

Exhibit No.:

Issue(s):

STEP Connection Charge/
Rate Case Expense/
Customer Deposits/
Capital Structure/
Return on Equity/
Non-STEP Depreciation

Witness/Type of Exhibit:

Addo/Rebuttal

Sponsoring Party:

Public Counsel

Case No.:

SR-2014-0247

REBUTTAL TESTIMONY

OF

WILLIAM ADDO

Submitted on Behalf of the Office of the Public Counsel

Central Rivers Wastewater Utility, Inc.

CASE NO. SR-2014-0247

December 5, 2014

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

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

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)
)

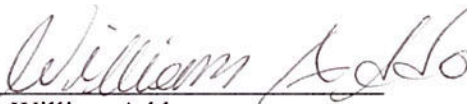
File No. SR-2014-0247

AFFIDAVIT OF WILLIAM ADDO

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

William Addo, of lawful age and being first duly sworn, deposes and states:


1. My name is William Addo. I am a Public Utility Accountant I for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


William Addo
Public Utility Accountant I

Subscribed and sworn to me this 5th day of December, 2014.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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**REBUTTAL TESTIMONY
OF
WILLIAM ADDO**

CENTRAL RIVERS WASTEWATER UTILITY, INC.

CASE NO. SR-2014-0247

I. INTRODUCTION.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. William Addo, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Missouri Office of the Public Counsel (“OPC” or “Public Counsel”) as a Public Utility Accountant 1.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include performing audits and examinations of the books and records of public utility companies operating within the State of Missouri under the supervision of the Chief Public Utility Accountant, Mr. Ted Robertson.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

A. I graduated in May, 2004, from the University of Ghana with a Diploma in Accounting. In May 2007, I received a Bachelor of Science Degree in Business Administration (Accounting Major) from the same institution. In May 2010, I received a Masters Degree

1 in Business Administration (Accounting Major) from Lincoln University in Jefferson
2 City, Missouri.

3
4 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
5 UTILITY ACCOUNTING?

6 A. Yes. I have attended the National Association of Regulatory Utility Commissioners
7 (“NARUC”) Annual Regulatory Studies Program.

8
9 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC
10 SERVICE COMMISSION (“COMMISSION” OR “MPSC”)?

11 A. Yes. Please refer to Schedule WA-1, which is attached to this Testimony, for a list of
12 cases in which I have previously filed testimony.

13
14 **II. PURPOSE OF TESTIMONY.**

15 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

16 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimonies of the
17 MPSC Staff witness, Mr. James A. Merciel, Jr., and Central Rivers Wastewater Utility,
18 Inc.’s (“Central Rivers” or “Company”) witness, Mr. Mark E. Geisinger, regarding Septic
19 Tank Effluent Pump (“STEP”) “Connection Charges”. This Testimony will further
20 address Mr. Mark E. Geisinger’s position regarding rate case expense. I will also address

1 the Direct Testimony of the MPSC Staff witness, Mr. Matthew R. Young, as it relates to
2 customer deposits and the MPSC Staff's overall rate increase recommendation in this
3 case.
4

5 **III. SEPTIC TANK EFFLUENT PUMP CONNECTION CHARGES.**

6 Q. WHAT IS THE ISSUE?

7 A. This issue pertains to STEP Connection Charges that Central Rivers over-collected from
8 some of its customers, including whether the over-collections should be refunded to the
9 customers that paid a Connection Charge in excess of the Company's tariff rates; if a
10 refund is ordered by the Commission, what rate base treatment should be afforded to the
11 refund amounts; and, whether Central Rivers' request to increase its Connection Charges
12 be authorized by the Commission.
13

14 Q. PLEASE PROVIDE A BRIEF BACKGROUND TO THIS ISSUE.

15 A. Central Rivers' presently existing tariff provides, among other provisions, "All single
16 family residential customers utilizing a STEP system that the Company will maintain
17 shall pay a one-time \$4,500 connection charge for three bedroom and smaller homes and
18 \$4,800 for four bedroom and larger homes when making application for service. This
19 charge includes any and all costs associated with watertight septic tank, post construction
20 testing of tank and system, pump or pumps, effluent filters, electrical control panel, splice

1 box and wiring from control panel to septic tank, wiring from stubbed out electrical
2 service at customer home to control panel, 4" SCH 40 (or equal) piping from single
3 family residence to septic tank up to 120 linear feet, 1" SCH 40 (or equal) piping from
4 septic tank to main collection systems line up to 800 linear feet, risers and lids, service
5 connection valves and appurtenances, and inspections."

6
7 Q. HAS CENTRAL RIVERS ADHERED TO THIS PROVISION?

8 A. No. The Company engaged in improper conduct by arbitrarily charging and collecting
9 from some of its customers amounts that are above the Commission-authorized tariff. As
10 of March 31, 2014, the update period in this case, Public Counsel estimates that the
11 Company has over-collected \$44,920 from its customers. It must be noted that this
12 amount is Public Counsel's best estimate since the Company, in responses to different
13 data requests, provided inconsistent information. For example, the Company's response
14 to the MPSC Staff's "Follow-up Questions for Central Rivers" Data Request No. 14,
15 shows that the Company over-collected Connection Charges for 82 installations. The
16 Company's response to Public Counsel's Data Request No. 1236 (5), shows that the
17 Company over-collected Connection Charges for 78 installations. My analysis of the
18 Company's books and records indicates that the Company over-collected Connection
19 Charges for 76 installations. In addition, information made available by a customer at the
20 Company's local public hearing held on November 20, 2014 shows that Central Rivers

1 has self-servingly charged the customer an amount of \$1,200 over and above the already
2 inflated \$5,200 STEP Connection Charge billed to the customer. The Commission-
3 authorized cost buildup for STEP Connection Charge includes a cost for 1 inch piping
4 from customer's septic tank to the sewer main up to 800 linear feet; however, Central
5 Rivers, on its Application for Sewer Service, attached to this Testimony as Schedules
6 WA-2 and WA-3, reduced the included linear feet to 200 and charged the customer an
7 additional fee for footages over the 200 feet. Public Counsel was not privy to this
8 information during the initial audit and believes that further investigation is warranted to
9 unearth similar charges that might have been billed to other customers. Therefore, the
10 \$44,520 amount would have to be trued-up based on accurate information as this case
11 progress.

12
13 Q. WHAT IS THE MPSC STAFF'S POSITION REGARDING THIS ISSUE?

14 A. Mr. James A. Merciel, Jr., on page 15, lines 17 through 22, and continuing on page 16,
15 lines 1 through 21, of his Direct Testimony, among other recommendations, recommends
16 that all over-collected amounts should be refunded to the specific customers who paid the
17 incorrect Connection Charges, and Central River be allowed a 3-year time frame within
18 which to make the refunds available to the specific customers. On page 11, lines 11
19 through 22 of his Direct Testimony, Mr. Merciel contemplates the rate base treatment to
20 be afforded to the refund amounts, but he made no specific recommendation. Regarding

1 Central Rivers' request to increase its STEP Connection Charges, Mr. Merciel, on page
2 14, lines 19 and 20, of his Direct Testimony, states that "since Staff is not able, by choice
3 of CRW, to audit the expenses that comprise Connection Charges, Staff at this time takes
4 the position that no increase should be approved."

5
6 Q. WHAT IS THE COMPANY'S POSITION ON THIS ISSUE?

7 A. The Company has not offered any position on refunding the over-collected Connection
8 Charges nor on the rate base treatment to be afforded the refund amounts. However, on
9 page 7, lines 27 through 30, of his Direct Testimony, Company witness, Mr. Mark E.
10 Geisinger, formulates the following Q & A:

11
12 Q. DO YOU PROPOSE ANY CHANGES TO THE CONNECTION CHARGE
13 FOR THE STEP UNIT?

14 A. Yes. I propose that the connection charge be increased to a onetime \$6,000
15 connection charge for each home.
16
17
18

19 Q. WHAT IS THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

20 A. First, Public Counsel's position is that the Commission should order Central Rivers to
21 refund all the over-collected amounts, with accrued interest, to the customers that paid a
22 Connection Charge in excess of the Company's tariff rates within 1-year of the effective
23 date of the Commission's Report and Order in this case. It is not just and reasonable for

1 any public utility – in this case Central Rivers – to arbitrarily charge its customers
2 unauthorized amounts that it so desires. The time-tested utility regulation in the State of
3 Missouri enjoins all public utility companies operating under the jurisdiction of the
4 Missouri Public Service Commission to follow the terms of their Commission-authorized
5 tariff. Central Rivers undoubtedly violated the terms of its tariff; therefore, the
6 Commission should order a refund of the over-collected amounts. Additionally, it is not
7 fair for the affected customers to be forced to provide their hard-earned money for the
8 utility's use for an extended period of time without a finding by the Commission that it is
9 just and reasonable for Central Rivers to pay interest on the over-collected amounts.

10
11 Second, it is Public Counsel's position that the total refund amount, if authorized by the
12 Commission, should be removed from Plant-in-Service and Contributions in Aid of
13 Construction (CIAC). This adjustment will ensure consistency so that Plant-in-Service
14 and CIAC will not be overstated.

15 Third, it is Public Counsel's position that the Commission reject Central Rivers' request
16 to increase Connection Charges to a one-time \$6,000 for each home. Central Rivers has
17 not justified the increase it is requesting. During the course of my audit, specifically on
18 July 9, 2014, Public Counsel issued Data Request No. 1235 to the Company to provide,
19 or make available for our review, detailed documentation that supports all costs incurred
20 by the Company in installing and connecting each STEP system. The response to this

1 Data Request is attached to this Testimony as Schedules WA-4, WA-5, and WA-6. A
2 follow-up request, Data Request No. 1236 (7), issued to the Company on November 5,
3 2014, requesting similar information, yielded no auditable information. The burden of proof
4 lies with Central Rivers to justify any cost it wants to include in its rates; I believe Central
5 Rivers has not met that burden. It is also important to note that Central Rivers, in an attempt
6 to justify the \$6,000 amount it wants to include in rates going forward, provided inconsistent
7 and conflicting support. This anomaly is summarized, and attached to this Testimony as
8 Schedule WA-7. The \$6,000 amount is excessive, unreasonable, and lacks support. At this
9 juncture, I will refer the Commission to a STEP connection price quote tendered in by a
10 customer at the Company's local public hearing which was admitted into the record as Local
11 Public Hearing Exhibit 1, and also attached to this Testimony as Schedule WA-8.

12
13 Q. YOU MENTIONED THAT IT IS PUBLIC COUNSEL'S POSITION THAT THE
14 COMMISSION SHOULD ORDER CENTRAL RIVERS TO PAY INTEREST ON THE
15 OVER-COLLECTED AMOUNTS; WHAT IS THE TOTAL INTEREST COMPONENT
16 THAT PUBLIC COUNSEL IS RECOMMENDING THE COMMISSION ORDER
17 CENTRAL RIVERS TO REFUND CUSTOMERS?

18 A. By my calculations, the total interest component of the over-collected amounts would
19 amount to \$8,524. Again, this amount is Public Counsel's best estimate. The
20 inconsistencies cited earlier in this Testimony regarding this issue also permeate the

1 calculation of this amount. This amount would have to be trued-up based on accurate
2 information as this case progress.

3
4 Q. HOW WAS THIS AMOUNT CALCULATED?

5 A. First, I utilized the Company's response to Public Counsel's Data Request No. 1236 (5)
6 to estimate a time frame that the Company collected the overcharged Connection Charges
7 from each customer.

8
9 Second, I subtracted each estimated time frame from the update period in this case,
10 March 31, 2014, to derive the number of days that the Company unlawfully held each
11 customer's money. The total number of days was then divided by 365 days to derive the
12 total number of years that the Company unlawfully held each customer's money.

13
14 Third, I multiplied each customer's allocable over-collected amount by a 6% interest rate
15 per annum (Commission-authorized customer deposit interest rate for the Company) to
16 derive the yearly accrued interest that is due each customer.

17
18 Fourth, I multiplied each customer's yearly accrued interest by the number of years that
19 the Company unlawfully held each customer's money to derive the total accrued interest
20 that is due each customer.

1
2 Fifth, I summed up the total accrued interest of each customer to derive the total interest
3 component.
4

5 Q. WHY DOES PUBLIC COUNSEL BELIEVE THAT THE COMMISSION-
6 AUTHORIZED 6% INTEREST RATE FOR CUSTOMER DEPOSITS IS THE
7 APPROPRIATE INTEREST RATE TO USE UNDER THIS CIRCUMSTANCE?

8 A. Public Counsel believes that both customer deposit amounts and the over-collected
9 amounts received from customers represent cost-free funds provided by certain customers
10 for taking sewer service from Central Rivers; therefore, in the absence of any definitive
11 determination on an applicable interest rate to be applied in the event of an overcharging,
12 the Commission-authorized 6% interest rate for customer deposits is an appropriate proxy
13 at this time. It is noteworthy for the Commission's consideration that Central Rivers'
14 current cost of debt (the interest rate that Central Rivers pays for borrowing money from
15 its bank) as determined by the MPSC Staff is 9.75%. This percentage is significantly
16 higher than the 6% that Public Counsel is recommending to the Commission. Public
17 Counsel is, however, considering the option of using a Company's cost of debt and
18 applicable compounding period in developing its position in future cases when similar
19 situations occur.
20

1 Q. DOES PUBLIC COUNSEL HAVE ANY OTHER CONCERNS REGARDING THIS
2 ISSUE?

3 A. Yes. On page 11, and continuing on page 12, of his Direct Testimony, Mr. Mark E.
4 Geisinger states that it is extremely important from an operational and environmental
5 view point to allow Central Rivers to have the sole discretion as to who may install STEP
6 or STEG units. Public Counsel is opposed to any such tariff language. Public Counsel
7 believes that customers, rather than the Company, deserve to be given the sole discretion
8 as to who installs their STEP or STEG. Public Counsel will support, however, a tariff
9 change that will allow the Company to recommend material specifications and inspection
10 prior to the installation and connection of STEP or STEG by any customer.
11

12 Q. PLEASE SUMMARIZE PUBLIC COUNSEL'S RECOMMENDATION REGARDING
13 THIS ISSUE.

14 A. Public Counsel recommends that the Commission should order Central Rivers to refund
15 all the over-collected Connection Charge amounts, with accrued interest, to the customers
16 that paid a Connection Charge in excess of the Company's tariff rates, and do so within
17 1-year of the effective date of the Commission's Report and Order in this case. The
18 MPSC Staff's recommendation of a 3-year period is too long for the "captive" customers
19 to receive monies that were illegitimately taken from them. Public Counsel also asks the
20 Commission to order Central Rivers to furnish Public Counsel and the MPSC Staff with

1 monthly reports detailing refund amounts paid to each customer, and the amounts
2 remaining to be paid to each customer.

3
4 Additionally, Public Counsel recommends that the refund amounts, once authorized by
5 the Commission, must be removed from Plant-in-Service and CIAC.

6
7 Public Counsel also recommends that the Commission deny Central Rivers' request to
8 increase STEP or STEG installation and connection charges, and the Company's request
9 that Central Rivers be given the sole discretion to install and connect the STEP or STEG
10 units.

11
12 **IV. RATE CASE EXPENSE.**

13 Q. WHAT IS THE ISSUE?

14 A. This issue concerns the amount of rate case expense to be included in the calculation of
15 Central Rivers' cost of service.

16
17 Q. WHAT IS THE MPSC STAFF'S POSITION REGARDING THIS ISSUE?

18 A. The MPSC Staff has not offered testimony regarding this issue.

19
20 Q. WHAT IS THE COMPANY'S POSITION?

1 A. The Company, in its Direct Testimony, attached certain invoices that it purports
2 constitute rate case expenses incurred by the Company.

3
4 Q. WHAT IS THE PUBLIC COUNSEL'S POSITION?

5 A. Public Counsel is still evaluating the prudence of the invoices that the Company purports
6 constitute rate case expenses; and, since this cost is an ongoing cost, Public Counsel will
7 update its position as this case progress.

8
9 **V. CUSTOMER DEPOSITS.**

10 Q. WHAT IS THE ISSUE?

11 A. This issue concerns the MPSC Staff's recommendation to the Commission that
12 Central Rivers should be authorized to refund customer deposits to its customers
13 over a 2-year period.

14
15 Q. WHAT ARE CUSTOMER DEPOSITS?

16 A. Customer deposits are funds required to be provided by certain customers of a utility
17 company as a security deposit against potential non-payment for utility service.

1 Q. WHAT IS THE RATEMAKING TREATMENT THAT IS AFFORDED TO CUSTOMER
2 DEPOSITS?

3 A. Traditionally, until refunded, customer deposits represent a source of funds available to a
4 utility company, and are included as an offset to the rate base investment. Generally,
5 interest is calculated on customer deposits and paid to customers for the use of their
6 money.

7
8 Q. IS CENTRAL RIVERS REQUIRED TO PAY INTEREST ON CUSTOMER DEPOSITS
9 TO ITS CUSTOMERS?

10 A. Yes. The Company's Tariff, Rule 10 (Bill for Service), stipulates, among other
11 requirements, that "the Company *shall* pay six percent (6%) interest per annum
12 on deposits provided the deposit remains in the possession of the Company for a
13 period of six (6) months or more." Emphasis added.

14
15 Q. HAS THE COMPANY ADHERED TO ITS TARIFF REGARDING INTEREST ON
16 CUSTOMER DEPOSITS?

17 A. No. The Company has ignored the Commission's Rule that obliges the payment
18 of interest on customer deposits to its customers. In response to Public Counsel's
19 Date Request No. 1237, the Company states, among other responses provided,
20 that "there has been no interest calculated on the customer deposits."

1 Q. WHAT IS THE COMPANY' POSITION ON THIS ISSUE?

2 A. Even though the Company has not offered testimony on this issue, it has expressed
3 the willingness, in meetings, to refund all current customer deposits, with accrued
4 interest, and to cease collecting customer deposits in the future.

5
6 Q. WHAT IS THE PUBLIC COUNSEL'S CONCERN REGARDING THE MPSC STAFF'S
7 RECOMMENDATION?

8 A. Public Counsel is opposed to the MPSC Staff's recommendation to the Commission to
9 authorize Central Rivers to refund customer deposits to customers over a 2-year time
10 frame. Public Counsel's position is that the Commission should order Central Rivers to
11 refund all customer deposit amounts, with accrued interest, to customers within 1-year of
12 the effective date of the Commission's Report and Order in this case. Commission Rule
13 4 CSR 240-13.030(4) (D) states:

14
15 Upon satisfactory payment of all undisputed utility charges during the last
16 twelve (12) billing months, it shall be promptly refunded or credited, with
17 accrued interest, against charges stated on subsequent bills. Payment of a
18 charge is satisfactory if received prior to the date upon which the charge
19 becomes delinquent provided it is not in dispute. Payment of a disputed
20 bill shall be satisfactory if made within ten (10) days of resolution or
21 withdrawal of the dispute. A utility may withhold refund of a deposit
22 pending the resolution of a dispute with respect to charges secured by the
23 deposit.

1 According to Public Counsel's audit, it seems some customers established a satisfactory
2 payment history to warrant a refund of their customer deposit as far back as the year
3 2000. Therefore, Public Counsel believes that a two-year time frame is too long for
4 customers to wait in addition to the ample time that they have already waited.

5
6 Q. DOES PUBLIC COUNSEL HAVE ANY OTHER CONCERNS REGARDING THIS
7 ISSUE?

8 A. Yes. The MPSC Staff in its recommendation to the Commission did not provide
9 for any reporting mechanism by Central Rivers that would ensure that customers
10 receive the exact refund that is due them. The MPSC Staff also did not make any
11 recommendation to the Commission regarding the total dollar amount to be
12 refunded by Central Rivers.

13
14 Q. HAVE YOU CALCULATED THE TOTAL DOLLAR AMOUNT OF CUSTOMER
15 DEPOSITS THAT CENTRAL RIVERS WOULD HAVE TO REFUND TO ITS
16 CUSTOMERS?

17 A. Yes. I utilized the Company's response to Public Counsel's Data Request No.
18 1237 through 1239 to determine this amount. By my calculations, customer
19 deposits would amount to \$16,022 and the accrued interest on the deposits would
20 amount to \$7,186; resulting in the total dollar amount of \$23,208. A detailed

workpaper that shows step by step calculation of these amounts will be provided to all the parties in this case in accordance with the terms of the Procedural Schedule established in this case.

Q. PLEASE SUMMARIZE PUBLIC COUNSEL'S RECOMMENDATION REGARDING THIS ISSUE.

A. Public Counsel recommends that the Commission order Central Rivers to refund all customer deposit amounts, with accrued interest, to the customers within 1-year of the effective date of the Commission's Report and Order in this case. Public Counsel also asks the Commission to order Central Rivers to furnish Public Counsel and the MPSC Staff with monthly reports detailing customer deposit refund amounts paid to each customer, and the amounts remaining to be paid to each customer.

VI. STAFF'S OVERALL RATE INCREASE RECOMMENDATION.

Q. WHAT IS THE MPSC STAFF'S OVERALL RATE INCREASE RECOMMENDATION IN THIS CASE?

A. In his conclusion and recommendation segment, page 40, lines 6 through 8, of his Direct Testimony, Mr. Matthew R. Young states "Staff is recommending that no rate or fee increase be authorized by the Commission because Central Rivers is unable to support its rate increase request with actual cost information in support of its cost of service."

1 Q. HAS CENTRAL RIVERS PROVIDED YOU WITH ADEQUATE ACTUAL COST
2 INFORMATION THROUGHOUT THE COURSE OF YOUR AUDIT?

3 A. No. As Mr. Matthew R. Young correctly represented throughout his Direct Testimony,
4 Central Rivers did not provide adequate actual cost information to support the rate increase
5 it requested. A greater proportion of the cost information provided by the Company was
6 based on estimates, and in some instances, inconsistent information as I have pointed out
7 earlier on in this Testimony. For example, approximately \$126,000 of the amount Central
8 Rivers requested to be included in its cost of service is based on estimated contract amounts
9 billed by its affiliate – Construction Services and Management, LLC (“CSM”). This
10 \$126,000 amount, even after the MPSC Staff disallowed about \$26,000, represents
11 approximately 76% of the Company’s claimed total cost of service as determined by the
12 MPSC Staff. The Company could not substantiate any of the contracted amounts in terms
13 of actual costs that CSM incurred in providing the alleged services stated in the contract
14 document. Unsubstantiated costs originating from an affiliate deserve a great deal of
15 scrutiny, especially when a clear distinction cannot be drawn between Central Rivers and
16 CSM. There were also instances during my audit when I came across multiple invoices that
17 were billed by CSM directly to Central Rivers’ customers for STEP connections - this raises
18 suspicion concerning the justness and reasonableness of the STEP Connection Charges and
19 under what authority CSM is billing utility customers.
20

1 Q. IS IT YOUR UNDERSTANDING THAT THE MPSC STAFF AND CENTRAL RIVERS
2 REACHED AN AGREEMENT REGARDING A PARTIAL DISPOSITION OF THIS
3 SMALL COMPANY RATE INCREASE REQUEST?

4 A. Yes. On October 7, 2014, the MPSC Staff and the Company filed a Notice of
5 Company/Staff Agreement Regarding Partial Disposition of Small Company Rate Increase
6 Request.

7
8 Q. IS THE MPSC STAFF'S ACCOUNTING SCHEDULE FILED WITH THE PARTIAL
9 DISPOSITION THE SAME AS THE "ESTIMATED" ACCOUNTING SCHEDULE
10 FILED CONCURRENTLY WITH THE MPSC STAFF'S DIRECT TESTIMONY?

11 A. Yes.

12
13 Q. DOES THE PUBLIC COUNSEL HAVE CONCERNS WITH THE ACCOUNTING
14 SCHEDULE FILED WITH THE PARTIAL DISPOSITION AND WITH STAFF'S
15 DIRECT TESTIMONY?

16 A. Yes. In addition to the concerns I have stated earlier in this Testimony, Public Counsel had,
17 and still has, concerns with the MPSC Staff's calculation of capital structure and return on
18 equity, and non-STEP CIAC depreciation offset.

1 Q. PLEASE EXPLAIN.

2 A. The MPSC Staff calculated an amount of \$110,300 as Central Rivers' total capitalization
3 (rate base); however, it appears the MPSC Staff erroneously used an amount of \$95,601 as
4 the Company's total capitalization when calculating the Company's capital structure and
5 return on equity. Public Counsel believes that the \$110,300 amount should be correctly
6 applied in determining the Company's capital structure and return on equity.

7
8 Regarding the non-STEP depreciation offset, the MPSC Staff trued-up Plant-in-Service and
9 CIAC balances through March 31, 2014, but has not trued-up non-STEP depreciation offset
10 to reflect the matching principle. The MPSC Staff instead utilized December 31, 2013 non-
11 STEP depreciation offset amount (\$32,187) in its Accounting Schedule. Public Counsel
12 recommends that an adjustment be made to reflect the trued-up amount. By my
13 calculations, non-STEP depreciation offset would amount to \$(34,171).

14
15 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

16 A. Yes, it does.

WILLIAM ADDO

COMPANY	CASE NO.
Empire District Electric Company.	ER-2012-0345
Lincoln County Sewer and Water Company, LLC.	SR-2013-0321 WR-2013-0322
Kansas City Power & Light Company and Kansas City Power & Light Greater Missouri Operations Company.	EU-2014-0077
Lake Region Water and Sewer Company.	WR-2013-0461
Liberty Utilities (Midstates Natural Gas) Corporation d/b/a Liberty Utilities.	GR-2014-0152

Central Rivers Wastewater Utility, Inc.

Application For Sewer Service

Exhibit No. 2

Country Hill Estates

Date 11-29-14 Reporter

File No. 521-2014-0247

Billing Name:

B.A.M.S. Gen. Cont. LLC.
☒ Builder ☐ Resident

Phone #:

Site Address:

9266 NE Country Hill
Parkway
Cameron MO 64429

Fax #:

FILED³

DEC 1 2014

Lot Number:

Lot #3

Billing Address:
(if different)

E-mail **Missouri Public Service Commission**

☒ Residential System

☐ Commercial System

Waste Strength _____ lbs BOD₅/Day
Flow _____ Daily Average

Cost of Service Connection \$5,200.00

This is a one time fee to install a STEP or STEG unit and connection to Wastewater Collection System and all applicable appurtenances for this service area. The Service Connection Cost must be paid in full before any installation will begin.

Monthly Rate

Customer agrees to pay a monthly rate of \$32.00 per month for sewer service. This charge shall begin upon installation of tank.

Deposit

A deposit equal to \$64.00 shall be made for all new customers.

Payment is due by the 1st (first) of the following month. If payment has not been received by the 15th of the month the company reserves the right to discontinue service. A late payment charge of \$6.50 will apply per each delinquent month. If delinquency of payment results in discontinuation of service there will be a charge to disconnect and reconnect service.

This Agreement between the customer

Billy D. Spencer
Signature

and Central Rivers Wastewater Utility, Inc. is made this date _____

P.O. Box 528 Kearney, MO 64060

Phone: (816) 366-0520

Fax: (816) 366-0521

Schedule WA-2

Central Rivers Wastewater Utility, Inc.

Invoice

BILL TO

Spencer Investments, LLC
9266 NE Country Hill Parkway
Cameron, MO 64429

DATE

2/8/2009

INVOICE #

2028

DESCRIPTION**AMOUNT**

360 ft of 1 inch pipe from main to tank. 200 ft of 1 inch pipe included in installation of Collection Equipment. Charge for extra 160 ft of 1 inch pipe. Labor, Material & Machine-Cost is \$7.50 per foot. 160 ft X \$7.50

1,200.00

*Sever
(Mail)
To: F.S.B.
OK'd 2/10/09
Rick Spencer*

Total

\$1,200.00

P.O. Box 528 Kearney, MO 64060

Phone: (816) 366-0520

Fax: (816) 366-0521

10040 Rock Falls Rd
Orrick, MO 64077

Estimate #	2000
Date	6/1/2000

Name / Address
CRWW STEP System Install

[illegible]

10040 Rock Falls Rd
Orrick, MO 64077

Estimate #	
2011	
Date	
11/1/2011	

Name / Address
CRWW STEP System Install

[illegible]

10040 Rock Falls Rd
Orrick, MO 64077

Estimate #	216
Date	1/1/2014

Name / Address
CRWW STEP System Install

[illegible]

STEP System Installation & Connection to Sewer Main – Price Breakdown

Cost Item	Response to Staff's Data Request No. 0013.1 7/28/2014	Response to Staff's Data Request No. 0013.1 9/23/2014
Material	\$2844.42	\$3083.25
Labor	\$2925.00	\$2246.36
Gravel for Bedding	-	\$399.50
Fuel Surcharge	-	\$25
Insurance & Fuel Surcharge	\$230.58	-
Tax	-	\$245.89
Total	\$6000	\$6000

FILED³

DEC 1 2014

Missouri Public
Service Commission

POTTS DOZING

CALL ME FOR ALL YOUR COMMERCIAL FARM OR RESIDENTIAL
EXCAVATING NEEDS

1707 Prairie Circle • Cameron, MO 64429

PH: 816-284-0127

Customer's
Order No. _____ DATE 11-19-14SOLD TO Spencer Inv.ADDRESS Cameron Mo 64429

SALESMAN _____ TERMS _____

CASH	CHARGE	C. O. D.	PAID OUT	RETD. MDSE.	RECD. ON ACCT.
QUAN.	DESCRIPTION			PRICE	AMOUNT
200'	2" pressure Line			3 ⁰⁰	600 00
40'	4" gravity			10 ⁰⁰	400 00
1	tank + pump				3000 00
1	tank installation				500 00
current estimate					
EXHIBIT					
11/20/14					
total					\$ 4500 00
Exhibit No. 1					
Date 11-20-14 Reporter					
All Claims and Returned Goods MUST Be Accompanied By This Bill					
File No. SR-2014-0247					
SIGNATURE <u>SR-2014-0247</u>					

LPM - 5-X