

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

In the Matter of Central Rivers Wastewater    )  
Utility, Inc.'s Small CompanyRate            )     File No. SR-2014-0247  
Increase Request.                                )

**THE OFFICE OF THE PUBLIC COUNSEL’S RESPONSE**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Response states as follows:

1. On November 19, 2014, Central Rivers Wastewater Utility, Inc. (Central Rivers) filed a Motion to Suspend Procedural Schedule and Motion to Enforce Partial Disposition Agreement.
2. On November 20, 2014, the Staff of the Missouri Public Service Commission (Staff) filed a Response to Central Rivers’ Motion to Suspend and Enforce.
3. The Office of the Public Counsel has reviewed both the Motion by Central Rivers and Staff’s Response. Of note, Staff states in its response:

Staff removed its recommendation for a revenue requirement increase because it believes that this case presents an important question regarding small company rate increase cases. That issue pertains to the Staff audit. ... The question for the Commission is this: What sort of audit is necessary in a small company rate case? If a detailed, thorough, traditional regulatory audit is required, then no rate increase should be granted in this case because Staff was unable to perform such an audit. On the other hand, if a less detailed audit is acceptable, an audit of the sort performed by necessity in this case, an audit focused on value of service rather than cost of service, then the agreed rate increase should be granted.

Public Counsel fundamentally disagrees with the conclusion offered by Staff above.

4. Staff’s statements indicate that in order for the Commission to continue to adhere to its long-standing commitment to cost of service rate-making principles, a “traditional regulatory audit” is required in every case. Staff suggests that if the Commission desires to set rates based

on a record that does not include Staff's undefined and questionable "traditional regulatory audit," the Commission is then departing from cost of service rate making and instead is adopting value of service ratemaking. However, it does not follow that should the Commission decide that a "traditional regulatory audit" by Staff – whatever that is – is not required in a case, that somehow the Commission has abandoned, by design or by default, cost of service rate making.

5. Perhaps unsurprising, Staff elevates its own role above that of any other actor in this process. Staff has no burden in a rate case to prove what just and reasonable rates should be set by the Commission, only the utility holds that burden. Staff does not provide the evidence necessary to support a rate case with its audit, Staff's audit is merely a tool to verify and check the reasonableness of the direct case evidence provided by the utility. Whether the Commission finds the information provided by Staff useful, credible or even competent, is up to the Commission. Staff's audit is not the only source of information for the Commission in a rate case, and the Commission is more than capable of adhering to traditional cost of service ratemaking principles in the absence of a "traditional regulatory audit" performed by Staff itself.<sup>1</sup>

**WHEREFORE,** Public Counsel respectfully submits its response.

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<sup>1</sup> Indeed, whatever a "traditional regulatory audit" is, it is not and cannot be a static process. As the parties are aware, the work performed in each of these audits is necessarily guided by the facts and circumstances of the case before the Commission.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

**/s/ Christina L. Baker**

By: \_\_\_\_\_

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 24<sup>th</sup> day of November 2014:

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**/s/ Christina L. Baker**

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