Date of Testimony: December 15, 2014

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the Matter of Central Rivers)
Wastewater Utility, Inc.'s Small)
Company Rate Increase Request)** **Case No. SR-2014-0247**

**Surrebuttal Testimony of
Dale W. Johansen**

**Presented on Behalf of
Central Rivers Wastewater Utility, Inc.**

December 15, 2014

**Johansen Consulting Services, LLC
915 Country Ridge Drive
Jefferson City, MO 65109**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the Matter of Central Rivers)
Wastewater Utility, Inc.'s Small)
Company Rate Increase Request)**

Case No. SR-2014-0247

AFFIDAVIT OF DALE W. JOHANSEN

**STATE OF MISSOURI)
) SS
COUNTY OF COLE)**

COMES NOW Dale W. Johansen, being of lawful age, and on his oath states:

(1) That I am the owner of Johansen Consulting Services, LLC and have been retained to present testimony on behalf of Central Rivers Wastewater Utility, Inc. in this proceeding;

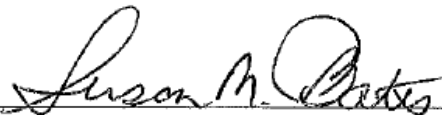
(2) That I participated in the preparation of the following Surrebuttal Testimony consisting of a table of contents and four pages of questions and answers;

(3) That I provided the answers given in the following testimony; and

(4) That I have knowledge of the information presented in the answers, and that such information is true and correct to the best of my knowledge, information and belief.


Dale W. Johansen

Subscribed and sworn to before me this 15th day of December 2014.


Notary Public

My Commission Expires: 07-15-16

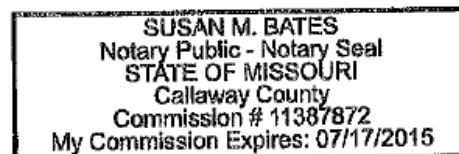


TABLE OF CONTENTS

**SURREBUTTAL TESTIMONY
OF DALE W. JOHANSEN**

CASE NO. SR-2014-0247

1	INTRODUCTION	1
2	EXECUTIVE SUMMARY	1
3	STEP CONNECTION CHARGES.....	1
4	CUSTOMER DEPOSITS	3
5	NON-STEP CIAC DEPRECIATION OFFSET	4
6	CAPITAL STRUCTURE	4

**SURREBUTTAL TESTIMONY
OF DALE W. JOHANSEN**

CASE NO. SR-2014-0247

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS MAILING ADDRESS.

A. Dale W. Johansen, 915 Country Ridge Drive, Jefferson City, MO 65109.

**Q. ARE YOU THE SAME DALE JOHANSEN THAT PREVIOUSLY FILED
SUPPLEMENTAL DIRECT & REBUTTAL TESTIMONY IN THIS CASE ON
BEHALF OF CENTRAL RIVERS WASTEWATER UTILITY, INC.?**

A. Yes, I am.

EXECUTIVE SUMMARY

Q. WHAT IS THE PURPOSE OF THIS SURREBUTTAL TESTIMONY?

A. I am presenting this testimony to address certain aspects of the following matters discussed in the Rebuttal Testimony of the Office of the Public Counsel's witness William Addo: (1) STEP connection charges; (2) customer deposits; (3) non-STEP CIAC depreciation offset; and (4) the Company's capital structure.

STEP CONNECTION CHARGES

**Q. REGARDING MR. ADDO'S POSITION THAT THE COMMISSION
SHOULD ORDER THE COMPANY TO REFUND THE STEP CONNECTION
CHARGES IT COLLECTED IN EXCESS OF THE TARIFFED AMOUNTS, WHAT
IS YOUR UNDERSTANDING AS TO THE COMMISSION'S AUTHORITY TO DO
THIS?**

1 A. I do not believe it has that authority. My understanding of the Commission's
2 authority in regard to this particular situation is: (a) that, as the result of a complaint, it has
3 the authority to make a finding as to whether the Company violated its tariff; (b) that it has
4 the authority to determine the amount of refunds (if any) that might be due affected
5 customers; (c) that it has the authority to pursue a circuit court action seeking payment of the
6 refunds it finds are due; and (d) that it does not have the authority to order the Company to
7 actually pay any refunds it finds are due.

8 **Q. REGARDING MR. ADDO'S POSITION THAT THE COLLECTED**
9 **CHARGES IN EXCESS OF THE TARIFFED AMOUNTS SHOULD BE REFUNDED**
10 **WITH INTEREST, DO EITHER THE COMPANY'S TARIFF OR THE**
11 **COMMISSION'S RULES INCLUDE PROVISIONS FOR INTEREST TO BE PAID**
12 **IN THIS SITUATION?**

13 A. The Company's tariff does not include any such provisions and I am not aware of
14 any Commission rule that would apply to this situation either.

15 **Q. WHAT IS YOUR VIEW OF MR. ADDO'S POSITION THAT THE**
16 **COLLECTED CHARGES IN EXCESS OF THE TARIFFED AMOUNTS SHOULD**
17 **BE REMOVED FROM PLANT IN SERVICE AND CIAC TO "ENSURE**
18 **CONSISTENCY SO THAT PLANT-IN-SERVICE AND CIAC WILL NOT BE**
19 **OVERSTATED"?**

20 A. I disagree with this position because I believe it would lead to an under-statement
21 of the Company's investments related to its provision of service. In order for the Company's
22 investment (net plant in service) related to these installations to be accurate and fair to both

1 the Company and the customers, I believe both the installation costs incurred and the
2 connection fees received should be booked as plant in service and CIAC, respectively.

3 **Q. WHAT IS YOUR VIEW OF MR. ADDO'S POSITION THAT REFUNDS**
4 **OF THE COLLECTED CHARGES IN EXCESS OF THE TARIFFED AMOUNTS**
5 **SHOULD BE MADE OVER A PERIOD OF ONE YEAR?**

6 A. I believe that period is too short because of the impact it could have on the
7 Company's ability to provide service. Assuming Mr. Addo's calculation is correct, the refund
8 amount is nearly 42% of the Company's test year operating revenues, and it rises to nearly
9 50% if interest as calculated by Mr. Addo is added. (This impact is even worse when
10 considering that Mr. Addo also supports the return of customer deposits over a one-year
11 period of time.)

12 **CUSTOMER DEPOSITS**

13 **Q. WHAT IS YOUR VIEW OF MR. ADDO'S POSITION THAT CUSTOMER**
14 **DEPOSIT REFUNDS SHOULD BE MADE OVER A PERIOD OF ONE YEAR?**

15 A. I believe that period is too short because of the impact it could have on the
16 Company's ability to provide service. Assuming Mr. Addo's calculation of the refund
17 amount is correct, the refund amount is nearly 22% of the Company's test year operating
18 revenues. (This impact is especially relevant when considering that Mr. Ado also supports
19 the return of connection fee overcharges over a one-year period of time.)

20 **Q. SHOULD CUSTOMER DEPOSITS BE REMOVED AS AN OFFSET TO**
21 **RATE BASE ONCE THEY ARE REFUNDED?**

1 A. Yes, they should, and I don't think there is any disagreement between the parties
2 about this matter.

3 **NON-STEP CIAC DEPRECIATION OFFSET**

4 **Q. DO YOU AGREE THAT CALCULATIONS RELATED TO THE**
5 **DETERMINATION OF THE COMPANY'S RATE BASE SHOULD BE UPDATED**
6 **THROUGH THE END OF THE TRUE-UP PERIOD FOR THIS CASE (03/31/2014)?**

7 A. Yes, I do. This would include the non-STEP CIAC depreciation offset that Mr.
8 Addo discussed in his Rebuttal Testimony, the change in the CIAC amortization calculation I
9 discussed in my Supplemental Direct & Rebuttal Testimony, and the customer deposit rate
10 base offset discussed above.

11 **CAPITAL STRUCTURE**

12 **Q. DO YOU AGREE THAT THE UPDATED RATE BASE DISCUSSED IN**
13 **THE PREVIOUS SECTION OF YOUR TESTIMONY SHOULD BE USED IN THE**
14 **CALCULATION OF THE COMPANY'S CAPITAL STRUCTURE AND THE**
15 **RESULTING COST-OF-SERVICE ITEMS?**

16 A. Yes, I do.

17 **Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

18 A. Yes it does, so far as Mr. Addo's Rebuttal Testimony is concerned. However, as
19 provided for in the procedural schedule, I may file additional "limited scope" surrebuttal
20 testimony in response to testimony that other parties file on December 15th.