

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
3
4 TRANSCRIPT OF PROCEEDINGS
5
6 Evidentiary Hearing
7
8 March 19, 2017
9 Jefferson City, Missouri
10 Volume 2
11
12 In the Matter of the Request)
13 for an Increase in Annual Water)Case No. WR-2017-0343
14 System Operating Revenues for)
15 Gascony Water Company, Inc.)
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18 JUDGE JOHN CLARK, Presiding
19 REGULATORY LAW JUDGE
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21 DANIEL Y. HALL, Chairman
22 WILLIAM KENNEY,
23 MAIDA COLEMAN,
24 COMMISSIONERS
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A P P E A R A N C E S

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1 P R O C E E D I N G S

2 JUDGE CLARK: Okay. It's 9:00. Let's
3 bring this proceeding to order and go on the
4 record.

5 Good morning. Today is March 19th, 2018,
6 and the current time is 9:02 a.m. The Commission
7 has set aside this time for an evidentiary hearing
8 in the matter of the Request for an Increase in the
9 Annual Water System Operating Revenues for Gascony
10 County (sic) Water Company, File No. WR-2018-0343.

11 My name is John Clark. I'm the Regulatory
12 Law Judge presiding over this hearing. At this
13 time, I'd like to have parties enter their
14 appearance. So Counsel for Gascony Water?

15 MS. CARTER: Diana Carter with Brydon,
16 Swearengen & England and the --

17 JUDGE CLARK: Be sure your mic. is on.

18 MS. CARTER: I just hit the button. Sorry
19 about that. And the court reporter has my contact
20 information on the written entry.

21 JUDGE CLARK: Thank you. For Staff
22 Counsel?

23 MR. WESTEN: Thank you, Judge. Good
24 morning. My name is Jacob Westen. And with me
25 Alexandra Klaus. Our contact information has been

1 provided to the court reporter. We are
2 representing the Staff of the Commission.

3 JUDGE CLARK: Thank you. And for the
4 Office of Public Counsel?

5 MS. SHEMWELL: Good morning, and thank
6 you. Lera Shemwell and Curtis Schube representing
7 the Office of the Public Counsel. And I have given
8 our information to the court reporter. Good
9 morning and thank you.

10 JUDGE CLARK: Thank you. At this time,
11 I'm going to ask if you have a cell phone and you
12 haven't yet shut it off or put it on vibrate that
13 you do so.

14 Are there any -- do the parties have any
15 preliminary matters that they wanted to take
16 up?

17 MS. SHEMWELL: Yes. Thank you. In larger
18 cases, we typically go issue by issue. But in this
19 case, we're going witness by witness. We asked the
20 parties if they would agree to different Counsel
21 for a particular witness, and everyone agreed that
22 that would be fine, that both of us might cross
23 Mr. Hoesch, Mr. Russo. And the parties agreed to
24 that.

25 JUDGE CLARK: Is that correct? Any

1 objection from the company?

2 MS. CARTER: No.

3 JUDGE CLARK: Okay. Any objection before
4 Staff Counsel?

5 MR. WESTEN: No.

6 JUDGE CLARK: I don't have problem with
7 that. The only thing I'm going to say in regards
8 to that I'm going to treat you as -- as one
9 attorney.

10 So if you want to get done with an issue,
11 you want to go on to the next issue, just go right
12 on to the next issue. So there may be some
13 questions that are asked after an attorney gets up,
14 but I'd, as much as possible, like to kind of keep
15 the flow since we are doing all the issues for each
16 witness on a witness by witness basis. Okay?

17 MS. SHEMWELL: Thank you.

18 JUDGE CLARK COURT: All right. As far as
19 witnesses, we're going to follow the order of the
20 parties in their joint list of issues and
21 witnesses.

22 You're exhibits should be pre-marked.
23 Continue sequentially. I've received exhibit lists
24 from each of the parties. Gascony is 1 through 99.
25 Staff is 100 through 199. And the Office of the

1 Public Counsel is 200 through 299. Are there any
2 other preliminary matters?

3 MS. CARTER: Yes, Judge. In terms of
4 admitting into evidence or possibly taking notice
5 of the original certificate case, which is Case No.
6 WA-97-510, I don't know what your preference would
7 be.

8 But the parties refer to testimony in that
9 case frequently in this case, and I think it would
10 -- would benefit the record to have that
11 certificate case included in this case. And I'm
12 not sure if you prefer to have that as admitted in
13 the record or just take notice of that.

14 JUDGE CLARK: I will take official or
15 administrative notice of that. And what's case
16 number on that again?

17 MS. CARTER: WA-97-510.

18 JUDGE CLARK: Okay. And the Commission
19 takes official administrative notice of WA-97-510.
20 With that in mind, we'll begin with opening
21 statements.

22 MR. WESTEN: Actually, one other item,
23 Judge.

24 JUDGE CLARK: I'm sorry. Mr. Westen, go
25 ahead.

1 MR. WESTEN: Staff has numerous exhibits
2 we have passed out. The company has stated they
3 don't object to the admission of or exhibits. I
4 don't know if OPC has had enough time to review
5 those.

6 But to save time with the hearing this
7 morning, our plan was if we needed to use them to
8 refer to them as the exhibit number and the exhibit
9 title and just offer them all for admission at the
10 end or beginning at your presentation, Judge.

11 JUDGE CLARK: Say that again, please.

12 MR. WESTEN: We wanted to know if it would
13 be your preference for us to just go ahead and
14 offer these into the record all at once or at the
15 beginning or at the end after the opening
16 statements or at the end after all the testimony is
17 done and simply refer to the exhibits or use them
18 as we need to throughout the hearing?

19 JUDGE CLARK: And you said you talked to
20 the company, and they don't have any objections to
21 any of your exhibits; is that correct?

22 MS. CARTER: That is correct.

23 MR. WESTEN: Yes.

24 MS. SHEMWELL: And Public Counsel also has
25 no objections.

1 JUDGE CLARK: Okay. If you want to do it
2 at the beginning, that would be fine with me.
3 Okay. Are there any other preliminary matters at
4 this time? Okay. Then we'll begin with opening
5 statements for Gascony County Water Company.

6 OPENING STATEMENT

7 BY MS. CARTER:

8 MS. CARTER: Good morning. Diana Carter
9 with Brydon, Swearngen & England for Gascony Water
10 company.

11 George Hoesch and Jim Russo are the
12 witnesses for the company in this matter. They
13 both filed direct testimony and surrebuttal
14 testimony, and they are both present today.

15 Mr. Hoesch is the Certified Operator for
16 the company. He is also the company's President,
17 and he is solely responsible for all company
18 operations and management. So in terms of salary,
19 he is it.

20 All your questions about the company would
21 be directed to him, and then Mr. Russo is a former
22 Commission Staff member. He's self-employed as a
23 consultant and was retained by Gascony to assist
24 the company with expert witness matters.

25 Gascony was incorporated in 1998 and

1 became a water company regulated by the Commission
2 in April of '99. And that is the CCN case that we
3 were just referring to. And that file, there's
4 been judicial notice taken of it.

5 Mr. Russo, the company's consultant in
6 this case, was on Staff at the time of the CCN
7 case, which is nice for all of us in terms of
8 someone with knowledge from the beginning is in
9 this case today.

10 The company was developed to provide
11 facilities, water service to Gascony Village, which
12 consists of 755 privately owned lots on
13 approximately 235 acres in rural Gasconade County.

14 Gascony Village is governed by a
15 Homeowners Association, and that is completely
16 separate from the utility. The Homeowners
17 Association is governed by a Board of Directors
18 elected by the property owners.

19 The company provides service -- water
20 service to approximately 180 customers, so this is
21 most definitely a small company rate case under the
22 Commission's rules.

23 There are only 26 full-time customers and
24 151 part-time customers. And then there are also
25 three commercial customers, and perhaps not your

1 traditional commercial customer in this case. It's
2 a pool and a pool house, a kitchen and a dump
3 station. And those three commercial customers are
4 all the neighborhood association. They're all
5 owned by that neighborhood association.

6 Full-time customers tend to be a little
7 more down on their luck, living there permanently.
8 The part-time customers are people who come there
9 just for weekends, holidays, vacationing.

10 They tend to bring friends and make more
11 use of the facilities, the common facilities. And
12 there are also a large number of people who aren't
13 utility customer who make use of the pool and the
14 kitchen.

15 And that puts Gascony in a very unique
16 situation, I believe, compared to most of the
17 utilities. There's quite a few users of the water
18 who are not utility customers.

19 The company's system consists of a well, a
20 storage tank, a well house and approximately six
21 and a half miles of supply mains. The storage tank
22 holds approximately a thousand gallons of water,
23 and the supply mains are primarily 2-inch and
24 2 and a half inch PVC piping.

25 The company is seeking an increase from

1 the rates that were originally authorized for the
2 company in the 1998, 1999 CCN proceeding. So the
3 Commissioners have not seen Gascony County since
4 the company first obtained its certificate and
5 first had rates set.

6 The -- there are some contested issues
7 before you today, the first one being salary for
8 the President of the company. And it is the
9 company's position that Mr. Hoesch should be
10 allowed to put into cost of service approximately
11 \$27,000 for his salary.

12 And, again, Mr. Hoesch is the Operator of
13 the utility, and he is also the President of the
14 company and the sole manager. So that would be
15 total salary for the company of \$27,510.

16 Staff and OPC argue in this case that only
17 15,000 should be included in cost of service for
18 salary. And that is the exact amount that was
19 included approximately 20 years ago.

20 That is amount in the settlement agreement
21 and in the CCN case that was allocated and included
22 in cost of service for salary. So Staff and OPC
23 are of the opinion that salary should still be the
24 same from approximately 20 years ago, and the
25 company believes that should be increased to

1 approximately 27,000.

2 We have the same difference between the
3 parties on rent. There are two offices that the
4 utility company uses. One is on-site. And, one is
5 closer to where Mr. Hoesch lives. Well, it is
6 where Mr. Hoesch lives in St. Louis.

7 And the company's position and the
8 testimony in this case is that rent should be
9 allowed an annual amount of \$2,159 for the
10 St. Louis office and \$2,210 for the Gascony Village
11 office.

12 Staff and OPC, again, believe the amount
13 should be at the same it was set at 20 years ago.
14 They are at 1500 in both of their cases, which is
15 the amount included in cost of service
16 approximately 20 years ago.

17 For mileage, the contested issue of
18 mileage, the only disagreement is with OPC. Staff
19 and the company are in agreement that the Federal
20 mileage rate should be used, which is tradition, or
21 at least traditional practice. And then OPC has
22 asked that the State mileage rate be used.

23 And let's see. Our next issue, contested
24 issue, is rate base expense. The company believes
25 that all prudently incurred rate case expenses

1 should be allowed in cost of service and then
2 amortized over a period of six years.

3 Mr. Hoesch doesn't want to be here. He
4 would have loved to have wrapped this up months ago
5 through the small company procedure. But as -- as
6 I noted earlier, two of the issues, two of the main
7 issues, Staff and OPC believe there should have
8 been no increase for salary or rents over
9 approximately a 20-year period.

10 Mr. Hoesch could not continue with his
11 company if there was no increase in revenue
12 requirement over a 20-year period. So he did need
13 to move forward with having an attorney and moving
14 forward to hearing.

15 The Commission has recently changed their
16 small company rule to refer to it as Staff assisted
17 rate case procedure. Unfortunately, in this case,
18 Mr. Hoesch, in my opinion, has not been assisted by
19 Staff. For example, fighting things on raising
20 salary even a dollar over a 20-year period. That
21 is not a Staff assisted procedure.

22 Total revenue requirement for the company,
23 according to the company's testimony, is
24 approximately 57,000.

25 The revenues currently being generated and

1 that's based on those rates set in 1999, are
2 36,149. So the company is asking for an increase
3 in revenue requirement over present cost of service
4 of approximately \$21,000. So that would be for
5 over the 20-year period, an increase of
6 approximately 21,000 in revenue requirement.

7 In contrast, Staff -- Staff is supporting
8 an increase of approximately \$1,200 over current
9 revenues. And OPC is supporting an increase of
10 less than a thousand dollars over current revenues.

11 There are two rule-making, I believe, just
12 getting started at the Commission in terms of
13 failing small utilities. And, sadly, this is an
14 example of pretty much trying to create a situation
15 where a small utility can't keep going. They're
16 having to fight for every dollar of revenue
17 requirement.

18 Many issues were resolved. Many large
19 issues were resolved, in fact, capital structure
20 and ROE through a disposition agreement with Staff.
21 Capital structure is a hundred percent equity.
22 That is actuals. So everyone is in agreement.

23 And then the company agreed with Staff on
24 an ROE of 8.02 percent. So those things were not
25 before you today and were agreed to in advance

1 between the parties.

2 There are some rate base issues that are
3 contested. There are two lots that the company
4 believes should be included in rate base.

5 One is the lot where the well sits. And one is a
6 lot where a large storage building sits that is
7 used for company equipment.

8 And all parties filed -- well, Staff and
9 OPC filed testimony on those issues, and you'll get
10 to hear about that shortly. The company is asking
11 for \$10,000 in rate base for one of the lots and
12 \$7,500 in rate base for the other lot.

13 There are also some rate design issues
14 that you'll be hearing about today. As I mentioned
15 earlier, it's a somewhat unique structure with the
16 full-time and part-time customers. And the company
17 has presented testimony that those factors need to
18 change for part-time as compared with full-time and
19 also those commercial -- commercial customers.

20 The company had found in these 20 years
21 since those factors were first set that the
22 part-time customers are using significantly more
23 water than was expected at the beginning, and,
24 also, that those commercial customers are using
25 more water since, again, many non-customers use

1 those facilities.

2 And that is -- I believe those are all of
3 the condition tests issues you will be hearing
4 about today. Do you have any questions for me?

5 CHAIRMAN HALL: Good morning.

6 MS. CARTER: Good morning.

7 CHAIRMAN HALL: Other than capital
8 structure and ROE, what else was resolved?

9 MS. CARTER: There's some depreciation.
10 Most of the depreciation rates were resolved.

11 CHAIRMAN HALL: Can you -- where is that?

12 MS. CARTER: That is in a disposition
13 agreement that was filed --

14 CHAIRMAN HALL: I've got it. Help me find
15 it in here. Where is it?

16 MS. CARTER: The disposition agreement was
17 filed in the case --

18 CHAIRMAN HALL: Where is it in here? Help
19 me find it is what I'm trying to --

20 MS. CARTER: Oh, I'll be right back.
21 Beginning on the first page of Staff's attachment
22 is the issues resolved.

23 CHAIRMAN HALL: Okay.

24 MS. CARTER: It has depreciation rates
25 attached.

1 CHAIRMAN HALL: Okay. So Attachment D?

2 MS. CARTER: Yes. And then that next
3 paragraph --

4 CHAIRMAN HALL: I'm sorry. I --

5 MS. CARTER: Oh, I'm sorry.

6 CHAIRMAN HALL: Well, looking through the
7 testimony, there appeared to be disputes about
8 depreciation, so I -- I was confused as to what was
9 actually settled and what was not settled.

10 MS. CARTER: There are a couple specific
11 accounts that are still contested issues on
12 depreciation. But the majority of the depreciation
13 rates were taken care of in the disposition
14 agreement.

15 CHAIRMAN HALL: Okay. Well, I'm still not
16 finding it, but I will find it, I guess,
17 eventually. Anything else settled?

18 MS. CARTER: Yes. It's the depreciation
19 rates. And I actually just finally found that.
20 There is a chart showing those rates. It's about
21 halfway through. I don't think all the pages are
22 numbered. I apologize for that. It makes it
23 harder to find things. In addition to
24 depreciation, it was capital structure and ROE.
25 Hundred percent equity --

1 CHAIRMAN HALL: Right. Anything else?

2 MS. CARTER: -- actual, and 8.02 return on
3 equity?

4 CHAIRMAN HALL: Okay. Anything else
5 settled?

6 MS. CARTER: There's some conditions for
7 the company to comply with. And that is following
8 Issue 4. Issues resolved, No. 4 on that
9 disposition agreement in terms of the company
10 maintaining records, travel logs, time sheets.

11 CHAIRMAN HALL: Okay. So those are
12 requirements going forward. Anything else in terms
13 of revenue requirement or rate design?

14 MS. CARTER: I believe that is everything.

15 CHAIRMAN HALL: Okay. All right. Thank
16 you.

17 MS. CARTER: Thank you.

18 JUDGE CLARK: Opening from Staff of the
19 Missouri Public Service Commission?

20 OPENING STATEMENT

21 BY MS. KLAUS:

22 MS. KLAUS: Good morning. May it please
23 the Commission. Good morning, Mr. Chairman,
24 Commissioners, Judge.

25 My name is Alexandra Klaus. I'm here with

1 Jacob Westen on behalf of Staff regarding Gascony
2 Water Company, Inc.'s rate increase request. I'll
3 likely shorten the company name. So when I mention
4 Gascony, I'm talking about the water company
5 certificated to provide water service.

6 Because of the span of time that has
7 passed since rates were first established in the
8 Gascony certification case, which for convenience I
9 call the CCN case, and because certain transactions
10 that have occurred before and after that CCN case,
11 we have prepared a demonstrative Powerpoint to
12 outline both some of the history of the company and
13 the procedural history of this case.

14 We have copies of this presentation
15 available. And I thank you for your patience as
16 Mr. Westen helps me pass those out and I hopefully
17 get this presentation to work. I might need help
18 starting the show. Next one?

19 MR. WESTEN: Yeah.

20 MS. KLAUS: Thank you for your patience.
21 I appreciate it. We'll first have two slides
22 showing some general history of Gascony and how it
23 came to be, which, as you've heard, Gascony
24 provides water service to customers in Gascony
25 Village.

1 Gascony Village is a subdivision in rural
2 Gasconade County, Missouri. These first two slides
3 will provide some historical context for what's led
4 us to this case.

5 As you can see, this timeline takes us
6 from the 1970s through the 1990s and will continue
7 through 2017.

8 It's anticipated that some of what you
9 will hear today will focus on certain real
10 property. And you'll annual see these property
11 transfers along the timeline.

12 We begin in 1972 When GascOsage Realty
13 Company, Inc., which I call GascOsage was
14 incorporated as a business entity with the State of
15 Missouri.

16 GascOsage is a company solely owned by
17 Mr. Hoesch, who was also the sole shareholder of
18 Gascony. In 1980, a well was installed on Lot 27
19 in order to provide water service to Gascony.

20 In 1986, Lot 27, which contains the well,
21 was transferred from George Hoesch in his
22 individual capacity to GascOsage.

23 In 1987, GascOsage transferred Lot 27 to
24 two of Mr. Hoesch's children. About ten years
25 later, an application for a CCN was filed in Case

1 WA-97-510.

2 In 1998, GascoOsage discontinued water
3 company operations as a division of GascoOsage, and
4 Gascony Water Company, Inc., was incorporated and
5 substituted in place of Mr. Hoesch as a party in
6 the CCN case.

7 1999 marks the effective date of the order
8 approving tariffs in the CCN case. Prior to the
9 grant of the CCN, GascoOsage was solely responsible
10 for the operation of the well and the provision of
11 water.

12 In 2014, a rate increase request was filed
13 by Gascony and later withdrawn. In 2015, an entity
14 called CMC Water Company, LLC, was incorporated.
15 And also in that year, Lot 27 was transferred from
16 Mr. Hoesch's children to CMC Water Company, LLC.

17 Gascony filed on June 19th, 2017, its rate
18 increase letter, which originally sought an
19 increase of \$15,000. This amount was subsequently
20 increased in the company's filed surrebuttal
21 testimony to \$21,148, which is an increase of
22 \$6,148 from the filed case.

23 Less than a month later, on July 14th, CMC
24 Water purported to transfer as a limited
25 partnership Lot 27 to Gascony.

1 The evidence will show that, despite not
2 having an appraisal, a sales contract or other
3 similar type of document, Gascony wrote a check in
4 the amount of \$10,000 for this transfer.

5 On July 27th, GascoOsage transferred the
6 shed property, a piece of property which is
7 adjacent to Lot 27 to Gascony by unrecorded deed.

8 In its request, Gascony seeks to include
9 the purchase price of these properties in its rate
10 base. Staff opposes the inclusion of those amounts
11 in rate base.

12 Turning now to the procedure timeline in
13 this case, which comes from the small utility rate
14 case timeline filed on June 21st, you'll again see
15 that Gascony filed on June 19th its rate increase
16 letter, which started this timeline in motion.

17 Just to quickly follow along with this
18 slide, Day 90 marks the time in which Staff
19 provides to the company an OPC its preliminary
20 audit results.

21 It's my further -- it's my understanding
22 that between Day 90 and Day 120, there's further
23 opportunity to provide and consider additional
24 information.

25 And on Day 120, Staff provides its

1 settlement proposal packet to the company. A
2 meeting on this packet occurs on Day 130, and a
3 Disposition or Stipulation Agreement is filed
4 around Day 150. After Day 150 is when the parties
5 filed testimony.

6 So why is this important? It's important
7 because of the legal standard set by statute for
8 rate increases and how the company can satisfy
9 their burden to meet that standard.

10 Its important because the Commission
11 should have a more complete picture in mind as it
12 takes on the task of making credibility
13 determinations and decisions regarding whether or
14 not Gascony has met its burden in this case.

15 Missouri Statute Section 393.150 provides
16 the Gascony has the burden of proof as to whether
17 an increased rate is just and reasonable. And it
18 must meet this -- this burden by a preponderance of
19 the evidence.

20 This means that Gascony must show that its
21 evidence and reasonable inferences from that
22 evidence weigh more in favor of Gascony's position
23 than against it.

24 The evidence will show that this is likely
25 a tall order for Gascony. For example, Mr. Russo,

1 who is now a consultant for Gascony and who
2 provided testimony in this case, was a member of
3 Staff who participated in the CCN case.

4 In the CCN case, Mr. Russo provided
5 testimony that property development costs should
6 not be included in rates and that, in his review
7 of records 1982 to 1996, he discovered certain
8 items were already identified in plant, already
9 expensed, and he took the position that those
10 already expensed items should not again be included
11 in rate base stating that if companies were allowed
12 to include previously expensed items in future
13 rates, they would, in effect, be receiving the
14 benefit of that item twice.

15 Additionally, as to payroll, the evidence
16 will show that Mr. Russo filed testimony in this
17 case, that although the company did provide
18 additional evidence as to Mr. Hoesch's management
19 time, the company also realizes that additional
20 information is still lacking.

21 Its anticipated that some examination
22 today will focus on whether or not GascOsage was
23 the predecessor company to Gascony and whether
24 transactions between GascOsage and Gascony were not
25 at arm's length.

1 Testimony from Mr. Hoesch in the CCN case
2 and in this case describe GascoOsage as Gascony's
3 predecessor.

4 And while recognizing that there are no
5 affiliate transaction rules for water companies,
6 Mr. Hoesch nevertheless in testimony agrees with
7 Staff and OPC that a transaction involving
8 GascoOsage and Gascony with respect to a trencher
9 asset is an affiliated transaction.

10 Staff understands that this is a small
11 company. Staff also understands the issues in this
12 case can have a big impact. Here with me and
13 Mr. Westen today to answer more specific questions
14 that you may have are Matthew Young, Michael Jason
15 Taylor, Jarrod Robertson, Mark Kiesling and Stephen
16 Moilanen.

17 We appreciate very much your consideration
18 of this matter. Thank you, and I will do my best
19 to answer any questions that you may have.

20 CHAIRMAN HALL: No questions. Thank you.

21 COMMISSIONER KENNEY: No questions. Thank
22 you.

23 JUDGE CLARK: Opening from the Office of
24 the Public Counsel?

25 OPENING STATEMENT

1 BY MS. SHEMWELL:

2 MS. SHEMWELL: Good morning. May it
3 please the Commission.

4 JUDGE CLARK: Go ahead.

5 MS. SHEMWELL: I'm Lera Shemwell
6 representing the Office of the Public Counsel. In
7 this case, Public Counsel does support the \$15,000
8 salary recommendation of Staff. This is despite
9 the fact that the time sheets submitted by
10 Mr. Hoesch report all of the same three activities
11 over and over and over again.

12 Examples of this are at Jason Taylor's
13 testimony at R-4. These activities are without
14 deviation. Staff notes in its testimony,
15 Mr. Taylor's testimony, that it does not have
16 sufficient information to support more than the
17 15,000.

18 The information submitted, in fact,
19 supports a salary level of 10,107 for Mr. Hoesch.
20 We did not consider it unreasonable, though, for
21 Staff to support more than what was reported as
22 time for management activities, but the 15,000
23 certainly was not supported by the company in its
24 testimony.

25 The Commission should order Mr. Hoesch and

1 the part-time employees to keep contemporaneous or
2 relatively contemporaneous detailed time sheets
3 specifying the actual activity and the type of work
4 that was done.

5 The Staff -- the idea that the Staff has
6 not assisted the company in this case to set a rate
7 that is above what is just and reasonable, this
8 represents the facts and the description the -- the
9 company's description of the rule also
10 misrepresents the rule.

11 Public Counsel is recommending that the
12 Commission adopt the State of Missouri mileage rate
13 instead of the Federal rate. In fact, we do live
14 in Missouri, and we feel that this rate is just and
15 reasonable, particularly since the company did not
16 keep any vehicle records as required by the
17 original stipulation and agreement in this case.

18 Record keeping is an issue for this
19 company. I will note that in 97-510, Jim Merciel,
20 who still works here at the Commission, wrote in
21 his testimony in support of the stipulation and
22 agreement on page 5.

23 It is imperative that the company keep
24 records and use the forms similar to those that
25 were included as part of the stipulation so that

1 Staff can verify actual expenses. This has not
2 happened.

3 We do support Staff's position on the
4 land. In his direct testimony in the '97 case,
5 Mr. Hoesch told the Commission the company will own
6 and operate an adequately sized water system.

7 The company will also own a trailer, which
8 will serve the company, the land on which the well
9 plant is situated, a computer and other equipment,
10 office furniture, a trencher and shop tools.

11 These assets are currently on the books of
12 the realty company, which Mr. Hoesch also owns.
13 And he says the trailer was purchased in 1996 for
14 about 10,000. The trencher was purchased on or
15 about 1995 for approximately \$10,000. \$10,800.

16 All of these assets have been and will be
17 used exclusively by the company and not by the
18 realty company. So he told the Commission that
19 they would own those items. And he also notes the
20 date that the trencher was purchased, which is a
21 matter at issue here.

22 In the 1997 case, CCN case, as it always
23 does, the Commission ordered specific depreciation
24 rates. We used the USOA, 1972 as revised in 1976
25 for water companies with four classes, A, B, C and

1 D.

2 Mr. Robinett explains that these rates are
3 -- that the rates the Commission ordered are
4 consistent with Class C. But that in calculating
5 rate base for this case, neither the Staff nor the
6 company used the Commission ordered rates that are
7 currently in effect.

8 Ms. Ross will explain her position on
9 mileage. And I thank the Commission for its
10 attention.

11 JUDGE CLARK: Any questions from the
12 Commission?

13 CHAIRMAN HALL: No questions. Thank you.

14 COMMISSIONER KENNEY: No questions.

15 JUDGE CLARK: Thank you. Gascony, you can
16 call your first witness.

17 MS. CARTER: Jim Russo.

18 JUDGE CLARK: Mr. Russo, would you raise
19 your right hand to be sworn?

20 JAMES RUSSO,
21 being first duly sworn to testify the truth, the whole
22 truth, and nothing but the truth, testified as follows:

23 DIRECT EXAMINATION

24 BY MS. CARTER:

25 JUDGE CLARK: You can proceed.

1 Q **(By Ms. Carter) Mr. Russo, if you'll**
2 **please state your full name?**

3 A James M. Russo, R-u-s-s-o.

4 Q **And what is your relationship with Gascony**
5 **Water Company, the utility in this case?**

6 A I'm working as a consultant, expert
7 witness to assist Mr. Hoesch in this case.

8 Q **Did you prepare direct testimony and**
9 **surrebuttal testimony in this case?**

10 A Yes.

11 Q **Your direct testimony has been marked**
12 **Exhibit 1, and your surrebuttal testimony has been**
13 **marked Exhibit 2. Do you have those documents with**
14 **you?**

15 A Yes.

16 Q **Do you have any changes to make on your**
17 **direct testimony, Exhibit 1?**

18 A No.

19 Q **Do you have any changes to make on your**
20 **surrebuttal testimony, Exhibit 2?**

21 A Yes.

22 Q **What are those changes?**

23 A I have one minor correction to make. It's
24 on Schedule SURJR-1. I inadvertently put in
25 part-time customer at 156, and it should be 157.

1 And so it changes -- changes the revenues
2 from 36,149 to 36,296, which is what Staff has,
3 also. We're in agreement with Staff.

4 JUDGE CLARK: Mr. Russo, could you bring
5 the microphone a little closer?

6 A Sorry.

7 JUDGE CLARK: Thank you.

8 A It's a minor change. It's -- but it does
9 flow through. It changes the bottom line on that
10 same schedule, line 36 from 21,148 to \$21,001.

11 But it also affects in the actual
12 surrebuttal testimony on page 15, the box with the
13 rates. It reduces all those items.

14 Full-time customers would be 124.56.
15 Part-time would be 62.28. The swimming pool would
16 be 747.35. The dump station would be 311.40. And
17 the kitchen would be 249.12. That's the only
18 change that I have.

19 **Q If I asked the questions that are in the**
20 **direct testimony and surrebuttal testimony of you**
21 **today, would your answers be essentially the same**
22 **as corrected?**

23 A Yes.

24 MS. CARTER: I offer Mr. Russo for
25 cross-examination and move for the admission of

1 Exhibits 1 and 2.

2 JUDGE CLARK: Any objection from Staff to
3 Exhibits 1 and 2?

4 MR. WESTEN: No objection. Thank you,
5 Judge.

6 JUDGE CLARK: Any objection from the
7 Office of the Public Counsel to Exhibits 1 and 2?

8 MS. SHEMWELL: No. Thank you.

9 JUDGE CLARK: Exhibits 1 and 2 are
10 admitted on to the hearing record.

11 (Gascony Exhibits 1 and 2 were offered and
12 admitted into evidence.)

13 JUDGE CLARK: Cross-examination by Staff?

14 MR. WESTEN: Thank you, Judge.

15 CROSS-EXAMINATION

16 BY MR. WESTEN:

17 Q Good morning, Mr. Russo.

18 A Good morning.

19 Q My name is Jacob Westen. I'll be asking
20 you some questions this morning. Just real quick,
21 you answered in response to Ms. Carter's question
22 your role in relation to the company is as an
23 expert witness?

24 A Correct.

25 Q And you're -- you are a consultant for the

1 rate case, correct?

2 A Correct.

3 Q You're not Mr. Hoesch's personal
4 accountant?

5 A No.

6 Q You're not an accountant for the company
7 in any sort of way?

8 A No.

9 Q You haven't seen his tax records or tax
10 returns or anything like that, right?

11 A Correct. I have not.

12 Q Okay. All right. I'm going to try to
13 just ask a couple brief questions for the various
14 issues that you -- on which you testified.

15 The first one is in regards to salary.
16 According to your testimony, you identified that
17 Mr. Hoesch kept no time sheets, no records for his
18 operations time prior to 2015; isn't that right?

19 A That seems right, yes.

20 Q Okay. And in relation to the management
21 time that you subsequently provided to the Staff
22 after Day 150, at that time you identified in your
23 testimony he had no management records prior to
24 November 2017, no time records whatsoever?

25 A That's correct.

1 Q Okay. And you provided management time to
2 Staff, but that was based on Mr. Hoesch's direct
3 statements to you, correct?

4 A I'm not sure I understand your question.
5 We provided to the Staff the time sheets he kept
6 from November -- I think it was about November 10th
7 through --

8 Q Actually, if you don't mind, let me
9 interrupt. Let me see if I can actually provide
10 the documents for you to look at.

11 A Okay. You're referring to Schedule 2, I
12 believe.

13 Q Yeah. It's also in Mr. Taylor's testimony
14 as Schedule MJT-5.

15 A That's fine. That's fine.

16 Q Are we talking about the same documents,
17 sir?

18 A We're talking about two different things.

19 Q No. I'm sorry. The document that we're
20 looking at.

21 A I understand that. But my answer to your
22 question was -- I wasn't understanding your
23 question properly.

24 Q So you are saying, then, in response to
25 your Schedule 2, our Schedule 5 in our rebuttal

1 testimony, that this is not the time sheets that
2 you provided to Staff?

3 A This is not the time sheets we provided to
4 Staff in early January that reflected management
5 time worked from mid November through, I believe,
6 December 31st.

7 Q Okay.

8 A This is a different item.

9 Q This is -- this is your estimate of
10 Mr. Hoesch's management time, correct?

11 A That is correct.

12 Q Thank you very much. And this estimate is
13 based on what you're saying are time sheets as well
14 as Mr. Hoesch's own statements, correct?

15 A This is developed from discussions with
16 Mr. Hoesch.

17 Q That's right. And, in fact, your
18 testimony says, This document is developed from
19 discussions with Mr. Hoesch?

20 A I believe that's correct.

21 Q All right. Thank you. Excuse me just
22 while I go through my notes. I'll ask you a couple
23 quick questions about the rent. You have included
24 rent for a St. Louis office, correct?

25 A Correct.

1 Q And that information, again, came to Staff
2 after Day 150?

3 A I don't know when it came to Staff.

4 Q Okay. That's for an office that you
5 identify as Mr. Hoesch using his personal home in
6 St. Louis?

7 A That's correct.

8 Q Separate from the office that Staff has
9 included some recovery for in the Gascony Village,
10 the subdivision?

11 A Correct.

12 Q That's right. And that -- that office in
13 St. Louis, again, that's based on your personal
14 experience or Mr. Hoesch's statements, correct?

15 A I would say both.

16 Q Okay. I know you just identified earlier
17 that you had not seen Mr. Hoesch's tax returns. Do
18 you know if he claims an office on his tax returns?

19 A I have no idea.

20 Q Okay. Again, I appreciate your patience
21 as I just catch up one more time. You agree that
22 Mr. Hoesch should include -- it's your position
23 that Mr. Hoesch should be able to recover for a
24 all-terrain vehicle UTV and a trencher for this
25 case?

1 A Yes.

2 Q Based that on the promissory notes that
3 are signed between Mr. Hoesch's GascoOsage Realty
4 Company and then Mr. Hoesch's Gascony Water
5 Company?

6 A Promissory notes were used to determine
7 value, yes.

8 Q Yes. And just for everyone's attention,
9 please turn to Schedule R-9 of Mr. Young's rebuttal
10 testimony. R-9 and R-10. These are the promissory
11 notes that you're referring to?

12 A They look like they are, yes.

13 Q And there's one on the front and one on
14 the back of that page?

15 A Correct.

16 Q And can you identify when those were
17 executed?

18 A Just sometime between 2017 would be -- it
19 looks like July 1st of 2017 on this one. And it
20 looks like July 1st of 2017 on this other one.

21 Q And these, you're indicating, need to be
22 recovered starting from sometime in 2015; is that
23 correct?

24 A Those promissory notes, it's my
25 understanding he renews them annually. And I did

1 not look at any of the ones prior to those. I just
2 looked at the ones he had in effect at that time.

3 Q In fact, you haven't seen any other
4 promissory notes prior to these particular, have
5 you?

6 A I don't know if that's true or not.

7 Q Mr. Russo, you've referenced a Certificate
8 and Convenience of Necessity case From -- filed, I
9 believe, either the end of '97 or beginning of '98,
10 which was referenced as WA-97-510?

11 A Correct.

12 Q You filed testimony in this case, correct?

13 A Correct.

14 Q The testimony you filed, was in your
15 position as a Staff Auditor in that case, correct?

16 A Yes.

17 Q And you worked on rate base issues?

18 A I -- yeah.

19 Q Yes, right?

20 A Right. I did. I -- it's been a long
21 time.

22 Q You didn't -- you don't recall what you
23 worked on?

24 A I do. Some of it. But --

25 Q Okay. And if I could turn your attention

1 again to Schedule -- Matt R. Young's R-2 schedule.
2 Attached to -- attached to his testimony is a copy
3 of your testimony in that case. Do you recall
4 seeing that?

5 A Yes.

6 Q And in that case, you made the following
7 question and answers here, which was part of that
8 case which was filed in support of the stipulation.

9 Question: In response to the company's
10 proposal, what parts of the rate base calculation
11 do you disagree?

12 Answer: The original cost of plant in
13 service, cash working capital in reserve for
14 completion.

15 Question: Why do you disagree with the
16 original cost of plant in service?

17 Answer: You say, There are several items
18 that Staff believes should not be included in plant
19 in service. First, on Schedule 1, page 2, lines 5
20 through 16 there are identified various renditions
21 to source of supply. Source of supply would be the
22 well on Lot 7, correct?

23 A Correct.

24 Q The company has not supplied any
25 supporting documentation to identify what type of

1 work was performed. Therefore, the Staff cannot
2 recommend allowing these amounts in plant in
3 service.

4 In addition, Schedule 1, page 2, line 12
5 identifies an item as a new pump. Line 13
6 identifies a pump motor, and line 14 identifies a
7 pump. Yet there is no indication that these were
8 additional installations or if they were
9 replacements for items that should have been
10 retired. I'll hand you the testimony. Starting
11 line 15.

12 A Uh-huh. Okay.

13 Q Did I read those correctly for the --

14 A Well, I don't remember what you said
15 exactly, but, yes, I'm assuming you did.

16 Q Thank you. Mr. Russo, I have one more
17 item I'd like you to read along with. Starting on
18 page 4, line 1, in response to a question, you say
19 the following answer: The reserve for completion
20 calculation appears to be an attempt to allocate to
21 ratepayers a portion of the original construction
22 costs as identified as development costs over the
23 number of lots developed since not all the lots
24 have been sold.

25 It is the Staff's opinion that no property

1 development costs should be included in rates
2 whether or not the identified property lot has been
3 sold.

4 Have you reviewed other documents?

5 Answer: Yes, I have. I have reviewed all
6 of the records of the company that were provided to
7 Staff. These records including documents relating
8 to the cost of land expenditures, for the time
9 period of September 1st, 1982, through December
10 31st, 1996, and the 1979 and 1980 Federal income
11 tax returns.

12 Question: What did you discover in your
13 review?

14 Answer: Based on the information provided
15 by the company, it appears that all of the
16 identified plant in service costs were expensed in
17 the year it occurred as a development cost.

18 Question: How does this affect the
19 proposed rate base of the company?

20 Answer: Items that have been previously
21 expensed should not be included in rate base for
22 rate-making purposes. If companies were allowed to
23 include previously expensed items in future rates,
24 they would, in effect, be receiving the benefit of
25 that item twice. Based on our review of company's

1 records, the Staff is recommending zero dollars for
2 rate base.

3 Does this conclude your rebuttal
4 testimony?

5 Yes.

6 Did I read all of that correctly?

7 A Yes.

8 Q Thank you very much. Just to be clear,
9 development costs and the well that you identified
10 earlier, the -- the additional plant, that's
11 referring to the well and the distribution system
12 of this location development of the subdivision,
13 correct?

14 A Without looking at all the schedules that
15 were attached to that original testimony, I --

16 Q You don't know?

17 A I don't remember because --

18 Q Okay. Thank you very much for your time,
19 Mr. Russo.

20 MR. SCHUBE: Pass the witness?

21 MR. WESTEN: Yeah. No further questions.

22 CROSS-EXAMINATION

23 BY MR. SCHUBE:

24 Q Hi, Mr. Russo. My name is Curtis Schube.
25 I'm going to start by talking a little bit more

1 about the income that you had testified about.

2 Have you reviewed the Stipulation and Agreement
3 from the 1998 CCN case in your preparation for this
4 hearing?

5 A I have reviewed it within the last three
6 months, but not in the last three weeks.

7 Q Would you agree that that Stipulation and
8 Agreement required Mr. Hoesch to maintain records
9 for his time sheets?

10 A Yes.

11 Q All right. And would you also agree that
12 he did not maintain records from 1999 when the
13 order became effective until 2015?

14 A Yes.

15 Q And would you agree that with regard to
16 management expenses, he still did not maintain
17 records until 2017 around the time that this case
18 was filed?

19 A Yes.

20 Q All right. Would you agree that he was
21 not in compliance until those dates?

22 A Yes.

23 Q All right. And then you'd also said that
24 your Schedule 2 to your direct testimony was based
25 upon what Mr. Hoesch had reported to you; is that

1 correct?

2 JUDGE CLARK: Mr. Schube, turn your mic.
3 on.

4 MR. SCHUBE: Oh, I'm sorry.

5 A Could you repeat that, please?

6 Q (By Mr. Schube) All right. So you had
7 said that Schedule 2 to your direct testimony was
8 based upon meetings with Mr. Hoesch and what he
9 reported to you?

10 A It was based on discussions with
11 Mr. Hoesch. Yes.

12 Q Okay. Through the course of your career,
13 have you been required to keep time sheets before?

14 A I have, yes.

15 Q All right. And do you find that if a
16 couple days or weeks or months go by that it's a
17 little bit foggier as to what you had actually
18 worked?

19 A Not necessarily.

20 Q All right. I'd like to next talk about
21 mileage. To your knowledge, with regard to
22 Mr. Hoesch's work for Gascony, did he drive outside
23 the state of Missouri?

24 A I have no idea.

25 Q Okay. Do you agree that the IRS deduction

1 **rate is a nation-wide rate?**

2 A Yes.

3 Q Okay. So it applies to drivers in
4 California just the same as it applies to the
5 drivers in Missouri?

6 A It applies to, as far as I know, any U.S.
7 citizen or any citizen that files taxes and uses
8 it.

9 Q Would you agree that gas rates are more
10 expensive in other parts of the country?

11 A Some places, more. Some places, less.

12 Q Would you agree that some places are more
13 than Missouri?

14 A Some places more, yes.

15 Q All right. Did Mr. Hoesch provide any
16 mileage records to you to review?

17 A It is my understanding he has them. I
18 have not looked at them.

19 Q You have not looked at any mileage
20 records?

21 A That is correct.

22 Q Okay. I'd like to direct you to page 17
23 of your surrebuttal testimony.

24 A You said 17?

25 Q Yes.

1 A Yes. Okay.

2 Q All right. In response to the question,
3 Why does the company believe the Commission should
4 prove the medical mileage reimbursement rate for
5 the company?

6 Your second sentence, you had said, The
7 state of Missouri mileage reimbursement rate is
8 based upon the state of Missouri's cost to operate
9 the fleet. Can you explain what you meant by that?

10 A All you can find when you look at the
11 State's information is they have a rate -- I think
12 it's 37 cents give or take. But it doesn't say how
13 they come to that.

14 So the conclusion I would come to is it's
15 just based on what it costs the State, not the
16 individual within the state, the State of Missouri,
17 to operate their existing fleet.

18 As a -- if you look at the State as a huge
19 business, they're going to have savings to run
20 their fleet that an average individual would not
21 have.

22 Q So --

23 A That's how I look at it.

24 Q If I heard you correctly, you said you did
25 not have knowledge as to that?

1 A Knowledge as to what, sir?

2 Q As to how they calculate that number.

3 A That is correct. I have no idea how they
4 come up with 37 cents.

5 Q Okay. Can you explain the distinction
6 between a tax deduction and a reimbursement?

7 A Okay. If you're a State employee driving
8 your own car, I believe --

9 Q And I'm not talking --

10 A I understand that.

11 Q Sir, I want to clarify my question. I'm
12 not referring to a State employee specifically.
13 I'm just conceptually overall speaking what's the
14 distinction between a deduction and a
15 reimbursement?

16 A Well, a reimbursement is where you're
17 reimbursed by a party for an expense. A deduction
18 is something you can take off of your income taxes.

19 Q So that's, basically, a deduction would
20 mean that's not taxable income, correct?

21 A It's a reduction to taxable income. Yes.

22 Q Okay. And a reimbursement would mean that
23 whoever is being reimbursed would get that money in
24 full; is that correct?

25 A Whatever the reimbursement is, yes.

1 Q All right. So would you agree that the
2 IRS rate is a deduction and the Missouri rate is a
3 reimbursement?

4 A I'm not sure how you'd say that. I'd have
5 to go back and look at how Missouri words their
6 stuff. I don't know. But the IRS is definitely a
7 deduction.

8 Q Okay. Would it help you to see a printout
9 from the OA web site?

10 A Well, this says allowance. So --

11 Q If you'd look at the second sentence on
12 that document.

13 A Okay. State mileage reimbursement rate.
14 Okay.

15 Q And would you agree now that Missouri's
16 rate is a reimbursement rate, not a tax deduction?

17 A Okay. Okay. Sure.

18 Q Is that a yes or no?

19 A Sure. Yes.

20 Q Okay. Thank you. I'd like to ask one or
21 two questions about your rate design testimony. If
22 you could go to page 13 of your direct?

23 A Okay.

24 Q All right. In response to the question,
25 Why are you proposing to increase the part-time

1 customer equivalent factor from .35 to .5, the
2 second sentence of your response is, The company
3 has observed that the part-time customers visit
4 Gascony Village more frequently, and the part-time
5 customer bring a greater number of guests. Was
6 your testimony just based upon observation of the
7 company?

8 A It's both my personal observation and my
9 visits to the company.

10 Q Okay.

11 A And -- and discussions with Mr. Hoesch.

12 Q Were there any studies performed on the
13 increased use of part-time consumers?

14 A No.

15 Q Do you have any evidence other than your
16 own observations and Mr. Hoesch's observations?

17 A That is all we have. Yes.

18 Q Okay.

19 CROSS-EXAMINATION

20 BY MS. SHEMWELL:

21 Q Good morning, Mr. Russo.

22 A Good morning.

23 Q I'd like to ask a couple of questions
24 about depreciation. What USOA account for water
25 utilities -- do you agree with me that the water

1 **utilities USOA provides for different accounts**
2 **based upon their revenue requirement or income?**

3 A Correct. There's A, B, C and D.

4 Q Do you know what USOA account the company
5 **is using?**

6 A No, I do not.

7 Q Do you know what account the Commission
8 **ordered in the 1997 case?**

9 A I do not recall. No.

10 Q Is the company using what the Commission
11 **currently -- what the Commission ordered in the '97**
12 **case?**

13 A I don't know. The company is using what
14 Staff recommended. That's what the company -- the
15 company basically adopted what Staff did.

16 Q **Mr. Russo, is this your work paper?**

17 A I don't think so.

18 Q **It's attached to --**

19 A I believe might be Mr. Robertson's. I'm
20 not sure who it is. John Robinett's, maybe.

21 Q **It was attached to John Robinett's**
22 **testimony as your work papers.**

23 A Okay. I don't know.

24 Q **You don't recognize this as your work**
25 **paper?**

1 A It could be. I just don't know. I see a
2 lot of things on here that are similar to what we
3 developed. But, yeah, I don't -- I'm not a hundred
4 percent sure.

5 Q Can you provide your work paper to me?

6 A I don't have a -- I don't have anything
7 with me. I'm sorry.

8 Q If I represent to you this is your work
9 paper --

10 A Subject to check, sure.

11 Q Okay. Subject to check. All right. I'd
12 like us to look at the Uniform System of Accounts
13 for D. You agree that this is a Uniform System
14 Accounts, Class D?

15 A Yes.

16 Q And that this is for, also, C?

17 A Yes.

18 Q And I'm handing you the general
19 instructions that describe the four classes; is
20 that correct?

21 A Right.

22 Q And Class D applies to utilities with
23 operating revenues of less than 50,000?

24 A Correct.

25 Q Would you agree with me, also, that any

1 utility may, at its option, adopt those system of
2 accounts prescribed by the Commission which, in
3 this case, is FERC, because these are FERC USOA
4 approved accounts for any larger class of
5 utilities? Have I read that correctly?

6 A Yes, you have.

7 Q Are these the classes that the Commission
8 uses for water companies?

9 A Yes.

10 Q And let's look at what we're thinking is
11 -- are your work papers. Okay? The 340 accounts,
12 do those match Class D or Class C?

13 A All of these?

14 Q Yes.

15 A 340 is the same.

16 Q 346 is meters.

17 A I'm on 341 right now.

18 Q Improvements?

19 A Yes. They look the same.

20 Q Those are all for Class C, right?

21 A C or D, it looks like to me.

22 Q There are some differences between C and
23 D. No?

24 A I don't see any differences between them
25 here.

1 Q Okay. Now, let's look at the four -- I am
2 sorry -- the 300 accounts. 389. Let's look at
3 391. You have utility plant purchased. And 391
4 here is office furniture and equipment in Account
5 C?

6 A Correct. There is a difference between
7 391 -- that's correct. Yes. C is the same as this
8 -- I don't know what to call this, this schedule.
9 My worksheet. And then D is different for this
10 account number.

11 Q And 394?

12 A 394 is different, yes. It looks -- yeah.

13 Q Is from account -- Class C?

14 A Yes.

15 Q So is there some confusion as to whether
16 or not Class C or D is being used?

17 A It looks -- it looks like there's some of
18 both in use.

19 Q I'm going to show you the 2016 report,
20 annual report from Gascony Water Company, and I'd
21 like to ask the Commission to take notice of it.

22 It's filed in the Commission's is
23 EMAR-2017-1856. And I'm going to ask you to look
24 here at the company's annual report. I'm sorry
25 that it's on two pages, but -- and down here, this

1 is page W-5 What the company has reported is they
2 are using B and C with none in D; is that correct?

3 A Yes.

4 JUDGE CLARK: Ms. Shemwell, this is
5 EMAR-2017-856?

6 MS. SHEMWELL: 1856.

7 JUDGE CLARK: And what is that again?

8 MS. SHEMWELL: This is the annual report
9 filed by Gascony Water for 2016.

10 JUDGE CLARK: And you're wanting me to
11 take notice of that?

12 MS. SHEMWELL: Yes, please. It's filed in
13 the Commission's records.

14 JUDGE CLARK: Any objection from the
15 company?

16 MS. CARTER: No objection.

17 JUDGE CLARK: Any objection from Staff?

18 MR. WESTEN: None.

19 JUDGE CLARK: I'll take official
20 administrative notice of that. Go on.

21 Q (By Ms. Shemwell) Do you know if a
22 utility is permitted by the USOA to file in two
23 different accounts?

24 A I do not know.

25 MS. SHEMWELL: That's all I have. Thank

1 you, Mr. Russo.

2 MR. RUSSO: You're welcome.

3 JUDGE CLARK: Any questions from the
4 Commission?

5 CHAIRMAN HALL: Yeah.

6 CROSS-EXAMINATION

7 BY CHAIRMAN HALL:

8 **Q Good morning.**

9 A Good morning.

10 **Q In the CCN case, there was a thousand**
11 **dollars allocated for meters for the commercial**
12 **customers; is that correct?**

13 A Yes, it is.

14 **Q Were those meters put in place?**

15 A Yes, they were is my understanding. Yes.

16 **Q Okay. And so did -- did you -- are you**
17 **the individual who determined the company's request**
18 **for the -- the customer for the rate design in this**
19 **case?**

20 A For the CCN case?

21 **Q No. For this case.**

22 A For this -- the case we are in now?

23 **Q Yes.**

24 A Yes.

25 **Q Okay. So did you use meter readings to**

1 **make that recommendation?**

2 A I did not have any meter readings
3 available. It's been my understanding, and this
4 even goes back to when I was with Staff, I was out
5 there numerous times, we could never find the
6 meters. Or if they were there, they were
7 underneath so much water that you could never read
8 them. So I don't really know. So --

9 Q **So what did you base your recommendation**
10 **on for the -- for the customer equivalent?**

11 A Commercial customer?

12 Q **Yes.**

13 A Okay. Thank you. On increased usage,
14 it's -- Gascony --

15 Q **Well, how did -- how did you measure**
16 **increased usage -- increased usage?**

17 A I think I can answer that, sir. At the
18 certificate case, the facilities at the pool house
19 and at the kitchen were completely different than
20 some of these now.

21 For instance, at the pool house, I believe
22 it went from four shower to eight showers.

23 Q **Okay. I understand that. I read your**
24 **testimony.**

25 A Okay.

1 Q I understand that -- that there are some
2 differences in the kitchen now versus then, the
3 pool now and then. I'm trying to get a better
4 sense to as to any accuracy of that suggested
5 change.

6 A There is nothing in -- there are no
7 numbers it look at that I can reference you to in
8 terms of water consumption.

9 Q I know you disagree with Staff's assertion
10 as set forth in the rebuttal testimony of Mr. Young
11 on page 15, lines 12 through 15.

12 But I -- I don't understand your
13 disagreement. So I'll let you -- I'll let you turn
14 to page 15.

15 A Of my testimony?

16 Q No. Of Mr. Young's rebuttal testimony.

17 A I don't have his. But if you can
18 reference where I said that in my testimony, I
19 might be able to --

20 Q Well, why don't -- have you -- have you
21 reviewed Mr. Young's testimony?

22 A Yes, sir.

23 Q Okay. Do you have it in front of you?

24 A No, sir, I do not.

25 Q Maybe someone can provide you with that.

1 MR. WESTEN: Page 15 of Mr. Young's
2 rebuttal testimony?

3 CHAIRMAN HALL: Yes.

4 MR. WESTEN: Do you need page 16 as well?
5 It's page 15 and 16.

6 A I was -- where are you referencing to,
7 sir? I'm --

8 Q (By Chairman Hall) on lines 12 through
9 15, Mr. Young says, This testimony illustrates that
10 in the 1997 CCN case, the parties agreed that
11 Gascony Water did not have any unrecovered
12 investment in utility plant at the time the
13 certificate was granted by the Commission because
14 all development costs were recovered through lot
15 sales. Now, you -- you do disagree with that
16 assertion, do you not?

17 A Yes, sir, I do.

18 Q Can you explain to me why?

19 A The -- back in that CCN case, the -- the
20 testimony filed by who the expert witness was then
21 for the company talked about recovering -- I'm
22 thinking it was about \$150 per lot. I don't have
23 that from you either.

24 And it was specifically for the water
25 mains. They had a number there. They were trying

1 to recover somewhere in the neighborhood of 75 to
2 \$80,000. It was specifically identified.

3 And based on what I've read in that
4 gentleman's testimony is why I just disagree with
5 that. It -- it --

6 **Q So your view is that there was unrecovered**
7 **investment in utility plant?**

8 A Yes. One of the problems back then was
9 the company did not provide any receipts for
10 anything, and there was no way of, as a Staff
11 member, then determining what item was -- how it
12 was paid for, who paid for it or anything. So it
13 was -- it was a -- it was a matter of poor
14 record-keeping on the company back then.

15 **Q But the company does have the burden of**
16 **proof to show what -- what unrecovered investment**
17 **in utility plant it has, correct?**

18 A That is correct. Yes.

19 **Q In the -- in the 1997 CCN case, there was**
20 **a five-year amortization of -- of start-up costs;**
21 **is that your understanding as well?**

22 A Yes. Four or five years, yes.

23 **Q I'm -- I'm looking at, again, Mr. --**
24 **Mr. Young's testimony on that same page. And he**
25 **asserts that it's five years.**

1 A That's fine. It would be 4,000 a year,
2 then.

3 Q So is it -- is it true, then, that there
4 -- that there hasn't been a rate case since then,
5 and so -- and so the company has continued to
6 recover that \$4,000 a year?

7 A That is a correct statement, yes.

8 Q So would you agree with -- would you agree
9 with Mr. Young that as of June 30th, 2017,
10 customers have paid a total of \$73,000 for this
11 amortization during the prior 18 and a quarter
12 years?

13 A I trust Mr. Young's math. Yes.

14 Q So that's \$55,000 in excess of actual
15 costs, correct?

16 A I'm not sure what you're saying there. I
17 apologize.

18 Q Well, \$20,000 in costs and the company
19 received --

20 A Okay. Okay. Yes.

21 Q -- in excess of \$73,000. So is it safe to
22 assume that the -- the \$55,000 was collected by the
23 company without any corresponding expense amounts,
24 so these dollars theoretically covered other costs
25 of service amounts?

1 A Yes.

2 Q When -- when did the utility start using
3 the -- the UTV? Do you know?

4 A There's been a UTV out there for a long
5 time. This is -- it's really confusing, so let me
6 try to explain I understand about the UTV.

7 The UTV was one that Staff and OPC is
8 identifying as one that, I believe, was purchased
9 back in 2007 or it shows up in the 2007 annual
10 report. There's that UTV.

11 And it was used by Mr. Hoesch for anything
12 out there at Gascony Village, which could also
13 possibly include some of his real estate dealings.
14 So it was a multi-use vehicle in that respect.

15 When he filed the case that he pulled in
16 -- whenever it was. I don't remember at this time
17 the year that Staff prepared -- we filed case in
18 2014 and withdrew in December 2014.

19 Out of that case, he was under the
20 impression that he, being Mr. Hoesch, that the
21 auditing Staff told him that it can't have been
22 included because it was multi-use.

23 So he went ahead and bought another one.
24 So there's really two ATVs -- UTVs that are out
25 there, the one that he bought in -- it was either

1 '14 or '15 that he bought it. It was 32 or \$3500.

2 It gets very confusing sometimes, even to me.

3 But that one is used a hundred percent for
4 the utility. So there's -- there's some confusion
5 on what the UTV is. But it's actually one that he
6 bought after he pulled the last case.

7 He bought it in, I believe it was,
8 December 2015. And that is the one that he uses
9 solely for the water utility business.

10 Q And who did he -- who did he buy that
11 from?

12 A It was a private party.

13 Q An unaffiliate?

14 A Yes. Just -- I don't know if it was off
15 of E-Bay or through a dealership. I don't know.
16 But it was a private party. No relationship at
17 all.

18 Q And what is the -- so that plant was in
19 service in 2015?

20 A I believe that's correct. Yes.

21 Q And when did -- when did the company buy
22 -- or excuse me. When did the company start using
23 the trencher?

24 A Okay. The trencher goes back somewhere in
25 the 1990s. It was purchased by the realty company.

1 And back then, it was used for anything the realty
2 company needed to be done and anything that the
3 water company needed to be done. It was used for
4 everything back then.

5 Back in that certificate case, the -- if
6 you look at the -- what Staff was doing in terms of
7 rate base values and if you're looking at the
8 schedules, it would have went in -- it went into
9 the water plant at zero.

10 Mr. Hoesch said, The heck with that. I'll
11 just keep it in my realty business. So he used it
12 from then until, again, about that 2015 time frame.

13 And then he realized in 2016 that, you
14 know, I don't use this for the realty anymore. It
15 really is a water utility property or it should be
16 water utility property.

17 So he transferred it then -- did a sale
18 that was basically to himself to get that into the
19 utility business. I believe was \$8200 at that
20 point.

21 He went ahead and looked at trenchers that
22 were available. And I think he has one attached to
23 his surrebuttal testimony, a quote for one now
24 that's at, like, \$14,000. I mean, he gave it to
25 himself at a good deal as far as prices for those

1 things.

2 Q \$14,000 was -- was for a new trencher?

3 A No. No. This is for a similar used one
4 that he did or the aged use. It's attached to his
5 testimony.

6 Q Okay.

7 A There's something there. So it's -- and
8 all those years that this thing was used by both,
9 the real estate company paid for all the upkeep on
10 that thing.

11 So if it had to have an oil change or bad
12 -- something go out, the realty company did all of
13 that. The water company did anything of it. The
14 water company was never charged from the realty for
15 using it during those early years.

16 So like I say, about '15, he realized he's
17 not using it for the realty anymore. He's winding
18 that business down. And so he just felt it was
19 time to dispose of it.

20 And if you're going to dispose of it, why
21 not sell it to your water utility instead of
22 selling it out there to another party.

23 Q Then concerning the sale of -- of the Lot
24 27, the utility is -- is signing annual promissory
25 notes? Was that your testimony a little while ago?

1 A That was on the trencher and the UTV.

2 On the -- on that lot sale, there's a deed, and I
3 believe -- I believe he paid \$10,000 for it.

4 **Q And then the -- the shed property?**

5 A Okay.

6 **Q That was a \$7500 payment; is that correct?**

7 A Yes.

8 **Q And that was a payment from the utility to**
9 **whom?**

10 A It would go from the utility to the realty
11 company in that case.

12 **Q And did you do any analysis to determine**
13 **whether that was a fair and reasonable price?**

14 A Well, we tried. There's testimony that
15 says no -- appraise -- wouldn't appraise it. And
16 that's -- that's true, so it's difficult.

17 We attempted, based on unimproved lot
18 sales, that he had recently to come up with an
19 appraisal for both Lot 27 and the storage building
20 lots. And, I mean, it's -- I think it's
21 reasonable, yes. But --

22 **Q So the \$10,000 for Lot 27 and the 7,500**
23 **for the shed property, that's for the actual real**
24 **property?**

25 A Yes.

1 Q I thought there was a general rule that
2 real property doesn't depreciate. Is that true?

3 A I -- yes.

4 Q So the company is trying to get that
5 10,000 and that 7,500 into rate base?

6 A Well, I -- I believe it's when you
7 purchase something or the value of the land at the
8 time that you acquire it. That -- that value does
9 not depreciate.

10 In other words, if you have a piece of
11 land and you go out and buy it today for \$10,000,
12 if it's placed into rate base, it's going to stay
13 in rate base forever at 10,000. But when you get
14 the return on that, it's never depreciated. You
15 get to return up.

16 Q Do you -- do you know of other small water
17 and sewer utilities in the state that have a rate
18 design similar to the -- to the one at issue in
19 this case?

20 A No. These are -- there's a couple
21 reasons. One, these are quarterly rates. The
22 customer make-up is unique.

23 There's a lot of systems out there that
24 have parts of this. But there's nobody that had
25 all of this or even most of this that I'm aware of.

1 CHAIRMAN HALL: Okay. I have no further
2 questions. Thank you.

3 COMMISSIONER KENNEY: No questions. Thank
4 you.

5 JUDGE CLARK: Any recross examination
6 based upon Commission questions?

7 MR. WESTEN: Yes, Judge. Just briefly.

8 RECROSS EXAMINATION

9 BY MR. WESTEN:

10 Q Mr. Russo, the Chairman asked you a
11 question about the value and ownership of the UTV.
12 Do you recall those questions?

13 A Yes.

14 Q And he also mentioned the promissory note
15 in relation to Lot 27. You identified that those
16 were the trencher and the ATV, correct?

17 A Yes.

18 Q So I just wanted to make sure I
19 understood. You said that the UTV was a -- the one
20 that the company is trying to include in rates now
21 was purchased from a wholly unrelated third party,
22 correct?

23 A Yes.

24 Q And it -- we'll just look at Schedule R-10
25 of Matt Young's rebuttal testimony. You looked at

1 **this document earlier.**

2 **This is for -- at the very bottom, it says**
3 **Collateral, 6 by 4 Gator, hydraulic dump. That's**
4 **the vehicle we're talking about, right?**

5 A Yeah.

6 Q And the purchase price is \$3,500, right?

7 A Yes.

8 Q And the promissory note is actually
9 **between GascOsage Realty, the lender, and Gascony**
10 **Water Company, Inc., the borrower. Is that what**
11 **this document says?**

12 A That's what it says. Correct.

13 Q And this is the document that is the
14 **source of the value of the UTV that's trying to be**
15 **included in rates, correct?**

16 A The price of that item was paid for by the
17 **realty company. The realty company gave the third**
18 **party the money.**

19 Q So you misspoke when you were giving the
20 **Chairman an answer earlier?**

21 A Well, I don't know if it's misspoke to the
22 **extent that I didn't say that the realty company**
23 **paid for it because I just, quite frankly, forgot**
24 **that they paid for it until you showed this to me.**

25 Q Thank you, Mr. Russo. One other item.

1 **The Chairman asked you about Lot 27. That lot was**
2 **originally owned by Mr. Hoesch, was it not?**

3 A I believe that's correct. Way back --

4 Q **Right.**

5 A Way back, yes.

6 Q **And he -- and he transferred that to his**
7 **realty company, GascOsage Realty Co.?**

8 A I believe that's correct.

9 Q **And then that transferred to Lot 27 where**
10 **the well is located to his children; is that right?**

11 A I believe that's correct.

12 Q **So the \$10,000 that Mr. Hoesch is trying**
13 **to include -- the water company is trying to**
14 **include, it's purchasing property that he owned,**
15 **gave away to his kids and is now trying to get**
16 **back, correct?**

17 A It's for prudence and property from CMC,
18 correct.

19 Q **CMC is the company that the children own**
20 **and formed?**

21 A As far as I know, it is.

22 MR. WESTEN: Thank you. No further
23 questions.

24 JUDGE CLARK: Any recross examination from
25 Public Counsel?

1 MS. SHEMWELL: Thank you.

2 RECROSS EXAMINATION

3 BY MS. SHEMWELL:

4 MS. SHEMWELL: I'm going to ask Mr. Russo
5 to look at Mr. Hoesch's testimony from the '97
6 case. I have extra copies of that. We've asked
7 the Commission to take notice of that. Is the
8 Commission interested in having copies?

9 CHAIRMAN HALL: Sure.

10 COMMISSIONER KENNEY: Thank you.

11 Q (By Ms. Shemwell) Mr. Russo, I'm going to
12 turn and I'm going to show you this document. I'm
13 going to ask you to turn to --

14 MS. CARTER: I'm sorry. If we could start
15 with -- I don't mean to make a formal objection on
16 it. If we could start with what question this
17 relates to from the Commissioners so I know where
18 to look in my notes.

19 Q (By Ms. Shemwell) Well, I'm talking about
20 the trencher and comments -- and I'm turning to
21 page 3. Do you see that this is Mr. Hoesch's
22 testimony?

23 A Yes.

24 Q Page 3, under the question, What are the
25 company's assets? And he specifically says that --

1 lists the number of assets. And at line 56, he
2 says, The trencher was purchased on or about 1995
3 for approximately 10,000.

4 A Uh-huh.

5 Q And then he says, All of these assets have
6 been and will be used exclusively by the company,
7 not by the realty company. Is that correct? Is
8 that what he told the Commission in '97?

9 A That's what -- that's what he said at that
10 point in time, yes.

11 MS. SHEMWELL: That's all I have. Thank
12 you, Mr. Russo.

13 JUDGE CLARK: Any redirect from the
14 company?

15 MS. CARTER: Yes. Thank you, Judge.

16 REDIRECT EXAMINATION

17 BY MS. CARTER:

18 Q Mr. Russo, Commissioner Hall asked you
19 about the meters, the three commercial meters. Is
20 there another meter on the property in addition to
21 those three commercial meters?

22 A There is the master meter.

23 Q And is that read by company?

24 A Yes.

25 Q And has the company also read two of the

1 **three commercial meters for water usage?**

2 A As of yesterday evening, that has been
3 brought it to my attention, yes.

4 Q So when Mr. Hoesch takes the stand, he
5 could provide information to answer Commissioner
6 Hall's question about those meter readings?

7 A If they exist, yes.

8 Q And did you look at the water usage from
9 the master meter?

10 A I have reviewed that. Yes.

11 Q And was that taken into consideration in
12 the rate design testimony?

13 A To the extent that when rates were
14 developed, it was based on somewhere around
15 2.1 million gallons of water being used, and it's
16 presently in excess of 6 million. It just
17 indicated to me that things have changed over the
18 years a little bit more.

19 Q Mr. Westen, Counsel for the Staff, asked
20 you questions about your testimony in the CCN case.
21 Do you recall those questions?

22 A Yes.

23 Q Please describe any inconsistencies that
24 you believe exist between your testimony in the CCN
25 case and your testimony in this current rate case.

1 Do you believe there are any inconsistencies?

2 A Inconsistencies? No.

3 Q Yes. And I'm sorry. I spoke on top of
4 you. Did you say no?

5 A No. Yes. I said no.

6 Q Do you believe Staff is misinterpreting
7 your testimony from the CCN case?

8 A A little bit. Yes.

9 Q Can you explain that for us?

10 A Well, of course, I don't have it in front
11 of me again. It would be great if somebody had a
12 copy of what I filed back then and I can probably
13 point out a few things.

14 A Thank you.

15 MS. SHEMWELL: You're welcome.

16 MS. CARTER: Thank you, Ms. Shemwell.

17 MS. SHEMWELL: Uh-huh.

18 A I -- back when I originally did this,
19 looking at it 20 years later, I probably would have
20 worded things differently.

21 However, on page 2 of that on lines 18
22 through 23, and I think it went over to page 3
23 where I believe Staff Counsel asks me a little bit
24 about that.

25 The reason those items weren't allowed is

1 because there's no supporting documentation. I
2 mean, if there were receipts, I don't know what
3 Staff would have done back then looking at it now.

4 But my guess is, on some of these
5 items, if the company had documentation, rate base
6 would not have originally been set at zero with the
7 exception of that thousand dollars for the meters.
8 Okay? So I disagree with the way that is being
9 portrayed.

10 And I think at the very end on page 4
11 where I've -- Staff or Counsel read that page, the
12 wording that you read is correct. But I think the
13 meaning is different in the sense that items on
14 page 2 really weren't included in what's on page 4
15 in that sense. I wasn't referring to it. I could
16 have been clearer back in '97 whenever that was
17 written. But hindsight is wonderful.

18 MS. CARTER: I have no further questions.
19 Thank you.

20 JUDGE CLARK: Okay. Mr. Russo, you're
21 excused.

22 MR. RUSSO: Thank you.

23 JUDGE CLARK: Gascony Water, you can call
24 your next witness.

25 MS. CARTER: George Hoesch.

1 JUDGE CLARK: Mr. Hoesch, would you raise
2 your right hand to be sworn?

3 GEORGE HOESCH,
4 being first duly sworn to testify the truth, the whole
5 truth, and nothing but the truth, testified as follows:

6 DIRECT EXAMINATION

7 BY MS. CARTER:

8 JUDGE CLARK: Thank you. Please be
9 seated. Gascony, proceed.

10 MS. CARTER: Thank you.

11 Q (By Ms. Carter) Mr. Hoesch, if you'll
12 please state your full name for the record?

13 A George R. Hoesch.

14 Q And what is your relationship with Gascony
15 Water Company?

16 A I'm the sole owner.

17 Q And are you also the President of the
18 company?

19 A Yes.

20 Q Did you prepare direct testimony and
21 surrebuttal testimony in this case?

22 A Yes.

23 Q Those have been marked Exhibits 3 and 4.
24 Do you have any corrections to make to those?

25 A I don't believe so.

1 Q If I asked you those same questions today,
2 would your answers be substantially the same?

3 A Yes.

4 MS. CARTER: I tender Mr. Hoesch for
5 cross-examination and move for the admission of
6 Exhibits 3 and 4.

7 JUDGE CLARK: Any objection to Exhibits 3
8 and 4? Staff?

9 MS. KLAUS: No objection, Judge.

10 MS. SHEMWELL: No, thank you.

11 JUDGE CLARK: Gascony Exhibits 3 and 4
12 will be admitted onto the hearing record.

13 (Gascony Exhibits 3 and 4 were offered and
14 admitted into evidence.)

15 JUDGE CLARK: Any cross from Staff?

16 MS. KLAUS: Yes. Very briefly, Judge.

17 CROSS-EXAMINATION

18 BY MS. KLAUS:

19 Q Good morning Mr. Hoesch.

20 A Good morning.

21 Q My name is Alexandra Klaus. I'm Legal
22 Counsel for Staff of the Missouri Public Service
23 Commission. Just have a couple of hopefully quick
24 questions.

25 I would like to ask you about the general

1 warranty deed dated July 27th that relates to the
2 shed property. Are you aware of that deed, or
3 would you like me to --

4 A I looked at it. I'm not familiar with it.

5 Q Okay. Do you know, has that deed been
6 recorded?

7 A Which deed are you speaking of?

8 MS. KLAUS: May I approach?

9 JUDGE CLARK: Yes. Mr. Hoesch, would you
10 pull the microphone a little closer to you?

11 A Sure.

12 JUDGE CLARK: Thank you.

13 Q (By Ms. Klaus) Mr. Hoesch, this is in
14 Mr. Young's testimony, Schedule R-8. I'll give you
15 a moment to review it. But as I understand, this
16 is the General Warranty Deed for the shed property.

17 A Deed for which property?

18 Q The shed property.

19 A The shed property?

20 Q Yes.

21 A Okay.

22 Q And has this deed been recorded?

23 A No.

24 Q Do you plan to record this deed?

25 A Yes.

1 Q When did you plan to record it?

2 A I'm not sure.

3 MS. KLAUS: Thank you. No further
4 questions, Judge.

5 JUDGE CLARK: Any cross-examination from
6 the Office of Public Counsel?

7 MR. SCHUBE: Yes, Judge.

8 CROSS-EXAMINATION

9 BY MR. SCHUBE:

10 Q Mr. Hoesch, this is -- my name is Curtis
11 Schube. I tried going through the -- the testimony
12 to kind of get a calculation of the amount of hours
13 you might work in a matter of a week, and the
14 number I came to was about 12. Does that sound
15 accurate?

16 A The what now?

17 Q About how many hours you might work on an
18 -- on an average week.

19 A At the water company?

20 Q Yes.

21 A Yes.

22 Q Twelve sounds about accurate?

23 A Yes.

24 Q Okay. And then just back -- you know,
25 this has already been covered, but with regard to

1 the time sheets, you do agree that you did not keep
2 time sheets from 1999 until January of 2015,
3 correct?

4 A Yes.

5 Q All right. And then with regard to
6 management records specifically, you didn't keep
7 time sheets for those records until November of
8 2017; is that correct?

9 A Which date to what date?

10 Q From 1998, the effective date -- or excuse
11 me. 1999, the effective date of your Stipulation
12 and Agreement until 2017 November, you didn't keep
13 records with regard to management; is that correct?

14 A With regard to management. That -- and
15 you're speaking -- what are you talking -- what are
16 you calling management?

17 Q Well, you're trying to ask for time given
18 for management duties, correct?

19 A That is correct.

20 Q And you did not keep time sheets with
21 regard to those duties until November of 2017,
22 correct?

23 A Yes.

24 Q Okay. Do you also agree that the
25 Stipulation and Agreement from the known 1998 case

1 required you to keep time sheets?

2 A Yes.

3 Q All right. How often do you go to
4 Gasconade County to -- to do your work with -- with
5 Gascony?

6 A Every week.

7 Q Okay. Do you go over the course of a
8 weekend or --

9 A Any -- almost any time. Through the week,
10 weekend.

11 Q Okay. So it varies?

12 A Yes.

13 Q Okay. Do you also agree that you did not
14 submit mileage records with regard to those trips
15 to Gasconade County?

16 A When?

17 Q At any time.

18 A Did I submit -- I didn't -- no. But I
19 didn't take money for them either.

20 Q Okay. When you go to Gasconade County, do
21 you also do work for your real estate company?

22 A Very little.

23 Q So do you do -- you do do some work for
24 the real estate company?

25 A Very, very little. It sold out.

1 Q Okay. But that is some, correct?

2 A What do you consider some?

3 Q All right. When you're asking of mileage,
4 are you -- are you claiming the entire distance
5 from St. Louis to Gascony -- Gasconade County?

6 A And back.

7 Q And that's despite the fact that you do
8 work at another company while you're there
9 sometimes?

10 A Yes.

11 MR. SCHUBE: All right. No further
12 questions.

13 JUDGE CLARK: Any questions from
14 Commissioners?

15 CHAIRMAN HALL: Yeah.

16 A Pardon me?

17 CROSS-EXAMINATION

18 BY CHAIRMAN HALL:

19 Q Good morning.

20 A Good morning.

21 Q In response to questions from Staff
22 Counsel, you indicated that you've not recorded the
23 deed with regard to the shed property; is that
24 correct?

25 A That is correct.

1 **Q Why not?**

2 A Well, they're taking the position that
3 it's not worth anything, that my land is not worth
4 anything. And I'm not going to record that deed
5 necessarily until I can find out if I going to get
6 paid for the land or not. They don't want to give
7 me any money for anything.

8 **Q And so if -- so you're saying that, based**
9 **upon the decision from this case, you may decide to**
10 **never record that deed?**

11 A Well, I'm sure that they're going to give
12 me some kind of money for the land. I mean, I
13 can't imagine they -- they can't just take it.

14 **Q What is CMC Water?**

15 A The initials stand for Chris and Matt,
16 which are my children, Water Company.

17 **Q And what does CMC Water do?**

18 A They own Lot 27 of Gascony Village,
19 Gascony Mobile Home Park.

20 **Q They currently own that property?**

21 A They -- they still own it. Yes.

22 **Q I thought that the water company, Gascony**
23 **Water Company, purchased that property?**

24 A They did. But the deed has not been
25 recorded.

1 Q So does CMC Water do anything other than
2 hold that property?

3 A No.

4 Q And who are the owners of CMC Water?

5 A My children, Chris Ziegler and Matt
6 Hoesch.

7 Q What can you tell me about any possible
8 meter readings that -- that you have conducted that
9 could shed some light on the propriety of the -- of
10 the -- of the rate design proposal that -- that's
11 at issue here? In other words, you've -- you've --
12 you've looked at the master?

13 A I'm familiar with it. Yes, sir.

14 Q And has something occurred on that -- on
15 that master meter that leads you to believe that
16 the commercial users are consuming more water than
17 at some point previous?

18 A Well, I do believe Mr. Merciel, when we
19 first started in '98, '99, he projected the water
20 usage at two point -- about two and a quarter
21 million gallons.

22 Presently, today, I'm pumping between six
23 and a half million and 700 -- 7 million gallons of
24 water.

25 Q And what do you attribute that increase

1 to?

2 A More people using the place in the last 20
3 years.

4 Q More -- who are -- who are those more
5 people?

6 A Well, people that -- that substantially
7 come out to the property more often. The place on
8 the weekends is -- is pretty full, the swimming
9 pool and the camp sites and whatever, more so than
10 they were 20 years ago. Because there has been a
11 turnover in lots and the people that are buying
12 them, they generally have a large usage of them.

13 Q So is -- is that the usage at commercial
14 establishments, or is it the part-time users or
15 both?

16 A Both. The part-time and the -- and the --
17 and the shower facilities and whatever. The
18 full-time people, they use approximately the same
19 amount whatever that I have out there.

20 Q How often do you -- do you travel to
21 Gascony -- Gascony Village; is that correct?

22 A Weekly.

23 Q You go there weekly? Why do you go there
24 weekly?

25 A Well, one thing, you have to read the

1 meter. And another thing is to keep up with what's
2 going on.

3 Q Why do you have to read the meter?

4 A DNR requires it.

5 Q It requires that you read the meter
6 weekly?

7 A Yes. At least that's the impression I'm
8 under. Otherwise, I wouldn't have to be there
9 every week.

10 Q And so you estimate that you -- you spend
11 about 12 hours a week on -- related to the -- to
12 the water company; is that correct?

13 A That would be correct. There are some
14 days less than others.

15 Q And that -- and that includes the travel
16 time?

17 A Yes, it does.

18 Q And -- and what other business interests
19 do you have at Gascony Village or related to
20 Gascony Village?

21 A Well, I had the real estate company. It's
22 sold out. I don't have any lots to sell. I wish I
23 did.

24 Q So -- so you have no weekly business
25 related to the realty company?

1 A None. I have -- it's been sold out for 20
2 years.

3 Q Do you -- do you have any business
4 responsibilities with regard to the Homeowners
5 Association?

6 A Do I have any responsibility? No.

7 Q Are you a member of the Homeowners
8 Association?

9 A Yes.

10 Q Are you -- are you an officer or Board
11 member?

12 A No.

13 Q The trencher that -- that the water
14 utility owns --

15 A Yes.

16 Q -- you -- it was purchased in 2015; is
17 that correct?

18 A By the -- by the water company, yes.

19 Q And it's -- and it is only used by the
20 water company?

21 A Yes.

22 Q And who uses it?

23 A I use it and a person by the name of Rich
24 Ball will use it.

25 Q Who is he?

1 A A maintenance man that I use if we have
2 trouble or have to put it -- fix a water line or --

3 **Q And the UTV was -- was purchased by the --**
4 **by the utility in 2015 as well?**

5 A Yes.

6 **Q And is that used by any other entities?**

7 A That is used solely by the water company.
8 When I got -- 2015, I applied for a rate case. And
9 they told me that I'm intermingling the -- the ATV
10 with my real estate company.

11 And I said that's -- well, that's not
12 right. I'm not doing that. So in order to make
13 them happy, I bought another one. And what can I
14 say? That's the way it is. I just went out and
15 bought another one so I wouldn't be intermingling.

16 **Q Concerning the -- the Lot 27 property, has**
17 **the -- has Gascony Water cut a check to CMC Water**
18 **for that property?**

19 A Yes.

20 **Q And that -- that check has been cashed?**

21 A Yes.

22 **Q Or deposited?**

23 A It's been -- I have it back. Yes.

24 CHAIRMAN HALL: I have no further
25 questions. Thank you.

1 A Thank you.

2 CROSS-EXAMINATION

3 BY COMMISSIONER KENNEY:

4 Q Good morning, sir.

5 A Good morning.

6 Q Thank you for being here. Appreciate it.

7 I just have a couple questions. First off,

8 regarding the -- the payment you just mentioned,

9 that's -- if this is decided -- when it's decided

10 and the Commission allows for the inclusion into

11 rates for the amounts for the land and for the shed

12 and that's the 7,500, the 10,000, are you going to

13 record this deed?

14 A Absolutely.

15 Q Absolutely. If it's not put in rate base,

16 are you going to not record the deed, and are you

17 going to return the 10,000 or repay --

18 reimbursement from the water company to CMC? How

19 are you going to handle that situation?

20 A I'll record the deed.

21 Q So you'll record the deed under either

22 scenario?

23 A I'm going to record it either way.

24 Q Okay. All right. Lot 27, you're the

25 developer of Gascony --

1 A Yes.

2 Q -- Gascony Village, right?

3 A Yes.

4 Q Okay. When did you start developing that?

5 A 1973 or four. Three.

6 Q Okay. Okay. Lot 27, are these all your
7 camping sites, some of them?

8 A That particular lot could have been a
9 mobile home lot and we took that out of the
10 picture.

11 Q Got you.

12 A That's --

13 Q So mobile home lots currently that are
14 being on the market for resell, would you say it's
15 been pretty robust?

16 A I don't know. We -- I don't have any
17 property down there for mobile homes, per se. If
18 you would own a mobile home, you would have to --
19 if you put -- if you would have a mobile home,
20 you'd have to have two lots.

21 Q You need two lots?

22 A And the last transaction I had, I -- for
23 the two lots was \$8,000.

24 Q And how long ago was that?

25 A Well, that's been six, eight months ago.

1 Q Okay. How did you come up with the value
2 of the 10,000 for the lot?

3 A Well, because it sits -- it's the highest
4 point on the property. And it's a -- it's a fine
5 lot.

6 Q And you're a real estate broker?

7 A Yes.

8 Q And you've been a real estate broker for
9 how many years?

10 A Well, I guess since '73.

11 Q I've been a real estate broker since '91.

12 A Okay. Well, I got a little mileage on
13 you.

14 Q You do got a little bit of mileage. But
15 anyway, as a real estate broker, you probably have
16 a sense of what the real estate values are in that
17 area?

18 A Well, I just sell my own stuff. I don't
19 mess with anybody else's -- I don't get involved.

20 Q But you got your broker's license when you
21 started developing to start selling the property?

22 A Yes.

23 COMMISSIONER KENNEY: Okay. Thank you.

24 CHAIRMAN HALL: Actually, I have another
25 question. I'm sorry.

1 CROSS-EXAMINATION

2 BY CHAIRMAN HALL:

3 Q So I want to go back to you -- you said a
4 moment ago that -- that you think DNR requires you
5 to read the water weekly?

6 A Yes.

7 Q Does it also require you to check the
8 quality of the water?

9 A Yes.

10 Q And do you do that weekly as well?

11 A Yes. No. Monthly. Monthly for that.

12 CHAIRMAN HALL: Okay. Thank you.

13 JUDGE CLARK: Any recross based upon
14 Commissioner questions. Staff?

15 MS. KLAUS: No questions. Thank you.

16 JUDGE CLARK: Office of Public Counsel?

17 MR. SCHUBE: Yes.

18 RECROSS EXAMINATION

19 BY MR. SCHUBE:

20 Q Mr. Hoesch, does your meter differentiate
21 on who -- between who is using water?

22 A Pardon me?

23 Q Does your meter differentiate between what
24 type of parties are using the water, the master
25 meter?

1 A You mean between full-time and part-time.

2 Q I'll back up a little bit. So you had
3 said that the meters indicate that the water usage
4 has increased since the late '90s; is that correct?

5 A Yes.

6 Q Does your meter tell you who is using it
7 more?

8 A As a matter of fact, yeah.

9 Q It does? Okay.

10 A Uh-huh. Well, the other meters do. The
11 three that I have hooked into the pool where I have
12 it on the kitchen. And, also, now, the one meter,
13 I couldn't read.

14 Q Okay. So -- sorry. I'm going to have you
15 walk me through that a little bit, I think. It
16 sounds like you have a meter measuring the pool; is
17 that correct?

18 A Yes.

19 Q And you have a meter measuring the
20 kitchen?

21 A Yes.

22 Q And what's your third meter measure?

23 A Excuse me?

24 Q What is your third meter that you
25 mentioned?

1 A The dump station.

2 Q **And then you have a master meter?**

3 A Yes.

4 Q **Are there any other meters?**

5 JUDGE CLARK: Mr. Schube, your mic. is not
6 on.

7 MS. SHEMWELL: Yeah, it is.

8 MR. SCHUBE: The light is on.

9 JUDGE CLARK: Okay. Speak into it maybe a
10 little better.

11 MR. SCHUBE: Sorry about that.

12 Q **(By Mr. Schube) Okay. So you have a --**
13 **you have a meter measuring the pool, the kitchen,**
14 **the dump station and the master. Are there any**
15 **other meters?**

16 A No.

17 Q **Okay. So you do not have a meter that**
18 **would measure whether the part-time residents are**
19 **getting more water; that is correct?**

20 A No.

21 Q **When you say no, does that mean I'm -- the**
22 **assertion is correct?**

23 A Well, the only thing I can tell you is
24 that the part-time users have to be using more
25 water or else the full-time, which are like 26 of

1 them, are using one heck of a lot of water.

2 Q So I'm going to repeat --

3 A That's all I can tell you.

4 Q I'm just going to repeat the question.

5 You don't have a meter that measures whether --

6 A I do not have a meter to every property,
7 no.

8 Q I'd like to finish my question. You do
9 not have a meter that measures whether part-time
10 users have increased their consumption; is that
11 correct?

12 A That's true.

13 Q Okay. When you go to -- sorry. Do you
14 own land at the Gascony Village?

15 A Yes.

16 Q So you do use the facility as well?

17 A Which facility?

18 Q Any of them in the village.

19 A Not very often.

20 Q Okay. Do -- when you're there, do you do
21 anything that's considered personal time?

22 A That's personal time?

23 Q Yes.

24 A Yes.

25 Q Okay. So would it be fair to say that

1 while you're there, you -- you have leisure time as
2 well?

3 A Yes.

4 MR. SCHUBE: I think Ms. Shemwell has
5 something as well.

6 RECROSS EXAMINATION

7 BY MS. SHEMWELL:

8 Q Mr. Hoesch, did you provide the readings
9 for the master meter to the parties in this case?

10 A Did I provide it?

11 Q Yes.

12 A I don't think I was asked for it.

13 Q Does that mean you didn't, then, as far as
14 you know?

15 A Not that I recall.

16 Q The Chairman asked you about the UTV. And
17 in response, you discussed a 2014 case that you
18 filed at the Commission; is that right?

19 A Yes.

20 Q Did you withdraw that case?

21 A Yes.

22 Q It did not go to completion?

23 A That is correct.

24 Q Why did you withdraw it?

25 A Well, I could see we weren't going to get

1 anywhere when they told me that I'm using the ATV
2 for the real estate company and the water company.
3 And I thought, Well, okay, I'll good out and I'm
4 going to go buy another one. And that way, they
5 will have no interest in my water company and we'll
6 have one for every -- whatever you people want to
7 tell me I'm using it for.

8 **Q Okay. And what are you using it for?**

9 A I hardly use it. I didn't -- I don't need
10 it?

11 **Q How do you distinguish between the two?**

12 A Well, you people did that.

13 **Q And referring to you people, are you**
14 **referring to the Staff?**

15 A I'm referring to the Staff who told me I
16 was intermingling my ATV. But I had to buy the ATV
17 because I was -- back in -- way back because I was
18 using my four-wheeler and a trailer in order to --
19 to do the stuff. I didn't even have anything to do
20 it with. There's a water company without
21 equipment.

22 **Q You had indicated originally that you were**
23 **going to buy a truck in your original testimony; is**
24 **that right?**

25 A Yes.

1 Q Was the UTV in place of the truck?

2 A Yes.

3 MS. SHEMWELL: Thank you. That's all I
4 have.

5 JUDGE CLARK: Any redirect from Gascony?

6 MS. CARTER: Yes. Thank you.

7 REDIRECT EXAMINATION

8 BY MS. CARTER:

9 Q Mr. Hoesch, you were asked many questions
10 about something that has been referred to as a
11 shed.

12 A Yes.

13 Q I believe you refer to this as the storage
14 building; is that correct?

15 A It's a steel building.

16 Q Could you describe for the Commissioners
17 what -- what that building is in terms of size and
18 purposes?

19 A It's about 22 by 24, a 12-foot high steel
20 building, concrete floor, 2 by 6 joists. And it
21 also has a six to within pitch on it.

22 Q And what's kept inside the storage
23 building?

24 A Right now, the trencher and the Gator and
25 a lawnmower.

1 Q And what are those pieces of equipment
2 that you just mentioned used for?

3 A Well, to maintain the grounds outside the
4 well house over by the shed. The trencher is used
5 for whatever has to be done with it.

6 Q Is there also a back-up generator in that
7 storage building?

8 A Yes, there is. There's a generator for
9 the well in case the electric goes out.

10 Q And so that's so you could continue
11 providing water service?

12 A Yes.

13 Q You were asked about -- I'm sorry. I'm
14 not sure how to phrase this -- 12 hours per week?

15 A Yes.

16 Q And that was just for your operational
17 time, correct?

18 A That would be operational time, being down
19 there doing whatever I've got to do, usually Friday
20 through Monday.

21 Q And then would --

22 A And --

23 Q Would there be -- oh, I'm sorry. Go
24 ahead.

25 A And in going back and forth, so I guess I

1 would have about 16 hours a week in there.

2 Q And then there would be separate
3 management time; is that correct?

4 A Yes. Most of that management time is done
5 at my house because I have everything of importance
6 mailed to my house. All the checks, doing -- doing
7 the work to fill out the reports, doing my income
8 tax, anything like that.

9 Q And that would be done in the office in
10 St. Louis; is that correct?

11 A Yeah. That would be done there.

12 Q You were asked questions by Commissioner
13 Hall about CMC Water, LLC.

14 A Yes.

15 Q Is there an agreement between the LLC and
16 the utility?

17 A Yes. You mean to provide water?

18 Q Yes.

19 A Yes.

20 Q And could you tell the Commissioners about
21 that agreement between the two companies?

22 A Well, I -- we -- it's on a six-month
23 basis. And it's -- I charge them three times -- or
24 they're charging me three times the cent per gallon
25 for water.

1 I pay -- pay for the electric. I pay the
2 taxes. I pay everything. Then at the -- then I
3 read the meter. And then I subtract what I paid
4 for electric, what I paid for taxes, and I also
5 charge \$5,000 for my time is also charged against
6 CMC Water Company.

7 Q Mr. Hoesch, is anything related to that
8 agreement to purchase water included in this case
9 for cost of service?

10 A No.

11 Q So instead, you're asking for the land to
12 be included in rate base; is that correct?

13 A That is correct.

14 Q You were also asked questions about the
15 commercial meters by Commissioners and by OPC.
16 Have you read any of those meters on the commercial
17 customers?

18 A Yes, I have.

19 Q And do you have those readings with you?

20 A Yes, I do.

21 Q Could you tell the Commissioners the
22 readings that you've taken?

23 A I can do that. Now, it would be for an 18
24 or 19-year period. If 2014, we used 6 million
25 three -- 6,343,000 gallons. 2015, we used

1 6,978,000. MS. SHEMWELL: Can the
2 parties see that, please?

3 A Pardon me?

4 MS. SHEMWELL: Could the parties see that?

5 A Sure. I'll show it to you.

6 JUDGE CLARK: I believe you'd be entitled
7 to that, yes.

8 A And in 2016, we used 6 million 530 --

9 JUDGE CLARK: Can she see it before you
10 read from it?

11 A Oh.

12 MS. SHEMWELL: I believe the Judge --

13 MS. CARTER: I'll take that up there,
14 Judge. And, yes, certainly, we'd be happy to make
15 copies so everyone can have a copy of his notes.

16 JUDGE CLARK: If you can get us copies,
17 I'd appreciate it.

18 MS. CARTER: Yes, Judge. As soon as we
19 get a break, we'll make some copies of it.

20 JUDGE CLARK: Thank you.

21 MR. WESTEN: Judge, before we continue,
22 would it be possible for Staff to voir dire the
23 witness on this exhibit?

24 JUDGE CLARK: Yes.

25 VOIR DIRE EXAMINATION

1 BY MR. WESTEN:

2 Q I'm going to ask you a little bit about
3 this exhibit before you continue reading from it if
4 that's all right.

5 A Sure.

6 Q That looks like it's a handwritten
7 document by yourself?

8 A I did it.

9 Q You did it. When did you create that
10 document?

11 A Saturday morning.

12 Q Saturday morning. Okay. And that's based
13 on your memory?

14 A No. It's based on the meter readings.

15 Q Based on meter readings. So you've had
16 that document for how many years now?

17 A What document?

18 Q Since 2015?

19 A Pardon me?

20 Q What's the earliest date that's identified
21 on that document?

22 A On this document?

23 Q Yes, sir.

24 A There is no date.

25 Q There is no date on that document for the

1 **meter readings?**

2 A Pardon me?

3 **Q For the meter readings.**

4 A Oh, the meter readings. Yeah. I've got
5 the -- I read that, also. I have meter readings.

6 **Q And what is the earliest meter reading**
7 **date that's on that document?**

8 A 12/31 of '13.

9 **Q So you've had that document since 2013?**

10 A Yeah.

11 **Q That particular document you just created**
12 **on Saturday, you've had from -- since 2013?**

13 A You mean, the reading of the meter, the
14 master meter?

15 MR. WESTEN: I don't have any further
16 questions. I object to the introduction of this
17 document.

18 JUDGE CLARK: Based upon?

19 MR. WESTEN: Authenticity and foundation.

20 JUDGE CLARK: Ms. Carter, do you want to
21 try and lay a better foundation for it?

22 MS. CARTER: Actually, I hadn't asked for
23 the document to be admitted.

24 JUDGE CLARK: No, you have not.

25 MR. WESTEN: Judge, when Staff conducts an

1 investigation and audit, we ask for all the
2 relevant documentation pertinent to the audit.

3 This should have been provided to Staff if
4 this is, indeed, an authentic document. And I
5 think testifying from this document is
6 inappropriate regardless of whether or not the
7 document is admitted.

8 JUDGE CLARK: Response?

9 MS. CARTER: I would ask Mr. Hoesch the
10 questions if he had read the meter and if he had
11 kept a record of those recordings. I believe his
12 answers would be yes to that. And that's what
13 happened.

14 A I've got them.

15 MS. CARTER: And then -- and then I would
16 ask him if he had a writing to refresh -- refresh
17 his recollection. He would then pull out this
18 piece of paper to refresh his recollection. He
19 would then be able to answer my question about the
20 meter reading he had taken.

21 JUDGE CLARK: And that's what I think
22 we're getting to. Regardless of whether or not he
23 was to supply something to Staff, it appears that
24 he's only using it as an aid to his memory in terms
25 of what he read off, and I'm going to allow that.

1 so that's overruled.

2 MR. SCHUBE: Judge, I'd like to also lodge
3 an objection that this is data that was not
4 provided to any of the parties until just a few
5 minutes ago.

6 So it -- it violates due process to
7 require us to try to cross-examine him on data that
8 we had no ability to prepare for cross-examination
9 on.

10 JUDGE CLARK: I understand that. And he
11 is -- and we all understand that this is something
12 that he just said he did over the weekend. And I
13 think we'll take it for the weight of it, so I'm
14 going to overrule that as well. So, Mr. Hoesch,
15 you can answer the questions in regard to that.

16 A What is --

17 FURTHER REDIRECT EXAMINATION

18 BY MS. CARTER:

19 Q Mr. Hoesch, for the meter that is specific
20 to the pool and pool house --

21 A Yes.

22 Q -- have you taken any readings of that
23 meter?

24 A Yes, I have.

25 Q When did you take readings of that meter?

1 A Saturday.

2 Q And what are you able to tell from the
3 reading that you took this weekend?

4 MR. SCHUBE: Judge, just so I don't have
5 to object over and over again, I want to make this
6 a continuing objection for the use of this document
7 just for the record.

8 JUDGE CLARK: Understood. Overruled.

9 MR. SCHUBE: Thank you.

10 Q (By Ms. Carter) Mr. Hoesch, what did you
11 read on that meter, on the meter specific to the
12 pool and the pool house?

13 A I think we used -- between the pool and
14 the kitchen, it was using about 10 or 15 percent of
15 the total water used.

16 Q Mr. Hoesch, can you move closer to your
17 mic.?

18 A Oh, I'm sorry.

19 Q Thank you.

20 A The pool and the kitchen were using about
21 -- about 10 or 12 percent of the entire water.

22 Q And that was based on the reading you took
23 of the master meter and then, also, readings of the
24 meters specific to the pool and pool house and the
25 kitchen?

1 A Yes.

2 Q How often do you read the master meter?

3 A Every week.

4 Q And do you write down those readings?

5 A Yes, I do.

6 MS. CARTER: I think that's all the
7 questions I have for you, Mr. Hoesch. But just
8 give me one second to make sure. Yes. Thank you,
9 Mr. Hoesch.

10 JUDGE CLARK: Okay. Mr. Hoesch, you're
11 excused.

12 MR. SCHUBE: Judge, I know that Counsel
13 for Gascony did not introduce -- offer the
14 document, but I would say that the document needs
15 to be introduced into the record.

16 JUDGE CLARK: Any objection from Staff?

17 MR. WESTEN: Judge, I believe my prior
18 objection would apply that -- we've been -- we've
19 been put in a challenging circumstance. So, I
20 moan, if the --

21 JUDGE CLARK: I'm inclined -- I'm going to
22 tell you right now, I'm inclined to let him refresh
23 his memory with it. I'm inclined to let him
24 testify from it. I'm not really inclined to admit
25 it into evidence.

1 MR. SCHUBE: Maybe I should clarify. The
2 document should be in the record so the record
3 should show what he's reading from. I'm not asking
4 that it be admitted -- admissible because we had
5 our previous objection. But it should be something
6 that is kept in the record so the parties can refer
7 to it.

8 JUDGE CLARK: Well, it's either an exhibit
9 or it's not.

10 MR. SCHUBE: My point is that it can be an
11 exhibit subject to the objections. But if it's
12 admitted and it's properly admitted, then the
13 parties should be able to see it when we're
14 referring to that information on the record.

15 JUDGE CLARK: I think he's testified to
16 the numbers. I'm going to overrule you on that.
17 That's not admitted onto the record. Any other
18 questions, Ms. Carter?

19 MS. CARTER: No. And the company has no
20 further witnesses.

21 JUDGE CLARK: Okay. Thank you,
22 Mr. Hoesch. You're excused.

23 A Thank you.

24 JUDGE CLARK: The next witness I have is
25 for Staff.

1 R. WESTEN: Judge, before we move on, can
2 we ask for a short 15-minute recess?

3 JUDGE CLARK: Any objection from OPC?

4 MS. SHEMWELL: No.

5 JUDGE CLARK: Any objection from the
6 company?

7 MS. CARTER: No objection. Thank you.

8 JUDGE CLARK: It is now 11:16. Why don't
9 we meet back here at 11:31? We'll go off the
10 record.

11 MR. WESTEN: Thank you, Judge.

12 (Break in proceedings.)

13 JUDGE CLARK: Okay. We'll go back on the
14 record now. Before Staff introduces their witness,
15 I want to clarify one thing. Because Mr. Hoesch
16 used that piece of paper purely as an aid in his
17 testimony, I don't want a copy of it. It's not
18 demonstrative stiff or an exhibit. Are there any
19 other preliminary matters at this time? Okay.
20 Staff, you can call your first witness.

21 MS. KLAUS: Staff calls Matthew Young.

22 JUDGE CLARK: Mr. Young, would you raise
23 your right hand to be sworn?

24 MATTHEW YOUNG,
25 being first duly sworn to testify the truth, the whole

1 truth, and nothing but the truth, testified as follows:

2 DIRECT EXAMINATION

3 BY MS. KLAUS:

4 JUDGE CLARK: Thank you. Be seated.

5 Staff, go ahead.

6 Q (By Ms. Klaus) Good morning.

7 A Good morning.

8 Q Will you please state and spell your last
9 name for the record, please?

10 A Young, Y-o-u-n-g.

11 Q And your first name?

12 A Matthew.

13 Q By whom are you employed and in what
14 capacity?

15 A I'm a Regularity Auditor in the Missouri
16 Public Service Commission.

17 Q Are you the same Matthew Young who caused
18 to be prepared certain testimonies which have been
19 marked as Staff exhibits 100, rebuttal testimony,
20 and 101, surrebuttal testimony?

21 A Yes.

22 Q Did you have any changes or corrections to
23 your testimony?

24 A No.

25 Q Is your testimony true and correct to the

1 **best of your belief and knowledge?**

2 A Yes.

3 **Q If I asked you those same question today,**
4 **would you provide the same answers?**

5 A Yes.

6 MS. KLAUS: I offer Exhibits 100 and 101
7 and tender the witness.

8 JUDGE CLARK: Any objections to Exhibits
9 100 or 101, OPC?

10 MS. SHEMWELL: None. Thank you.

11 JUDGE CLARK: Gascony?

12 MS. CARTER: No objection.

13 JUDGE CLARK: Exhibit 100 and 101 are
14 admitted onto the hearing record.

15 (Staff Exhibits 100 and 101 were offered
16 and admitted into evidence.).

17 JUDGE CLARK: Gascony, would you like to
18 cross?

19 MS. CARTER: Yes. Thank you.

20 CROSS-EXAMINATION

21 BY MS. CARTER:

22 **Q Mr. Young, did you visit Gascony Water**
23 **Company?**

24 A Yes, I did.

25 **Q And how many times were you on-site?**

1 A Oh, counting the -- the 2015 case, I was
2 there twice, once -- once in the current case.

3 Q And what -- what time of year and what
4 time of the week was that visit in this case?

5 A I don't recall what time of the week. It
6 was near the end of July.

7 Q And you don't recall if it was a weekday
8 or a weekend?

9 A It was a weekday.

10 Q In Staff's case, what Staff is proposing
11 for rate base, it's correct that the land on which
12 the well sits is not included in Staff's proposed
13 rate base, correct?

14 A It is included, only as contributive
15 plant. There's no rate base effect.

16 Q It has zero value to Staff for rate base?

17 A Zero rate base value. That's correct.

18 Q Would you consider this -- this area
19 served by the water company to be a typical
20 neighborhood?

21 A No. I wouldn't say it's typical.

22 Q Did you have an opportunity to observe
23 both the full-time customers and the part-time
24 customers?

25 A We didn't tour the customers on the

1 premises. We drove around the area. I didn't know
2 which one was full-time, which one was part-time as
3 we drove by the homes.

4 **Q Are you aware which customers are located**
5 **around the well and which customers --**

6 JUDGE CLARK: Ms. Carter, is your
7 microphone on?

8 MS. CARTER: I believe so. Maybe I didn't
9 have it close enough. Does it make a difference?

10 JUDGE CLARK: Thank you.

11 **Q (By Ms. Clark) Are you aware of which**
12 **customers are located close to the well and which**
13 **customers are farther away?**

14 A I don't know.

15 **Q I believe your testimony refers to a shed.**
16 **Is that what Mr. Hoesch refers to as the storage**
17 **building?**

18 A Yes. Yes.

19 **Q And did you observe what that storage**
20 **building was used for?**

21 A Yes. I was inside of it. I saw the
22 generator and the trencher, the UTV and some
23 miscellaneous parts.

24 **Q Gascony Water Company doesn't have any DNR**
25 **violations or notices; is that correct?**

1 A None that I'm aware of.

2 MS. CARTER: That's all the questions I
3 have.

4 JUDGE CLARK: Office of Public Counsel,
5 did you have any cross?

6 MS. SHEMWELL: I'd like for -- thank you.

7 CROSS-EXAMINATION

8 BY MS. SHEMWELL:

9 Q I'd like to refer you to page 31 of your
10 rebuttal.

11 A Okay.

12 Q And your question is what would the --
13 what would be the June 30th, 2017, rate base value
14 of the trencher and the UTV if the approved
15 depreciation rates were applied. Have I read that
16 correctly?

17 A Yes.

18 Q And when you say the approved, you're
19 talking about the Commission-approved depreciation
20 rates from the CCN case; is that right?

21 A Correct.

22 Q And so your answer is if the -- and I'm
23 going to add parenthetically Commission-approved
24 rates were applied, assuming Staff's in-service
25 dates, the trencher would have been added to USOA

1 Account 379, general equipment, and have been fully
2 depreciated in 2008?

3 A Correct.

4 Q And, likewise, the UTV would have been
5 added to USOA Account 392, transportation
6 equipment, and fully depreciated in 2014?

7 A Yes.

8 Q So at June 30th, 2017, the rate base of
9 both pieces of equipment would be zero, assuming
10 they were retired when fully depreciated?

11 A If they were retired, yes.

12 Q Do you know if those two accounts are from
13 the same -- let me back up a second. For water
14 rates, the Commission uses the FERC USOA from 1972
15 as revised in 1976. Is that your understanding?

16 A I believe that's the way it is.

17 Q And there are four classes of water
18 companies, A, B, C and D?

19 A Yes.

20 Q Is that your understanding? Is USOA
21 Account 392 in -- do you know which class that's
22 in?

23 A No. Staff witness Moilanen is here to
24 answer questions about Class C or Class D.

25 Q Did you -- I'm sorry?

1 A I have --

2 Q Did you say -- let me just clarify. You
3 **said Staff Witness Moilanen?**

4 A Moilanen. Yes.

5 Q Thank you. Go ahead with your --

6 A I'm sorry?

7 Q Go ahead with your --

8 A Oh, I was just going to -- I don't
9 remember -- I was going to say that I haven't -- I
10 haven't memorized which accounts in C and Class D.

11 Q **What class is Staff using for the company?**

12 A Staff's case is recommending Class D
13 accounts.

14 MS. SHEMWELL: Okay. Thank you very much.

15 JUDGE CLARK: Any questions from the
16 Commission?

17 CHAIRMAN HALL: Yeah.

18 CROSS-EXAMINATION

19 BY CHAIRMAN HALL:

20 Q **Good morning.**

21 A Good morning.

22 Q **Could you turn to page 15 of your rebuttal**
23 **testimony?**

24 A Okay.

25 Q **In looking at lines 12 through 15 -- are**

1 you there?

2 A Yes.

3 Q It's your written testimony that as of the
4 time of the CCN case that there were no unrecovered
5 investment in utility plant; is that correct?

6 A That's correct.

7 Q And you based that exclusively upon what
8 was included in rate base in this CCN case; is that
9 correct?

10 A That's right. The -- the statement there
11 in my testimony is looking at the agreement -- in
12 the disposition agreement that has \$20,000 start-up
13 costs, \$1,000 of meters that it's my understanding
14 are yet to be installed. And then everything else
15 is zero.

16 Q And that -- and in the CCN case, that was
17 the extent of the unrecovered investment, correct?
18 I mean, is that correct?

19 A Yes.

20 Q And you -- you heard Mr. Russo's
21 explanation for why that testimony and that
22 agreement does not mean that there was no
23 unrecovered investment. Were you -- you were in
24 the hearing room? Did you hear that testimony?

25 A I was.

1 Q And he also has some written testimony
2 explaining that position as well, correct?

3 A I believe he does. Yes.

4 Q Can you -- can you do your best to explain
5 to me, first, what his argument is and then, B, why
6 you think it's wrong, if you think it's wrong?

7 A My understanding of what I've heard today
8 is that he's making a distinction between
9 contributive plant and disallowed plant.

10 And the disallowed plant is -- has never
11 been included in rate base and has -- and
12 represents an unrecovered investment. And I think
13 that's wrong simply because all parties came to an
14 agreement on rate base, and that's what we use
15 going forward.

16 Q So you would say that there was no
17 disallowed investment?

18 A I don't have -- I haven't seen anything
19 specifying disallowed costs.

20 Q If there was disallowed costs, could that
21 be considered unrecovered investment that could be
22 taken into account in this rate case?

23 A Well, we could consider it -- we'd have to
24 have something to look at, and then we'd also have
25 to agree to go prior to -- to the last time rates

1 were set.

2 **Q So the fact that -- that you believe there**
3 **is no unrecovered investment, that would -- that**
4 **would support not putting unrecovered investment**
5 **for the two pieces of property into -- into rate**
6 **base, correct?**

7 A Yeah. That's what -- and when I talk
8 about unrecovered investment, I'm really referring
9 to a development cost, the cost to purchase the
10 Gascony Village area and develop it.

11 Those costs are -- in the water and sewer
12 industry, it is typical to find those costs are
13 already recovered.

14 **Q So concerning -- concerning the -- the**
15 **trencher, the -- and the UTV, those were purchased**
16 **in 2015; is that correct?**

17 A I -- I would disagree with the term
18 purchased. I think they were -- an arrangement was
19 made between two -- two companies that are heavily
20 related. But the original purchase for the
21 trencher was in 1995.

22 **Q For the -- for the specific trencher at**
23 **issue in this -- in this case?**

24 A The same trencher purchased in 1995. And
25 that's how we've built our case based on that

1 investment.

2 **Q Purchased by whom in 1995?**

3 A I suppose it was GascOsage. And if you
4 saw the testimony in the CCN case, Mr. Hoesch's
5 testimony that it was -- that testimony said the
6 trencher was used exclusively for the water company
7 and it would be transferred from GascOsage to
8 Gascony Water.

9 **Q But that transfer did not occur until much**
10 **later?**

11 A No, it did not. I think you asked about
12 the UTV as well. We found the 2007 annual reports
13 to be most reliable to -- to base on an individual
14 cost.

15 **Q And then on page 29 of your -- of your**
16 **rebuttal, lines 16 and 17, you refer to the \$55,000**
17 **collected by the company without any corresponding**
18 **expense amount?**

19 A That's right.

20 **Q Explain to me how you jump from that fact**
21 **to the assertion that these dollars theoretically**
22 **covered other cost of service amounts.**

23 A This -- the start-up cost was included in
24 the CCN case to give a rate of return. And when,
25 over the course of time, expenses rise, the rate of

1 return is -- can be used to cover those rising
2 expenses, including the depreciation expense for
3 many new investments.

4 **Q Did the company do anything wrong by**
5 **continuing to -- to collect -- collect revenues, to**
6 **collect those revenues?**

7 A No, not at all. I think it's just
8 important to note that the -- the current rates --
9 the original rates and the current rates have an
10 allowance to -- to provide some flexibility and
11 establish a financially healthy utility.

12 CHAIRMAN HALL: I have no further
13 questions. Thank you.

14 CROSS-EXAMINATION

15 BY COMMISSIONER KENNEY:

16 **Q Good morning. Still morning?**

17 A Good morning.

18 **Q I had just had a follow-up question on the**
19 **UTVs. Explain what you meant by you felt the 2007**
20 **annual report was a better report to go for versus**
21 **the 2014 annual report?**

22 A Right. The 2007 annual report represents
23 a purchase from a third party establishing original
24 costs. And if we have that, we don't need market
25 value. We don't need promissory notes. We have

1 original costs to put in rate base.

2 The 2000 -- I'm sorry. The second UTV, I
3 think is in Mr. Hoesch's surrebuttal testimony was
4 purchased for -- because it wasn't in rates, he
5 bought another one to clear up any confusion that's
6 borderline a prudency issue right there. So --

7 **Q What do you mean a borderline prudency**
8 **issue?**

9 A Well, if you have a UTV available for --
10 for all purposes --

11 **Q But if -- it would be like if I owned**
12 **something for -- and I have three businesses, I**
13 **can't go out and buy another one specifically for**
14 **this business?**

15 A I -- I don't know if it would be necessary
16 if you already have one available.

17 **Q But you're making that determination based**
18 **on what?**

19 A Based on, you know, it's still in service.
20 And he's still using it. It is available for the
21 water company's purposes. And we didn't --

22 **Q Well, what if he doesn't -- what if he**
23 **wants to have one for the water company and it's --**
24 **I mean, if he figures that -- I'm just curious.**
25 **How do you make that determination?**

1 A We have to ask ourselves is it fair for
2 the ratepayers to pay for an entire UTV when
3 there's already one available that could have been
4 shared.

5 Q So you're not disputing the fact that he
6 purchased one in 2014 for 3,300 that was --

7 A No.

8 Q So that -- that figure is -- is -- the
9 same basis for your figure in 2007 using that
10 figure would be applied to 2014 using this figure,
11 correct?

12 A With the exception of the 2007, we assumed
13 a 15-year useful life because of the usefulness.
14 If we -- you know, the 2014 UTV, we might
15 reconsider that 15-year useful life and use the
16 standard rate of a 7-year useful life.

17 Q Okay. But you're not disputing that he
18 did buy that and put it in service in 2015
19 specifically for the water company?

20 A No. I don't speak to that.

21 Q And you heard his testimony saying that's
22 what he did, right?

23 A Yes.

24 COMMISSIONER KENNEY: Okay. Thank you.

25 JUDGE CLARK: Any recross based upon

1 Commission questions? Gascony?

2 MS. CARTER: Yes. Thank you.

3 RECROSS EXAMINATION

4 BY MS. CARTER:

5 Q Mr. Young, Commissioner Hall asked you
6 about Staff's case, including depreciation for the
7 trencher and the UTV. Do you recall that?

8 A Yes.

9 Q So I just want to clarify. In Staff's
10 case here, you've depreciated the value for the
11 trencher and the UTV, correct?

12 A Correct.

13 Q But those two items were never included in
14 the company's rate base, correct?

15 A I'll have to answer that with a caveat.
16 They were not specifically identified in rate base,
17 but there was a rate base put into the rates to
18 cover investments that will be made in the future.

19 Q Did they exist when the CCN case was
20 processed?

21 A I'm sorry?

22 Q Did those pieces of equipment exist when
23 the CCN case was processed?

24 A The trencher did.

25 Q And I think you told Commissioner Hall

1 earlier that the only things in rate base in the
2 CCN case was were the 20,000 for start-up costs and
3 1,000 for the three meters?

4 A That's correct.

5 Q And that's all that was included in rate
6 base originally?

7 A Yes.

8 MS. CARTER: Thank you. Nothing further.

9 JUDGE CLARK: Any recross from the Office
10 of Public Counsel?

11 MS. SHEMWELL: Thank you.

12 RECROSS EXAMINATION

13 BY MS. SHEMWELL:

14 Q Mr. Young, you answered a question of
15 Commissioner Hall about unrecovered rate base. And
16 you said you would have to go prior to the CCN case
17 to find unrecovered rate base. What did you mean
18 by that?

19 A I think the question presented to me was
20 regarding Mr. Russo's reference to the CCN case and
21 what was contributive plant in that case and what
22 was not. And so that case was already settled.

23 And if we're going to start talking about
24 unrecovered investment at that time, we'd have to
25 go to the investment prior to that case.

1 Q And that case was resolved through
2 Stipulation and Agreement?

3 A It was.

4 Q When you say that you would have
5 considered that property already recovered, would
6 that be through lot sales?

7 A Yes.

8 Q Any other method?

9 A No. I -- I think Mr. Hoesch's testimony
10 in the CCN case states that lot sales are the only
11 method available to recover these costs.

12 Q We discussed Mr. Hoesch buying a second
13 UTV, and you've discussed that with Commissioner
14 Kenney?

15 A Uh-huh.

16 Q Did you understand that his testimony was
17 he bought the second UTV to separate his personal
18 use of the UTV from his business use?

19 A That's my understanding.

20 Q Should his personal UTV be included in
21 rates?

22 A I think it's -- you can boil Staff's
23 position down to there should be one UTV in rates
24 and it can be used for anything.

25 MS. SHEMWELL: That's all I have. Thank

1 you.

2 JUDGE CLARK: Any redirect from Staff?

3 MS. KLAUS: Yes. Briefly, Judge. Thank
4 you.

5 REDIRECT EXAMINATION

6 BY MS. KLAUS:

7 Q I'll say good morning again while I --
8 while I still can.

9 A Good morning.

10 Q You were asked by Ms. Shemwell about
11 depreciation, and she cited to you testimony. She
12 asked if the assets were retired in regards for the
13 UTV and the trencher. Do you recall this?

14 A I do.

15 Q And are those assets retired?

16 A No. I don't think any party has -- has
17 recommended a rate base with the retired assets.

18 Q And you got some questions about the 2015
19 UTV. Do you recall those questions?

20 A Yes.

21 Q What is the basis for the price of that
22 2015 UTV?

23 A It's my understanding that basis is a
24 price that Mr. Hoesch decided to sell the UTV from
25 GascOsage to Gascony Water.

1 Q And so we see that on the promissory note
2 that's included in your testimony?

3 A Yes.

4 Q You were asked about, by Ms. Carter,
5 start-up rates and meters and rate base. Do you
6 recall this?

7 A Yes.

8 Q And just to be clear, I think Ms.
9 Shemwell asked on this, but just to be clear,
10 inclusion in rate base of those items was based on
11 agreement, correct?

12 A Yes.

13 Q You got some questions about the real
14 estate and including that in rate base and kind of
15 Staff's thoughts on including that. Can you please
16 summarize Staff's position on the real estate,
17 including that in rate base?

18 A The real estate is -- is part of the
19 original development area. It was part of the
20 entire tract of land purchased.

21 Once -- when that development area is
22 developed, and including the installation of a
23 utility system, the entire cost is charged to the
24 sales.

25 That's Staff's typical approach to the

1 establishment of -- of water utility in this kind
2 of circumstance.

3 Q And so that would include things like the
4 pipe and the well?

5 A Everything. And today's rate base,
6 Staff's case has the cost of the well improvements.
7 But the well itself is still in our rate base as
8 contributive plant.

9 MS. KLAUS: Thank you. No further
10 questions.

11 MS. SHEMWELL: If I might make a
12 correction. I apologize. I know I'm going out of
13 order. For --

14 JUDGE CLARK: Go ahead.

15 MS. SHEMWELL: For water, it's the NARUC
16 USOA, not the FERC. NARUC stands for National
17 Association of Regulatory Utility Commissioners.
18 So I misspoke in my question, and I'd like to
19 correct that.

20 JUDGE CLARK: Okay.

21 MS. SHEMWELL: Thank you.

22 JUDGE CLARK: Mr. Young, you're excused.
23 Thank you. Staff, you can call your --

24 MS. KLAUS: Staff calls Michael Jason
25 Taylor.

1 JUDGE CLARK: And I think after
2 Mr. Taylor, we need to take a lunch break.
3 Mr. Taylor, would you raise your right hand to be
4 sworn?

5 MICHAEL JASON TAYLOR,
6 being first duly sworn to testify the truth, the whole
7 truth, and nothing but the truth, testified as follows:

8 DIRECT EXAMINATION

9 BY MS. KLAUS:

10 JUDGE CLARK: Thank you. Please be
11 seated. Go ahead, Staff.

12 Q (By Ms. Klaus) I think I say good
13 afternoon now. It's about that time. Will you
14 please state and spell your last name for the
15 record?

16 A Michael Jason Taylor, T-a-y-l-o-r.

17 Q By whom are you employed and in what
18 capacity?

19 A Missouri Public Service Commission. I'm a
20 Utility Auditor.

21 Q Are you the same Michael Jason Taylor who
22 caused to be prepared certain testimonies which
23 have been marked as Staff Exhibit 102, your
24 rebuttal testimony, and 103, your surrebuttal
25 testimony?

1 A Yes.

2 **Q Do you have any changes or corrections to**
3 **your testimony?**

4 A Yes. On page 26, lines 15 and 16.

5 MS. SHEMWELL: I'm sorry. What was that
6 page?

7 A 26 of my rebuttal, lines 15 and 16.

8 MS. SHEMWELL: Thank you.

9 A I need to strike the word "place." So it
10 should read, Staff has examined several companies
11 where the only office that existed was the owner's
12 residence.

13 **Q (By Ms. Klaus) And just that one change?**

14 A Yes.

15 **Q With that change, is your testimony true**
16 **and correct to the best of your belief and your**
17 **knowledge?**

18 A Yes.

19 **Q If I asked those same questions today**
20 **would your answers be the same?**

21 A Yes.

22 MS. KLAUS: I offer Exhibits 102 and 103
23 and tender the witness for cross.

24 JUDGE CLARK: Any objection to Exhibits
25 102 or Exhibit 103? Seeing none, those will be

1 admitted onto the hearing record.

2 (Staff Exhibits 102 and 103 were offered
3 and admitted into evidence.)

4 JUDGE CLARK: Cross examination by the
5 company?

6 MS. CARTER: Yes. Thank you.

7 CROSS-EXAMINATION

8 BY MS. CARTER:

9 Q Mr. Taylor, did you visit Gascony Water
10 Company?

11 A Yes.

12 Q How many times did you visit the property?

13 A We came down on July 31st and were there
14 for three days. So I've only been there once.

15 Q And were all three days during the week?

16 A Yes.

17 Q Is there anything in Staff's case included
18 for purchased water, the agreement between the
19 utility and the LLC that owns the lot where the
20 well sits?

21 A I don't believe so.

22 Q And nothing in the company's case as well,
23 correct?

24 A I believe so.

25 Q I believe your testimony contains the

1 salary recommendation, is that correct, for cost of
2 service?

3 A Yes.

4 Q And Staff is recommending 15,000 to be
5 included?

6 A Yes.

7 Q And is that the exact same amount that was
8 included in the original CCN case?

9 A Yes.

10 Q And it's Staff's position that that amount
11 should be exactly the same?

12 A Yes.

13 Q No increase for cost of living, for
14 example?

15 A We did multiple analyses to come up with
16 that. And through our analyses that we went
17 through, we were able to come to the conclusion
18 that 15,000 was probably actually overstated back
19 in the original CCN case.

20 And were able to come up with -- we
21 believe that, through our analysis, 15,000 was
22 proper at this time.

23 Q Did you have an opportunity to observe the
24 neighborhood when you were on site?

25 A We drove around.

1 Q Were you able to observe where the
2 part-time customers are located as opposed to the
3 full-time customers?

4 A We were not able to distinguish that.

5 Q Did you ask Mr. Hoesch and you just
6 weren't able to tell, or that's just not something
7 you saw?

8 A We didn't ask Mr. Hoesch.

9 Q There are no DNR violations, correct?

10 A Not that I know of.

11 MS. CARTER: Thank you. That's all I
12 have.

13 JUDGE CLARK: Cross-examination by O --
14 Office of Public Counsel?

15 CROSS-EXAMINATION

16 BY MR. SCHUBE:

17 Q Hi, Mr. Taylor. I'd like to start by
18 talking about the income. You said you did the
19 on-site visit; is that correct?

20 A Correct.

21 Q And when you did that visit, was there any
22 records with regard to management duties?

23 A We asked for all time sheets and were
24 given what we believe to be everything that
25 Mr. Hoesch had done.

1 Q And did the time sheets that were provided
2 at that time include management duties?

3 A They had a mixture of what we would see as
4 operational and management duties.

5 Q Okay. Would you agree that -- strike
6 that. Does your recommendation include hours and
7 duties that were not recorded?

8 A Yes.

9 Q And is that because the time sheets
10 themselves did not support the full 15,000?

11 A Correct.

12 Q All right. So does that also mean that
13 the -- your results is for a dollar figure that is
14 higher than the time sheet might themselves
15 support?

16 A Correct.

17 Q And I'd also like to ask a few questions
18 about your recommendation on mileage. Is it true
19 that -- is it true that the IRS rate is a
20 nation-wide rate?

21 A Yes.

22 Q And so that would include places like
23 California or New York that might have a higher gas
24 price than Missouri?

25 A Yes.

1 Q All right. You can agree that some other
2 states have higher gas prices than Missouri?

3 A Yes.

4 Q Can you explain the difference between a
5 tax deduction and a reimbursement?

6 A A deduction is a percentage. A
7 reimbursement is 100 percent, typically.

8 Q Okay. And so that would mean a reduction
9 might be lower than a reimbursement?

10 A I would believe so. Yes.

11 Q Okay. Would you agree that the IRS
12 number, the 50 -- 51 cents is -- excuse me -- the
13 54 and a half cents is a deduction?

14 A Yes.

15 Q Would you agree, also, that the State rate
16 quoted by OPC, the 37 cents, is a reimbursement?

17 A Yes.

18 Q Would you also agree that in the last
19 eight years, Missouri has not reimbursed at the IRS
20 rate?

21 A Yes.

22 MR. SCHUBE: Do you have any questions?

23 MS. SHEMWELL: I have some questions.

24 CROSS-EXAMINATION

25 BY MS. SHEMWELL:

1 Q Good afternoon, Mr. Young. I'm Lera
2 Shemwell. I don't know if we've formally met,
3 but --

4 A I'm Mr. Taylor.

5 Q I -- and you've sworn to that, I believe.

6 A Yes.

7 Q I'm looking at page 5. Counsel for the
8 company asked you about the LLC that owns the well,
9 I believe, and the water company. Do you testify
10 on page 5 that these are affiliates?

11 A Page 5 of --

12 Q Your rebuttal. I'm looking at starting at
13 line 15.

14 A Of Mr. Taylor's? Of mine? My rebuttal?

15 Q I'm sorry. Okay. Is it your opinion that
16 the relationship between the LLC and the water
17 company is that of affiliates?

18 A I -- I don't know.

19 Q One is Mr. Hoesch's children and the other
20 one is Mr. Hoesch. Do you agree with that?

21 A Yes.

22 Q On page 4 of the rebuttal testimony of
23 Michael Jason Taylor -- do you go by Jason?

24 A I go by Jason.

25 Q In terms of payroll costs, does Staff

1 agree with the salary of 10,107 for operational
2 duties requested by the company?

3 A Yes.

4 Q Do you agree with the proposal for
5 management duties?

6 A Whose proposal?

7 Q Your -- the proposal that you're
8 discussing on page 4 at line 19.

9 A Line 19 would be company's proposal.

10 Q Yes.

11 A And I do not agree with that.

12 Q On page 5, you discuss the company's time
13 sheet report of your rebuttal. Did Mr. Hoesch keep
14 time sheets for his time since the Stipulation and
15 Agreement, which --

16 A He only kept for two years that we were
17 able to get from Mr. Hoesch.

18 Q And any records for his managerial time?

19 A Staff was under the impression that it was
20 for everything.

21 Q Why was that your impression?

22 A Because Staff asked for all time sheets.
23 And so we believed it would be all the hours and
24 duties of Mr. Hoesch.

25 Q .

1 Q I'm looking at page 31. You were
2 suggesting in that paragraph, starting at 15, and
3 alternate treatment for rate case expense.

4 A Yes.

5 Q Why?

6 A Staff believes that several of these
7 issues could have already been -- should have
8 already been litigated due to the fact of the
9 testimony from the CCN case.

10 So we believe that things such as the land
11 and the trailer, the trencher should have all been
12 settled already. So we -- we could see an
13 alternative that the Commission can make a decision
14 of 50 percent disallowance.

15 Q If I may summarize, you're saying if the
16 company had performed as it agreed to under the CCN
17 case, then these would not be issues in this case?

18 A Correct.

19 MS. CARTER: I'm going to object to the
20 form of the question as improper for
21 cross-examination and a leading question.

22 JUDGE CLARK: Response? I'm sorry?

23 MS. CARTER: And a leading question.

24 MS. SHEMWELL: You can ask leading
25 questions on cross.

1 JUDGE CLARK: It's cross.

2 MS. SHEMWELL: It's cross.

3 MS. CARTER: I'm assuming it is only
4 friendly cross in this case, which is why I started
5 with improper for cross-examination.

6 MS. SHEMWELL: There's no such objection
7 as friendly cross specifically. And Public Counsel
8 has taken a different position on this issue than
9 the Staff. We agree with the Staff on some issues,
10 not necessarily this one.

11 JUDGE CLARK: Okay. And I understand what
12 you're saying. While there's no specific objection
13 as friendly cross, we generally recognize that. I
14 think the question is whether or not we get to
15 unnecessary bolstering.

16 I don't think we're there yet, so I'm
17 going to overrule you at this point and allow you
18 to continue.

19 MS. SHEMWELL: And that's all I have for
20 this witness. Thank you.

21 JUDGE CLARK: Any questions from the
22 Commission?

23 CHAIRMAN HALL: Yeah.

24 CROSS-EXAMINATION

25 BY CHAIRMAN HALL:

1 Q Good afternoon.

2 A Good afternoon.

3 Q Let me start with -- with rate case
4 expense. If the Commission were to determine that
5 it's appropriate for the utility to recover exactly
6 what its rate case expense was, no more, no less,
7 what would the proper accounting technique be?

8 I assume it would not be to normalize,
9 because then if the company came back early or
10 late, they could over or under-recover, correct?

11 A Correct.

12 Q So then the correct accounting technique
13 would be to amortize?

14 A We could use that, yes.

15 Q And then -- and then would we -- would we
16 need to put specific conditions on the amortization
17 to ensure that -- that no more, no less was
18 recovered?

19 A If the Commission could require the
20 company maybe to come back in within a certain
21 period of time for another rate case. But that
22 would be the only --

23 Q There's not a way to --

24 A -- that I can think of.

25 Q There's not a way it turns into a

1 regulatory asset or regulatory liability depending
2 upon when they came back for the next rate case?

3 A I'm not sure.

4 Q Okay. Well, that would be one -- one
5 issue I would be interested in the -- in the
6 post-hearing briefs.

7 Concerning the salary that Staff is
8 proposing that the Commission put in -- put in
9 rate, that's the -- that's 15,000; is that correct?

10 A Yes.

11 Q How does that compare to the salary for --
12 the salary and rates for other small water
13 utilities -- water and sewer utilities? Do you
14 know?

15 A Actually, yes. I have -- let me look at
16 my schedules that I had created. On my Schedule
17 MJT R-7, I took ten of some of the recent water and
18 sewer cases.

19 Q Is this attached to your rebuttal?

20 A Yes.

21 Q This one. Okay.

22 A And we took -- looking at the total
23 compensation plus travel and then comparing the
24 number of customers. We showed that Staff's
25 position was pretty much in line with the other ten

1 with an average of approximately \$119 for the cost
2 per customer. And we came up with 113.26.

3 Q How were these ten water and sewer
4 companies collected for this chart?

5 A We tried to -- we tried to go with just
6 the most recent that we could find.

7 Q So these are the ten most recent where
8 there -- where there was a -- either an order other
9 a settlement agreement that's specifically set
10 forth?

11 A Correct. That -- that stated out the
12 total compensation plus travel.

13 Q It's your position that the utility should
14 only have -- or only have one office; is that
15 correct?

16 A Correct.

17 Q And you believe that that one office is
18 on-site?

19 A Yes.

20 Q And what do you base that on?

21 A I base that on a series of things the
22 company presented. And when we sent our DR-1,
23 there was a series of questions asked.

24 And every one of them was answered in the
25 manner of -- that that information is available at

1 the Gascony office. There was never a reference
2 made to the St. Louis office.

3 There was also, along that line -- we met
4 personally with Mr. Hoesch at the Gascony office.
5 We were never referred to the St. Louis or that we
6 had that option to go and visit that office.

7 Q And so -- so when you went for your -- for
8 your three-day visit, I assume you spent some time
9 looking at documents, correct?

10 A Yes.

11 Q And so every document that -- that the
12 company had, they had at the on-site office?

13 A That we received. Yes.

14 Q Okay. So you -- you -- you have no reason
15 at all to believe other than the -- than the
16 assertions by -- by the company of -- about the
17 second office?

18 A It was -- basically, after we had
19 presented our audit findings, then was that second
20 office presented to us.

21 Q If there was, in fact, a second office,
22 would -- would it -- would it be your belief that
23 there could be a prudency issue with that?

24 A Yes. Due to the fact that we believe that
25 he would probably share that office with the other

1 businesses that he has, too. He has -- CMC Water's
2 tax bills are mailed to his personal office.

3 GascoOsage Realty, his personal address is listed.

4 And so we would believe that if there was
5 a second office in that manner that it's also being
6 utilized by his other businesses.

7 CHAIRMAN HALL: Okay. Thank you.

8 COMMISSIONER KENNEY: No questions. Thank
9 you.

10 COMMISSIONER COLEMAN: No questions.

11 JUDGE CLARK: Any recross by Gascony based
12 upon Commission questions?

13 MS. CARTER: Yes. Thank you.

14 RECROSS EXAMINATION

15 BY MS. CARTER:

16 Q I'm sorry. Mr. Taylor, you said that the
17 bills for water are sent to the St. Louis office;
18 is that correct?

19 A The CMC tax bills actually have
20 Mr. Hoesch's personal office -- home listed.

21 Q Did you hear Mr. Hoesch testify earlier
22 today?

23 A Yes.

24 Q Did you hear him explain that he has that
25 material sent to his office in St. Louis so that he

1 can make sure for the utility that those bills are
2 paid and then that's deducted out of what is paid
3 to the LLC?

4 A Yes.

5 Q So he'd have those materials at his office
6 in St. Louis to make sure he could have them paid
7 so that he could continue to provide water,
8 correct?

9 A I believe that he also then does work for
10 those companies, too, so --

11 Q What work do you believe that he does for
12 that LLC?

13 A I'm under -- I do not know.

14 Q What other work do you believe he does in
15 that St. Louis office?

16 A Well, he has his GascOsage address as his
17 home address. And he also has CMC Water. So,
18 clearly, he's doing some sort of work for CMC Water
19 if he --

20 Q What do you mean he has CMC Water?

21 A CMC Water has his personal address listed
22 on the property taxes.

23 Q On the tax bill?

24 A Correct.

25 Q And that's so he can make sure that tax

1 bill is paid, correct?

2 A Yes.

3 Q That is the land where the well sits that
4 he uses to provide water to his customers, correct?

5 A Correct.

6 Q So it would be very important that that
7 bill be paid, correct?

8 A I would believe that's CMC Water's
9 responsibility, not Mr. Hoesch's if he's not a part
10 of the company.

11 Q And what would happen for the customers if
12 that tax bill wasn't paid?

13 A It could be taken by the County.

14 Q And there would be no well to provide
15 water to the customers, correct?

16 A I -- possibly.

17 Q So it's very important that that tax bill
18 be paid, correct?

19 A Yes.

20 MS. CARTER: That's all the questions I
21 have. Thank you.

22 JUDGE CLARK: Any recross from the Office
23 of Public Counsel?

24 RECROSS EXAMINATION

25 BY MR. SCHUBE:

1 Q Hi. Did you hear Mr. Hoesch earlier
2 testify about -- well, let me back up. Do you
3 believe that Mr. Hoesch could do the duties that he
4 does in his St. Louis office, supposedly at the
5 St. Louis office at the Gasconade County office
6 that he has there?

7 A Yes.

8 Q Did you hear him earlier state that he
9 went to Gasconade County at least once a week?

10 A Yes.

11 Q Have any of the duties that you've heard
12 about done in the St. Louis office described so
13 immediate that they couldn't be done once a week?

14 A No.

15 MR. SCHUBE: All right. Thank you.

16 JUDGE CLARK: Any redirect from Staff?

17 MS. KLAUS: Yes, judge. Hopefully very
18 brief. I know we were discussing a lunch break
19 after this, so I'll try to be quick like a bunny.

20 REDIRECT EXAMINATION

21 BY MS. KLAUS:

22 Q Mr. Taylor, you were asked by Ms. Carter
23 regarding President's compensation. And just so I
24 am clear, it's Staff's position that the
25 President's compensation of \$15,000 is based on the

1 actual amount paid, correct?

2 A Correct.

3 Q You were asked by Ms. Shemwell regarding
4 the LLC that owns the well and Gascony and whether
5 or not they were affiliates. Was this your issue
6 to address in this case, the land ownership and
7 that inclusion in rate base?

8 A No.

9 Q Is it Mr. Young who addressed that issue?

10 A Yes.

11 Q And would you be surprised if Mr. Young
12 included a definition of arm's length transactions
13 at page 5 of his rebuttal testimony in Footnote 5?

14 A No. I would not be surprised.

15 Q Chairman Hall asked you about rents. And
16 just so I'm clear, did Staff ever receive or review
17 any lease agreements regarding either the Gascony
18 office or this purported St. Louis office?

19 A No.

20 Q And so if approximate there was no lease
21 there, you didn't see a clause in a lease regarding
22 consumer price index and any increases based on
23 that; is that true?

24 A No. That is correct.

25 MS>KLAUS: Okay. I think that's all I

1 have. Thank you.

2 JUDGE CLARK: Thank you, Mr. Taylor.

3 You're excused. Okay. It is just about 12:24.

4 Why don't we take a lunch break till about 1:30?

5 Go off the record, and we'll recess till 1:30.

6 (Lunch recess.)

7 JUDGE CLARK: Okay. Why don't we go back

8 on the record now? I'll turn the mic. on. Why

9 don't we go back on the record now? Staff, do you

10 want to call your next witness?

11 MR. WESTEN: Yes. Thank you, Judge.

12 Staff calls Jarrod Robertson to the stand.

13 JUDGE CLARK: Mr. Robertson, would you

14 raise your right hand to be sworn?

15 MR. ROBERTSON: Yes.

16 JARROD ROBERTSON,

17 being first duly sworn to testify the truth, the whole

18 truth, and nothing but the truth, testified as follows:

19 DIRECT EXAMINATION

20 BY MR. WESTEN:

21 JUDGE CLARK: Thank you. Please be

22 seated. Staff, you can begin.

23 MR. WESTEN: Thank you, Judge.

24 Q (By Mr. Westen) Good afternoon.

25 A Good afternoon.

1 Q Can you please state and spell your name
2 for the record?

3 A Jarrod Robertson, first name spelled
4 J-a-r-r-o-d, last name R-o-b-e-r-t-s-o-n.

5 Q And by whom are you employed and in what
6 capacity?

7 A The Missouri Public Service Commission.
8 I'm a Utility Policy analyst.

9 Q Are you the same Jarrod Robertson who has
10 caused to be prepared testimonies in this case
11 which Staff has marked as Staff Exhibit 104, which
12 is your rebuttal testimony, and Staff Exhibit 105,
13 which is your surrebuttal testimony?

14 A Yes, I am.

15 Q And did you have any changes or
16 corrections to that testimony?

17 A I do not.

18 Q Okay. And is your testimony true and
19 correct to the best of your belief and knowledge?

20 A Yes.

21 Q And if I were to ask you the same
22 questions today, would your answers be
23 substantially the same?

24 A Yes.

25 MR. WESTEN: With that, I offer Staff

1 Exhibits 104 and 105 and tender the witness.

2 JUDGE CLARK: Any objections to Staff
3 Exhibits 104 or 105? Seeing none, 104 and 105 are
4 admitted onto the hearing record.

5 (Staff Exhibits 104 and 105 were offered
6 and admitted into evidence.)

7 JUDGE CLARK: Any cross-examination by
8 Gascony?

9 MS. CARTER: Yes. Thank you.

10 CROSS-EXAMINATION

11 BY MS. CARTER:

12 Q Mr. Robertson, how many times have you
13 been down at the utility property?

14 A I have not visited the property.

15 Q It's my understanding certain assumptions
16 were used in the certificate case to set the
17 factors between full-time and part-time and the
18 commercial customers. Are you familiar with those
19 assumptions?

20 A I'm familiar with the case itself. Yes.

21 Q What work did you do as a Staff member to
22 determine if those assumptions were still true,
23 those water use assumptions were still true to
24 date?

25 A Can you rephrase the question, please?

1 **Q What work did you do on behalf of Staff to**
2 **determine if those water use assumptions from the**
3 **CCN case were still true today?**

4 A I can't say that I used the previous rate
5 design from 1999 as a building block for this
6 current rate design. I would have used all
7 information up to this point as submitted by the
8 company.

9 **Q What water usage numbers did you use for**
10 **Staff's recommended rate design?**

11 A What water usage numbers did I use?

12 **Q Yes.**

13 A We don't have usage on this site due to
14 the fact we have no meters.

15 **Q There's not individual meters, but there's**
16 **the meter for the entire site so you know how much**
17 **water is being used, correct?**

18 A You're referring to the master meter?

19 **Q Yes.**

20 A Yes.

21 **Q And then there are three meters for the**
22 **bath, the kitchen and the dump station, correct?**

23 A Up to this point in time, those three
24 meters were non-existent and not plausible as any
25 information.

1 Q I'm not sure what you mean by they were
2 non-existent.

3 A As reported by the company, those three
4 meters were not in existence and/or not inoperable
5 as well. There's no uses to garner from said
6 commercial property meters.

7 Q What -- what company testimony are you
8 referring to for that?

9 A For where I got that information? That
10 would actually be from a DR.

11 Q And the response that the meters didn't
12 exist?

13 A There are no metered customers on this
14 site. Correct.

15 Q No one's charged a metered rate. I agree
16 with that. Is that what you're saying?

17 A There is no individual accountability for
18 meter usage, correct.

19 Q Correct. There's no volumetric charge for
20 this property?

21 A Correct.

22 Q But did you look at the meter readings on
23 these three individual meters to see how much water
24 was being used by those customers?

25 A Again, that -- that information was never

1 provided by the company.

2 Q Then -- I'm just confused. I had asked
3 you if you used the assumptions on water usage from
4 the original CCN case, and you said no, correct?

5 A If you want to rephrase, ask the question
6 again, I'd be happy to answer it again.

7 Q Okay. Did you use the assumptions from
8 the original CCN case to determine what
9 recommendations to make on rate design in this
10 case?

11 A No.

12 Q What did you use in terms of water usage
13 to make your rate design recommendations in this
14 case?

15 A Again, we don't have any known water usage
16 for this site. Therefore, we created the customer
17 equivalency factors in order to assign an
18 equivalent relevant to a known baseline which would
19 be the factor of one for our full-time customers.

20 Q So for Staff's rate design
21 recommendations, Staff did not use any water usage
22 numbers, correct?

23 A Correct.

24 Q The customer equivalent of one, I think
25 was the wording you used, how was that determined?

1 A For a full-time customer?

2 Q Yes.

3 A That was actually agreed upon from the
4 company and Staff.

5 Q That full-time was one?

6 A Full-time would equal one factor, yes.

7 Q And that makes sense. But then how did
8 Staff determine what they would recommend for a
9 part-time?

10 A Well, for a part-time, the pre-existing
11 customer equivalency factor was .35.

12 Q So Staff just continued to use the factor
13 from the certificate case?

14 A Due to no other existing information, yes.

15 Q Are you familiar with where the full-time
16 customers are located on the property as opposed to
17 the part-time customers?

18 A No, I am not.

19 Q Did Staff look into whether it required
20 more maintenance to provide service -- more
21 maintenance cost to provide service to part-time
22 customers because of where they are located as
23 opposed to where the full-time customers are
24 located?

25 A No.

1 Q There are no DNR violations, is that
2 correct, for this company?

3 A Correct.

4 MS. CARTER: That's all the questions I
5 have. Thank you.

6 JUDGE CLARK: Any cross-examination by the
7 Office of Public Counsel.

8 CROSS-EXAMINATION

9 BY MR. SCHUBE:

10 Q Hi. My name is Curtis Schube. I'm going
11 to start on page 4 of your rebuttal.

12 A Let me get there.

13 Q If you don't mind turning to it.

14 A Rebuttal?

15 Q Yes.

16 A Okay.

17 Q So on the -- the question that starts on
18 line 20, you answer, There appears to be no
19 existing current or historical data for the company
20 to provide in order to justify this claim.

21 I was just curious to know what type of
22 current or historical data you might be looking
23 for?

24 A Well, No. 1 would be accountability due to
25 metered usage. Beyond that, some type of

1 documentation due to -- to the record-keeping, how
2 often certain customers would visit the site, how
3 long they would stay at the site, information such
4 as that might also be helpful.

5 Q Okay. And one other question that's a
6 little -- a little bit different. Would a master
7 meter show an increase in usage if there were leaks
8 in the system?

9 A It would show an increase in production.

10 Q And would it indicate whether there was
11 leaks?

12 A That would have to be investigated.

13 MR. SCHUBE: Okay. Thank you.

14 JUDGE CLARK: Any questions from the
15 Commission.

16 CROSS-EXAMINATION

17 BY CHAIRMAN HALL:

18 Q Good afternoon.

19 A Good afternoon.

20 Q Why do you believe that it is appropriate
21 -- actually, let me start this. The only
22 disagreement that you have with the company is on
23 the -- the part-time equivalent factor; is that
24 correct?

25 A Correct.

1 Q Why do you believe that it is appropriate
2 to move the swimming pool from 3.56 to 6?

3 A There were actually upgrades made to those
4 two customer classes that could see an increase in
5 traffic.

6 Q So you're -- you're -- you're basing that
7 on -- on some infrastructure changes to the pool --

8 A Correct.

9 Q -- And bath house? So how -- how did you
10 get to six? Why Not 5.99 or 6.01?

11 A That is the art of rate design that was
12 proposed by the company, and it did not seem out of
13 line.

14 Q So it seems like sometimes it's an art and
15 sometime it's a science, huh?

16 A It's an art.

17 Q All right. Okay. Do you believe the
18 utility when it -- when it indicates that there's
19 increased traffic from part-time residents?

20 A I don't know that you could attribute it
21 to any particular class itself as far as increased
22 traffic. We don't know if it's full-time or if
23 it's part-time. My apologies.

24 Q Let me -- let me rephrase.

25 A Okay.

1 Q My understanding is that the utility has
2 provided testimony that there is an increase in --
3 in part-time traffic, traffic from part-time
4 residents. They're there more often. They're
5 bringing more people with them.

6 A Yeah. They did propose that. Yes.

7 Q Did you have any reason to -- to not
8 believe them?

9 A Again, proper documentation would -- would
10 justify such a --

11 Q I understand that. But do you have any
12 reason to disbelieve them? I mean, it doesn't --
13 it doesn't increase their revenues, this -- this
14 rate design decision.

15 There's no motive to provide
16 misinformation if they're telling you that there's
17 increased traffic from part-time residents. Why
18 not just believe them?

19 A Well, if -- if the premise that the
20 increase in the part-timers is incorrect, then
21 you've created a larger burden for them that may
22 not be just.

23 Q You still haven't given me a reason to not
24 believe them. You're -- you're telling me that you
25 think documentation would be helpful. I agree.

1 You're telling me that document -- documentation
2 might prove their -- their -- their position
3 without speculation. I agree.

4 But is there any reason to think that
5 they're not telling you -- I mean, there's no
6 reason for them to not tell you the truth, is
7 there?

8 A I would agree with that.

9 Q Okay. And then could you also explain to
10 me why -- and I think I understand this, but I'm
11 not positive.

12 Why -- if Commission does believe it's
13 appropriate to change the part-time customer
14 equivalent factor, why it's necessary to change the
15 dump station?

16 A Well, the part-time customers would also
17 be customers that would utilize the dump station.
18 Therefore, if we would agree to increase the
19 responsibility for part-time customers due to those
20 proposals, then that would also add to the dump
21 station seeing an increase in traffic as well --

22 Q Okay.

23 A -- by said part-time customers.

24 CHAIRMAN HALL: Thank you.

25 COMMISSIONER KENNEY: No questions. Thank

1 you.

2 JUDGE CLARK: Any recross by Gascony based
3 on Commissioner questions?

4 MS. CARTER: No thank you.

5 JUDGE CLARK: Any recross by the Office of
6 the Public Counsel based on Commissioner questions?

7 RE CROSS EXAMINATION

8 BY MS. SHEMWELL:

9 Q Sir, Do you -- do you look for -- if you
10 trust the company and what they're saying, do you
11 still look for verification?

12 A Yes.

13 Q I have heard Mr. Schallenberg say that the
14 Auditors' motto is, Trust but verify. Have you
15 heard that motto?

16 A I have not heard that motto.

17 MS. SHEMWELL: Thank you.

18 JUDGE CLARK: Any redirect by Staff?

19 MR. WESTEN: Briefly, Judge. Thank you.

20 REDIRECT EXAMINATION

21 BY MR. WESTEN:

22 Q Mr. Robertson, do you recall how the
23 company defines what a part-time customer is?

24 A According to their -- to a DR and their
25 response, they are determining full-time customers

1 based on a permanent structure --

2 Q Uh-huh.

3 A -- on said lot.

4 Q Is there -- is frequency of the customer
5 attending the Gascony Village part of that calculus
6 at all?

7 A From -- from their end, I did not see
8 that. But it is part of the tariff, yes.

9 Q So it's part of the tariff. What does the
10 tariff say?

11 A Yes. The tariff says that full-time
12 customers be defined as a resident -- full-time
13 resident is defined as a customer who was on the
14 system 50 percent or more.

15 Q So a part-time customer would be somebody
16 who is less than -- there less than 50 percent?

17 A Correct.

18 Q So from 49.99 percent to .01 percent of
19 the time?

20 A Yes.

21 Q They could be there one weekend, or they
22 could be there just every -- half of all the
23 weekends of the year, just about?

24 A Correct.

25 Q So that .35 has to capture all of that

1 **behavior?**

2 A Correct.

3 MR. WESTEN: Okay. I don't have anything
4 else. Thank you.

5 JUDGE CLARK: Mr. Robertson, thank you.
6 You're are excused.

7 MR. ROBERTSON: Thank you, sir.

8 JUDGE CLARK: Staff, call your next
9 witness.

10 MS. KLAUS: Staff calls Mark Kiesling.

11 JUDGE CLARK: Mr. Kiesling, would you
12 raise your right hand to be sworn?

13 MARK KIESLING,
14 being first duly sworn to testify the truth, the whole
15 truth, and nothing but the truth, testified as follows:

16 DIRECT EXAMINATION

17 BY MS. KLAUS:

18 JUDGE CLARK: Thank you. Please be
19 seated. Staff, go ahead.

20 Q **(By Ms. Klaus) Good afternoon.**

21 A Good afternoon.

22 Q **Will you please state and spell your name**
23 **for the record?**

24 A It's Mark Kiesling, K-i-e-s-l-i-n-g.

25 Q **By whom are you employed and in what**

1 **capacity?**

2 A The Missouri Public Service Commission as
3 a Utility Management Analyst III.

4 Q Are you the same Mark Kiesling who caused
5 to be prepared certain testimonies which have been
6 marked as Staff Exhibit 106, which is your rebuttal
7 testimony?

8 A Yes.

9 Q Do you have any changes or corrections to
10 your testimony?

11 A No.

12 Q Is your testimony true and correct based
13 on your belief and knowledge?

14 A Yes.

15 Q If I asked you those same questions today,
16 would you give me the same answers?

17 A Yes.

18 MS. KLAUS: I offer Exhibit 106 and tender
19 the witness for cross.

20 JUDGE CLARK: Any objection to Staff
21 Exhibit 106?

22 MS. SHEMWELL: No, thank you.

23 JUDGE CLARK: Seeing none, that's admitted
24 onto the hearing record.

25 (Staff Exhibit 106 was offered and

1 admitted into evidence.)

2 JUDGE CLARK: Any cross-examination by
3 Gascony?

4 MS. CARTER: No questions. Thank you.

5 JUDGE CLARK: Any cross-examination by the
6 office of Public Counsel?

7 MS. SHEMWELL: None. Thank you.

8 JUDGE CLARK: Any Commission questions?

9 COMMISSIONER KENNEY: None by me.

10 CROSS-EXAMINATION

11 BY CHAIRMAN HALL:

12 Q Good afternoon.

13 A Good afternoon.

14 Q Is there currently a disagreement between
15 Staff and the company on this -- on this new
16 application form, or -- or has there been an
17 agreement as to what Staff is suggesting?

18 A I think there -- there seems to be a
19 misunderstanding of what Staff's recommendation
20 was.

21 Q Okay. Can you -- you're not saying that
22 -- that the company has to have any new customers
23 within 30 days?

24 A Correct.

25 Q All you're saying is that within 30 days,

1 the company has to -- has to have a policy that any
2 new customer must -- must fill out this
3 application?

4 A Yes. Staff's recommending that the
5 company have an application on file. That way, if
6 there is a new customer from the resolution of the
7 case, then they would fill that out.

8 Q And is there a time frame which the
9 customer would have to fill that out?

10 A No.

11 Q Okay. Makes sense to me.

12 CHAIRMAN HALL: Thank you.

13 A Yep.

14 JUDGE CLARK: Gascony, any recross based
15 on Commission questions?

16 MS. CARTER: No questions.

17 JUDGE CLARK: Office of Public Counsel, do
18 you have any?

19 MS. SHEMWELL: None. Thank you.

20 JUDGE CLARK: Any redirect by Staff?

21 MS. KLAUS: No, Judge.

22 JUDGE CLARK: Mr. Kiesling, thank you for
23 your testimony. You're excused. Staff, you can
24 call your next witness.

25 MS. KLAUS: Staff calls Stephen Moilanen.

1 JUDGE CLARK: Mr. Moilanen, would you
2 raise your right hand in order to be sworn?

3 STEPHEN MOILANEN,
4 being first duly sworn to testify the truth, the whole
5 truth, and nothing but the truth, testified as follows:

6 DIRECT EXAMINATION

7 BY MS. KLAUS:

8 JUDGE CLARK: Thank you. Please be
9 seated. Staff?

10 Q (By Ms. Klaus) Good afternoon.

11 A Good afternoon.

12 Q Will you please state and spell your name
13 for the record, please?

14 A My name is Stephen Moilanen. First name
15 is S-t-e-p-h-e-n. Last name M-o-i-l-a-n-e-n.

16 Q By whom are you employed and in what
17 capacity?

18 A I'm employed by the Staff of the Public
19 Service Commission. I'm a Utility Regulatory
20 Engineer.

21 Q Are you the same Stephen Moilanen who
22 caused to be prepared certain testimony which has
23 been marked as Staff Exhibit 107 and is your
24 surrebuttal testimony?

25 A Yes.

1 Q Do you have any changes or corrections to
2 your testimony?

3 A No.

4 Q Is your testimony true and correct to the
5 best of your belief and knowledge?

6 A Yes.

7 Q If I asked you those same questions today,
8 would you give the same answers?

9 A Yes.

10 MS. KLAUS: I offer Exhibit 107, and I
11 tender the witness for cross.

12 JUDGE CLARK: Any objection to Exhibit
13 107? Seeing none, 107 will be admitted onto the
14 hearing record.

15 (Staff Exhibit 107 was offered and
16 admitted into evidence.)

17 JUDGE CLARK: Any cross-examination by
18 Gascony?

19 MS. CARTER: No questions. Thank you.

20 JUDGE CLARK: Any cross-examination by the
21 Office of the Public Counsel?

22 MS. SHEMWELL: Thank you.

23 CROSS-EXAMINATION

24 BY MS. SHEMWELL:

25 Q Mr. Moilanen, I have handed you a copy of

1 the Uniform System Of Accounts for Class C water
2 utilities. It notes on the front 1973. And then
3 in parentheses below that, Includes 1976 revisions.
4 Do you have that Class C?

5 A Class C, yes.

6 Q And I've handed you the Uniform System Of
7 Accounts for Class D water utilities marked in the
8 same way, correct, 1973 with 1976 revisions?

9 A Yes.

10 Q Have you reviewed the Commission-ordered
11 depreciation rates from WA-97-510?

12 A Yes.

13 Q And which class -- which NARUC class of
14 accounts do those particular classifications fall
15 into?

16 A They're not Class D because they don't --
17 the general plant accounts are 390 accounts. And
18 so they could fall into C, D or -- excuse me -- A,
19 B or C.

20 Q And as we look at the classes, is Class C
21 -- I'm going to hand you the general instructions.

22 A I think I have them already. Thank you,
23 though.

24 Q Does Class C include utilities having
25 annual water operating revenues of 50,000 or more

1 but less than 250,000?

2 A Yes.

3 Q Does this company fall within that range?

4 A No.

5 Q They actually fall within D?

6 A Yes.

7 Q But it does note in the bottom of this
8 paragraph I or 1, classification of utilities, that
9 any utility may, at its option, adopt those system
10 of accounts prescribed by the Commission for any
11 larger class of utilities, correct?

12 A That's correct. It may do that.

13 Q And it specifically here says it's up to
14 the utility, right?

15 A Yes.

16 Q Do you know which Commission it's
17 referring to?

18 A It would be the Public Service Commission,
19 Missouri Public Service Commission. There is a
20 rule written, and I can't remember which rule
21 exactly, but that's what prescribed those system of
22 accounts.

23 Q Thank you.

24 A Yeah.

25 Q In which Class do Staff's recommendation

1 **fall?**

2 A Class D.

3 Q And is that consistent with the same class
4 as the Commission ordered in the 97-510 case?

5 A No.

6 Q Are you familiar with the annual reports
7 of water companies?

8 A Yes.

9 Q And have you seen the 2016 annual report
10 for Gascony Water?

11 A Yes.

12 Q And it is -- is that report for the year
13 2015?

14 A If you can give me a moment.

15 Q **Certainly.**

16 A Okay. So this is the standard report that
17 you handed me a few minutes ago. It's for 2016,
18 January 1st through December 31st, 2016.

19 Q **Thank you.**

20 A Yeah.

21 Q If I may approach. As I open this, we are
22 looking at page W-5, correct?

23 A Correct.

24 Q And on the bottom half -- on the top half,
25 the company shows some Accounts D, correct?

1 A Correct.

2 Q But on the bottom half in terms of tools
3 and garage, it shows none under Class D, right?

4 A Correct.

5 Q Thank you. Have you looked -- have you
6 looked at the work paper provided by the company in
7 this case?

8 A Briefly. Yes. Are you talking about
9 Mr. Russo's work paper?

10 Q That's correct. It was attached to
11 Mr. Robinett's testimony. Do you know what class,
12 C or D, his recommended rates are included in?

13 A Excuse me. Looking at this, it's not
14 clear. For the general plant, it uses two accounts
15 that are 370 accounts which would be Class D.

16 And then the remaining five accounts are
17 390 accounts, which would be something other than
18 Class D.

19 Q So A, B or C?

20 A Yes.

21 Q And we can think probably -- can we agree
22 probably C?

23 A I think that's reasonable.

24 Q Which class has the 340 accounts, that
25 line of accounts?

1 A 340?

2 Q Uh-huh. Is that Class C or Class D?

3 A I believe it's B. But if you don't mind,
4 I'll look at an example.

5 Q Of course.

6 A Yeah. The 340 level accounts is for
7 transmission and distribution plant, and that's for
8 both C and D.

9 Q What about 370 accounts?

10 A 370 account would be for general plant or
11 Class D.

12 Q And they're not in Class C, correct?

13 A Correct.

14 Q How long have you been on Staff?

15 A Around about 14 months.

16 Q Do you know if it's Staff's position
17 whether or not it must comply with Commission
18 orders?

19 A Yes.

20 Q You believe that that's Staff's position?

21 A Yes.

22 Q Let's look at Mr. Young's testimony.

23 A One moment, please.

24 Q I'm looking at rebuttal, page 31.

25 A Okay.

1 Q I believe line, who refers to USOA Account
2 379. Is it that in Class C or Class D?

3 A That would be Class D.

4 Q And he also refers for Account 392. Is
5 that Class C or Class D?

6 A That would be the Class C designation.

7 Q One second, please. Do you know if the
8 Commission ordered in its -- in the CCN case
9 Account 379?

10 A It's my understanding they did not.

11 MS. SHEMWELL: I -- that's all I have.

12 Thank you.

13 A Okay.

14 JUDGE CLARK: Any questions by the
15 Commission?

16 CHAIRMAN HALL: No questions. Thank you.

17 COMMISSIONER KENNEY: No questions. Thank
18 you.

19 JUDGE CLARK: Any redirect by Staff?

20 MS. KLAUS: Very, very brief.

21 REDIRECT EXAMINATION

22 BY MS. KLAUS:

23 Q Ms. Shemwell asked about certain classes.

24 A Yeah.

25 Q And Staff recommended, and it's just a

1 recommendation, Class D going -- on a going-forward
2 basis, correct?

3 A Correct.

4 Q And Staff will follow the Commission's
5 decision in this case, correct?

6 A Yeah. Of course.

7 MS. KLAUS: No further questions.

8 JUDGE CLARK: Mr. Moilanen, thank you for
9 your testimony. You're excused.

10 MR. MOILANEN: All right.

11 JUDGE CLARK: Staff, do you have any more
12 witnesses?

13 MS. KLAUS: We do not, Judge.

14 JUDGE CLARK: Office of Public Counsel?

15 MR. SCHUBE: Do we offer exhibit that
16 don't need a witness now or after the witnesses --

17 JUDGE CLARK: I really have no reference
18 on that. If Staff wants to go ahead and offer
19 theirs and you want to go ahead and offer yours --
20 anything you've agreed on, I'm happy to go ahead
21 and have in the record as soon as possible.

22 MR. WESTEN: Thank you, Judge. At this
23 point in time, then, Staff would like to go ahead
24 and offer the remaining exhibits. It's Staff's
25 understanding there's no objection to the admission

1 of those at this time. And so I'd like to offer
2 Staff's Exhibits 108, which is a deed transfer,
3 109, which is a deed to Lot 27 as well, 110, which
4 is another deed for Lot 27, 111, which is another
5 transfer for deed -- or Lot 27, 112, which is
6 another deed for Lot 27, 113, which is a General
7 Warranty Deed for the -- the shed property, the
8 storage property, 114, which is -- oh, I'm sorry.
9 Skipping 114 and 115, which we're not offering.
10 116, which is the company's responses to
11 Staff's First Set of Interrogatories. 117, which
12 is the company's responses to Staff's First Request
13 for Production of Documents. 118, which is the
14 Company's Responses to Staff's First Request for
15 Admissions, 119, which is an e-mail for Mr. Ash
16 regarding the appraisals of the property, 120,
17 which is the 2016 real estate property taxes 121,
18 which is the 2015 real estate property taxes, 122,
19 which is the 2014 real estate property taxes, and
20 123, the 2013 real estate property tax receipts.
21 At this time, Staff to would like to offer those
22 into evidence.

23 JUDGE CLARK: Okay. Gascony? Are you
24 familiar with those exhibits?

25 MS. CARTER: Yes. Staff provided all of

1 those last week, and I've had a chance to review
2 them, and we have no objection.

3 JUDGE CLARK: And Office of the Public
4 Counsel, are you familiar with those exhibits?

5 MR. SCHUBE: Yes, and no objection.

6 JUDGE CLARK: Okay. Exhibits 108 through
7 113 are admitted onto the record. And Exhibits 116
8 through 123 are admitted onto the hearing record.

9 (Staff Exhibits 108 through 133 and 116
10 through 123 are offered and admitted into
11 evidence.)

12 MR. WESTEN: Thank you, Judge. I've
13 already provided copies of those to the court
14 reporter.

15 JUDGE CLARK: Thank you. Office of the
16 Public Counsel?

17 MR. SCHUBE: Yes. I'd like to start off
18 with Exhibits 203 and 204. 203 is a printoff of
19 the web site -- the IRS web site has gives the IRS
20 rates for mileage. And 204 is off the OA web site
21 and that gives the State rates.

22 JUDGE CLARK: Okay. And those weren't
23 previously on your exhibit list. Staff, are you
24 familiar with those exhibits?

25 MR. WESTEN: Yes.

1 JUDGE CLARK: Do you have any objection?

2 MR. WESTEN: None.

3 JUDGE CLARK: Gascony, are you familiar
4 with those exhibits?

5 MS. CARTER: Yes. No objection.

6 MR. SCHUBE: Would you like copies?

7 JUDGE CLARK: Please. Exhibits 203 and
8 204 are admitted onto the hearing record.

9 (OPC Exhibits 203 and 204 were offered and
10 admitted into evidence.)

11 MR. SCHUBE: I had these before the last
12 Commissioner came in, so --

13 MR. SCHUBE: And one more -- sorry. One
14 more thing we'd like to offer is data requests that
15 were issued from Mr. Taylor. And the reason why we
16 are offering that is Data Request 23 addresses the
17 meter usage that we'd had the questions about the
18 -- the data that was taken on Saturday. So we just
19 wanted to get in on the record information we had
20 coming into this hearing.

21 JUDGE CLARK: Any objection by Gascony?

22 MS. CARTER: Yes, Judge. We do object to
23 an isolated Data Request being admitted into the
24 record and taken out of context and with no witness
25 to question about -- about it or the statement he

1 just made. We would disagree that that is what
2 this Data Request is about.

3 MR. SCHUBE: So, Judge, Chapter 536
4 generally allows discovery to be admitted in an
5 administrative hearing. I am not aware of any rule
6 that would exclude one piece of discovery if not
7 all the other ones were offered as well. That's
8 just a new objection on me, Judge.

9 JUDGE CLARK: Well, I -- I understand what
10 you're saying. I don't think that the rule of
11 completeness is going to apply to something like
12 this.

13 So I think he's articulated the purpose
14 that it's being offered for, and it's being offered
15 to show, as he put it, what response they received
16 or what -- what was asked for in relation to
17 something.

18 And it appears pertinent to a witness'
19 testimony to give, so I'm going to overrule that,
20 and I'm going to admit it onto the hearing record.

21 MR. SCHUBE: Thank you, Judge.

22 MS. CARTER: If I can add an additional
23 statement so that it's in the record so I can
24 address it in the future if it's necessary. What
25 is being admitted into the record is one page of a

1 DR response in response to Staff's question
2 beginning the audit at the beginning of the case
3 and not any of the additional material provided by
4 the company in response to Staff's question.

5 JUDGE CLARK: Okay. That's noted. So
6 you're wanting to call that Exhibit 205?

7 (OPC Exhibit 205 was offered and admitted
8 into evidence.)

9 MR. SCHUBE: Yes, sir. And I'm putting
10 those together right now to hand out to you guys.

11 JUDGE CLARK: Any other quasi-housekeeping
12 matters in regards to exhibits?

13 MR. WESTEN: Just a quick question for the
14 Commission. I did -- I have copies of the exhibits
15 for everyone. I've provided it to the court
16 reporter. Would the Commission prefer to have
17 copies of the exhibits Staff has offered just for
18 your review at this point?

19 JUDGE CLARK: Either way, we're going to
20 get them. So I think if they're with the court
21 reporter, that's fine.

22 MR. WESTEN: Okay. Thank you, Judge.

23 JUDGE CLARK: Office of Public Counsel,
24 you can call your first witness.

25 MR. SCHUBE: We call Carrie Roth.

1 JUDGE CLARK: Ms. Roth, would you raise
2 your right hand to be sworn?

3 CARRIE ROTH,
4 being first duly sworn to testify the truth, the whole
5 truth, and nothing but the truth, testified as follows:

6 DIRECT EXAMINATION

7 BY MR. SCHUBE:

8 JUDGE CLARK: Thank you. And be seated.
9 Go ahead.

10 Q (By Mr. Schube) Can you state your name
11 for the record, please?

12 A Carrie Roth, R-o-t-h.

13 Q And where are you employed?

14 A With the Missouri Office of the Public
15 Counsel.

16 Q And what is your -- your job there?

17 A I am a Public Utility Accountant.

18 Q And did you put together rebuttal
19 testimony pre-marked as Exhibit 202?

20 A Yes.

21 Q And did you author that to prepare for
22 this hearing today?

23 A Yes, I did.

24 Q And have you reread the questions and
25 answers that you had drafted?

1 A Yes.

2 Q Are they -- would you answer them the same
3 as you would have at that time?

4 A Yes.

5 Q And is this a true and accurate copy of
6 the testimony you put together?

7 A Yes.

8 MR. SCHUBE: I'd offer Exhibit 202.

9 JUDGE CLARK: Staff, any objection to
10 Exhibit 202?

11 MS. KLAUS: No objection.

12 JUDGE CLARK: Gascony, any objection to
13 Exhibit 202?

14 MS. CARTER: No objection.

15 JUDGE CLARK: Exhibit 202 is admitted onto
16 the hearing record.

17 (OPC Exhibit 202 was offered and admitted
18 into evidence.)

19 JUDGE CLARK: And, Staff, do you have any
20 cross-examination?

21 MS. KLAUS: No questions. Thank you.

22 JUDGE CLARK: Gascony, do you have any
23 cross-examination?

24 MS. CARTER: Yes. Very briefly. Thank
25 you.

1 CROSS-EXAMINATION

2 BY MS. CARTER:

3 Q Ms. Roth, how many times have you been
4 down to the utility property?

5 A Once. And that was the last rate case.

6 Q I don't -- what rate case would that be?

7 A The 2015, the one that was withdrawn.

8 Q And what was the purpose of your visit at
9 that time?

10 A For an audit.

11 Q And was that on behalf of OPC?

12 A Yes.

13 Q You didn't visit the site during this
14 case?

15 A No, not during this case.

16 Q Regarding your testimony on mileage, is
17 this a change in position for OPC that the Federal
18 mileage rate should not be used for reimbursement?

19 A I don't know if it's always been a policy
20 that we've used that in the past, but that's been
21 the decision that we came to in our office in this
22 case.

23 Q Has the OPC ever recommended that
24 something other than the Federal mileage rate be
25 used?

1 A I believe we were recommending it in the
2 last Gascony rate case, but it was withdrawn, so it
3 did not go any further.

4 Q Have you recommended that for any company
5 other than Gascony?

6 A I can't say offhand without going back and
7 reading through testimony.

8 Q Do you recall ever recommending for any
9 company other than Gascony that something other
10 than the Federal mileage rate be used?

11 A If we would have, it would have been the
12 State rate.

13 Q Do you recall ever doing that?

14 A Myself or the office?

15 Q Yes. You. Do you recall ever
16 recommending --

17 A Myself, no, I don't.

18 Q Is there a reason Gascony would not have
19 the Federal mileage rate apply when it would apply
20 to all the other companies?

21 MR. SCHUBE: I'm going to just object that
22 she never answered that it applied to all other
23 companies. She only testified to the fact that she
24 doesn't recall doing it herself. So it assumes
25 facts not in -- not in the evidence.

1 JUDGE CLARK: I'll sustain it.

2 Q (By Ms. Carter) Ms. Roth, have you done
3 audits for other companies?

4 A Yes.

5 Q Do you ever recall using something other
6 than the Federal mileage rate for any of those
7 other audits?

8 A Without going back and verifying, I can't
9 say for sure.

10 Q Do you know why you chose not to use the
11 Federal mileage rate for Gascony in this case?

12 MR. SCHUBE: I'm going to object. Asked
13 and answered.

14 JUDGE CLARK: I -- I think as to why,
15 she's entitled to answer.

16 A Can you repeat that one more time, please?

17 Q (By Ms. Carter) Why did you choose not to
18 use the Federal mileage rate for Gascony?

19 A I was following the direction that I had
20 from the last time that they were in for a rate
21 case. So I continued with that in this rate case.

22 We thought it was odd that the owner is
23 traveling from his home to what I also consider his
24 vacation home in Gasconade County, spends leisure
25 time there. And so I thought that that was more

1 appropriate rather than the IRS rating.

2 Q What about the State mileage rate would
3 make that more appropriate?

4 A Well, if I have -- must be honest, I think
5 it's actually a little bit more generous because I
6 think that I could make an argument that he should
7 receive no mileage expense.

8 Q Do other utilities have mileage expense
9 for registered operators and managers of the
10 utility? Is that a typical expense?

11 A You would have to look at it on a -- you
12 know, each company basis depending on what kind of
13 mileage it is. I take into consideration that he's
14 going to his second home, also, to spend numerous
15 days there while he's there.

16 Q And how did you determine that he's going
17 to the utility property in order to vacation for
18 multiple days?

19 A Well, he did just say today that he will
20 spend a weekend there. We discussed it in the last
21 rate case, also, through discussions with him that
22 I had during my audit.

23 Q Do you know what he does at the property
24 as the Registered Operator?

25 A I know he takes care of utility

1 operations. But he also -- that's where his second
2 home is, also.

3 Q Are you aware that there isn't another
4 operator for the system, that Mr. Hoesch is the
5 only operator?

6 A I am aware of that.

7 Q So any requirements from DNR would need to
8 be performed by Mr. Hoesch?

9 A I understand that.

10 Q Is it a general policy of OPC that the
11 operator needs to live on-site at the utility?

12 A Say that one more time, please.

13 Q Is it an OPC position that the operator
14 for a water utility needs to live on-site?

15 A No. I don't believe that he needs to live
16 on site.

17 Q Would OPC typically allow mileage for the
18 operator traveling to the site?

19 A I think it varies on a case by cases basis
20 depending on the specifics of that company.

21 Q Do you recall any cases where you have
22 tried to deny that mileage reimbursement?

23 A I don't want to misstate, but I do know
24 that there was mileage expense issues in another
25 company, yes.

1 MS. CARTER: I have no further questions.

2 Thank you.

3 JUDGE CLARK: Any questions from the
4 Commission?

5 CROSS-EXAMINATION

6 BY CHAIRMAN HALL:

7 Q Good afternoon.

8 A Good afternoon.

9 Q So what -- so what is the argument that --
10 that you could have raised not allowing any
11 reimbursement whatsoever for mileage?

12 A It's my understanding that an employee
13 cannot claim mileage going from their home to their
14 job. They can claim it going to a second job. But
15 going to their job, you cannot claim mileage.

16 Q You can't claim mileage under IRS?

17 A Yes.

18 Q So -- so you would take that argument and
19 extend it to it's not a prudent business expense to
20 the company?

21 A Without knowing if he's claiming it on his
22 business expenses with his taxes, since I haven't
23 seen that, I don't know if he's doing that. But I
24 think that argument could be made depending.

25 And that's what -- in the last rate case,

1 that was discussion I had with my previous
2 supervisors. And that's when we determined to use
3 the State rate to try to have a compromise because
4 there was disagreement in the last case
5 discussions.

6 Q You testified a moment ago that in
7 connection with the 2014 rate case, you -- you went
8 on-site to perform an audit; is that correct?

9 A Yes. Yes.

10 Q Were -- were all the papers and documents
11 necessary for that audit on-site?

12 A Yes, they were.

13 Q Were you at that time aware of a -- of
14 another office that the -- this the company had?

15 A No. I was never aware of that.

16 Q Let me ask you about rate case expense.

17 A Sure.

18 Q My understanding from your testimony is
19 that you are recommending a six-year normalization
20 of rate case expense; is that correct?

21 A Yes. That was agreeable to the company's
22 proposal.

23 Q If the Commission wanted to -- wanted to
24 ensure that the company received its full amount of
25 rate case expense, no more, no less, what would be

1 **the best way to do that?**

2 A I would say the amortization that you were
3 discussing earlier. I believe you asked another
4 witness that question. And you had also asked
5 about the regulatory asset, regulatory liability
6 part.

7 I get a little concerned with that part
8 just because you're -- you're constantly going to
9 have that balance going. I think putting -- maybe
10 putting a requirement of having the company come in
11 at -- trying to calculate that time of come in at
12 this point so we can try to calculate that if they
13 will recover that full amount.

14 But if you were to do a regulatory asset
15 or liability and track those costs and if they
16 didn't come in for another ten years, you have no
17 balance, and it might just keep going back and
18 forth. That would be my concern.

19 Q I don't -- I don't know why we -- why we
20 would need to track them. We -- we would issue an
21 order, determine what the amounts are, put it --
22 amortize it over a certain number of years. And if
23 they came back early be able to recover the excess
24 in the next rate case, or if they came back late,
25 reimburse in the next rate case. Would -- wouldn't

1 **that be a simple way to effectuate that goal?**

2 A Yes. But -- I'm trying to explain this.

3 If you were to dem -- set the -- set the amount and

4 this is the amount that they are over this many

5 years, if they came back later and over-collected

6 and then you have a balance to be returned to

7 customers, well, we would have to set a time that

8 you need to come back at this time. Otherwise,

9 they may end up giving too much back to customers,

10 I guess, vice versa.

11 CHAIRMAN HALL: Okay. I have no further

12 questions. Thank you.

13 CROSS-EXAMINATION

14 BY COMMISSIONER KENNEY:

15 Q Good afternoon. I've just got a couple

16 **briefly --**

17 A Okay.

18 Q -- on mileage reimbursement. As a Public

19 Service Commission, I don't get reimbursed for my

20 mileage when I drive to Kansas City from here, but

21 I do get reimbursed when I go to local public

22 hearings and I travel the state on other business.

23 A Uh-huh.

24 Q When Commissioner Coleman and I were on

25 Legislature, I got reimbursed to drive from my

1 house to the Capitol and anywhere in my district
2 because I guess they determined that's serving the
3 public.

4 A Uh-huh.

5 Q Now, if I have an office -- if I go to
6 work in the public sector and I drive to my office,
7 my company's going to --

8 COMMISSIONER KENNEY: Chairman, do you
9 want me to talk or what?

10 Q (By Commissioner Kenney) My company is --
11 can reimburse me, right?

12 A Uh-huh.

13 Q Now, if I have an office in my house and
14 I'm a contractor and I go check 20 jobs, I'm going
15 to reimburse myself --

16 A Okay.

17 Q -- from that mileage or I can claim it as
18 a deduction if I own my own vehicle, correct?

19 A Correct.

20 Q Now -- so if the company has an office in
21 their house and they -- their company decides
22 whether or not they're going to reimburse it,
23 right? If the company goes from one section to
24 another like our -- the company makes that decision
25 of whether they're going to reimburse the --

1 A Are you referring to --

2 Q -- the worker?

3 A -- to the office in St. Louis?

4 Q Sure.

5 A Well, OPC doesn't believe the office in
6 St. Louis --

7 Q Exists?

8 A He may have an office in his home. We
9 don't believe that it's for utility purposes.

10 Q What if all the utility bills go there?

11 A It's my understanding that they -- when
12 customer bills are --

13 Q When customers mail their checks?

14 A It's my understanding they go to Gasconade
15 County, that office there.

16 Q So what goes -- do you remember what the
17 owner was stating he gets mailed to his property?

18 A I remember one earlier of CMC Water tax
19 bill.

20 COMMISSIONER KENNEY: Okay. Thank you.

21 MS. ROTH: Uh-huh.

22 THE COURT: Any recross based on
23 Commission questions? Staff?

24 MS. KLAUS: No questions.

25 JUDGE CLARK: Gascony?

1 MS. CARTER: Yes. One question.

2 RECROSS EXAMINATION

3 BY MS. CARTER:

4 Q Ms. Roth, when you were on-site for the
5 OPC audit in the prior rate case that did not
6 continue, are you aware of which files Mr. Hoesch
7 brought with him from St. Louis and which were
8 already on-site?

9 A They were all on-site when I was there.
10 Nothing was specified to me if it was brought from
11 St. Louis or not, so I don't know.

12 Q You knew he didn't bring them from
13 St. Louis?

14 A I -- they were on-site in Herman when I
15 was there. So how would I have known that they
16 were brought from St. Louis? Nothing was
17 specified.

18 Q The answer is no, you don't know if he
19 brought them from St. Louis or not?

20 A No. I don't know if they came from
21 St. Louis, no.

22 MS. CARTER: Okay. Thank you.

23 JUDGE CLARK: Any other questions?

24 MR. SCHUBE: We can do redirect now?

25 JUDGE CLARK: Are you finished, Gascony?

1 Is that the only question?

2 MS. CARTER: Yes. I'm sorry. That was
3 the only question. Thank you.

4 JUDGE CLARK: Office of Public Counsel,
5 redirect?

6 REDIRECT EXAMINATION

7 BY MR. SCHUBE:

8 Q Could you explain the distinction between
9 a tax deduction and a mileage reimbursement?

10 A A tax deduction is going to be a deduction
11 off your gross income to arrive at your taxable
12 income.

13 Q So a deduction is really a percentage of
14 that -- of that total deduction, correct?

15 A Yes.

16 Q And what is a reimbursement?

17 A Reimbursement, you're going to be
18 reimbursed at the full 100 percent.

19 Q Okay. You're not making the claim that
20 Mr. Hoesch should be getting nothing, right?

21 A No.

22 Q You're just making the claim that he be
23 reimbursed at the State rate?

24 A Correct.

25 Q Okay. Has the State of Missouri

1 reimbursed at the IRS rate in the last eight years?

2 A No.

3 Q Okay. And on the exhibit, I think it was
4 20 -- where did it go? 204, that OA printoff,
5 you're the one who printed that off, were you not?

6 A Yes.

7 Q Okay. And as a State worker, are you
8 familiar with the distinction between what the
9 State rate is and the fleet rate is?

10 A Yes.

11 Q Can you explain that?

12 A The -- it's my understanding the -- me, as
13 a State employee, if I needed to travel somewhere
14 and I was offered a state vehicle but I chose to
15 take my own, I would be reimbursed at that fleet
16 rate.

17 If a vehicle was not available, a State
18 vehicle, and I had to take my own vehicle
19 regardless, I would be reimbursed at the Missouri
20 rate.

21 Q Okay. And it's that second rate that's
22 the higher rate there you're suggesting?

23 A Correct.

24 Q Actually, I do have one more question, and
25 then I'm going to let Lera go. Some questions were

1 asked by the Commission about bills being sent to
2 Gasconade County versus St. Louis. Has OPC
3 identified any reason why the bills cannot be sent
4 to Gasconade County?

5 A Say that one more time.

6 Q Any bills that were -- are sent currently
7 to St. Louis, has OPC identified any reason why
8 those cannot be sent to Gasconade County?

9 A No.

10 Q Okay. Is it OPC's position that any
11 functions down in St. Louis could be done in
12 Gasconade County just as --

13 A I think they could be.

14 MR. SCHUBE: Go ahead.

15 REDIRECT EXAMINATION

16 BY MS. SHEMWELL:

17 Q Do you qualify your recommendation in
18 terms of the recovery that they are -- is your
19 recommendation only prudently occurred -- incurred
20 rate case expenses recovery in rates?

21 A Yes.

22 MS. SHEMWELL: That's all I have. Thank
23 you.

24 JUDGE CLARK: Ms. Roth, thank you for your
25 testimony. You're excused.

1 MS. ROTH: Thank you.

2 JUDGE CLARK: Office of Public Counsel,
3 you can call your next witness.

4 MS. SHEMWELL: We'd call Mr. John
5 Robinett.

6 JUDGE CLARK: Mr. Robinett, would you
7 raise your right hand to be sworn?

8 JOHN ROBINETT,
9 being first duly sworn to testify the truth, the whole
10 truth, and nothing but the truth, testified as follows:

11 DIRECT EXAMINATION

12 BY MS. SHEMWELL:

13 JUDGE CLARK: Thank you. You may be
14 seated. Go ahead.

15 Q (By Ms. Shemwell) Mr. Robinett, would you
16 spell your name for the court reporter, please?

17 A John, J-o-h-n. Robinett is
18 R-o-b-i-n-e-t-t.

19 Q Mr. Robinett, where do you work?

20 A I'm employed by the Missouri Office of
21 Public Counsel.

22 Q What do you do at the Public Counsel?

23 A I am a Utility Engineering Specialist.

24 Q What is your specialty?

25 A I have over -- almost eight year of

1 experience in depreciation, both as a member of
2 Staff and as OPC.

3 Q Have you prepared both rebuttal and
4 surrebuttal testimony in this case?

5 A I have.

6 Q Your rebuttal has been marked as Exhibit
7 200?

8 A Yes.

9 Q And your rebuttal -- surrebuttal is 201?

10 A Yes.

11 Q Do you have any corrections to either
12 piece of testimony?

13 A I have a correction to my rebuttal
14 testimony. It's page 1, line 12. Instead of
15 direct, it should say rebuttal.

16 Q Any others?

17 A No.

18 Q If I were to ask you the same questions
19 today, would your answers to those questions be the
20 same?

21 A They would.

22 Q Would your testimony true and correct to
23 the best of your knowledge and belief?

24 A It is.

25 MS. SHEMWELL: I tender the witness for

1 cross.

2 JUDGE CLARK: Do you want to off the
3 testimony?

4 MS. SHEMWELL: I will offer the testimony.
5 Thank you.

6 JUDGE CLARK: Any objections to Exhibits
7 200 and 201? Staff?

8 MR. WESTEN: No objection.

9 JUDGE CLARK: Gascony?

10 MS. CARTER: No objection.

11 JUDGE CLARK: Exhibits 200 and 201 are
12 admitted onto the hearing record.

13 (OPC Exhibits 200 and 201 were offered and
14 admitted into evidence.)

15 JUDGE CLARK: Cross-examination by Staff?

16 MR. WESTEN: Thank you, Judge.

17 CROSS-EXAMINATION

18 BY MR. WESTEN:

19 Q Mr. Robinett, just a couple quick
20 questions for you this afternoon. The Commission's
21 previously approved and ordered rates, are you
22 familiar with those rates in this case?

23 A Previously ordered, meaning from the CCN?

24 Q Yes.

25 A Yes.

1 Q You're familiar with those rates?

2 A (Witness nods head.)

3 Q If depreciation had continued based on
4 those rates at present, OPC's recommended net rate
5 base for the trencher would be negative \$405?

6 A I -- I believe that's what I answered in a
7 DR from you.

8 Q And a negative \$1,260 for the UTV,
9 correct, for rate base?

10 A Yes.

11 Q And OPC's suggesting -- is recommending to
12 the Commission to continue to using those
13 depreciation rates?

14 A Yes.

15 Q And would you agree that if depreciation
16 continues, if it's ordered by the Commission in
17 this case, the net value would continue to decrease
18 and the rate base would be reduced?

19 A Yes.

20 MR. WESTEN: Thank you.

21 JUDGE CLARK: Any cross-examination by
22 Gascony?

23 MS. CARTER: NO questions. Thank you.

24 JUDGE CLARK: Any questions from the
25 Commission?

1 CHAIRMAN HALL: No questions. Thank you.

2 COMMISSIONER KENNEY: No questions. Thank
3 you.

4 JUDGE CLARK: Any redirect by Staff?

5 MR. WESTEN: It's not -- not my witness,
6 Judge.

7 JUDGE CLARK: I'm sorry. Any redirect by
8 Office of Public Counsel? I misspoke.

9 MS. SHEMWELL: Thank you.

10 REDIRECT EXAMINATION

11 BY MS. SHEMWELL:

12 Q Mr. Robinett, does a piece of equipment's
13 useful life always match its depreciated estimated
14 depreciation rate?

15 A No.

16 Q Would you explain why that happens?

17 A A multitude of reasons. I mean, it could
18 be the expert at the time got the number wrong. It
19 could be excellent maintenance of the equipment.

20 Q Are there different kinds of equipment in
21 a specific account?

22 A Yes.

23 Q So some might -- might some wear out
24 sooner than others?

25 A It would be the average service life of

1 everything that's in that account. Some may be
2 shorter. Some may be longer lives.

3 **Q And is that a fault of depreciation**
4 **models?**

5 A I'd say it's the nature of them.

6 **Q Okay.**

7 A Some assets will live longer than the
8 average service life. Some will live shorter.

9 **Q Is that why it's an art and not a science?**

10 A Yes.

11 MS. SHEMWELL: That's all I have. Thank
12 you.

13 JUDGE CLARK: Thank you, Mr. Robinett.
14 You're excused.

15 MR. ROBINETT: Thank you.

16 JUDGE CLARK: And that concludes all the
17 witnesses that I have down. Let's go on to final
18 matters.

19 It looks like, just to confirm with Staff,
20 Staff's not entering into the record or trying to
21 114, 115, 124, 125, 126 or 127?

22 MR. WESTEN: That's correct, Judge.

23 JUDGE CLARK: Are there any other exhibits
24 by any other party that I've forgotten? Is there
25 any need to set a deadline for any late filings in

1 this?

2 MS. SHEMWELL: No.

3 JUDGE CLARK: Staff?

4 MR. WESTEN: No, thank you, Judge.

5 JUDGE CLARK: Gascony?

6 MR. CARTER: Not that I'm aware of.

7 JUDGE CLARK: Madam Court Reporter, when
8 would the expedited transcript be available?

9 THE COURT REPORTER: I think we have it
10 down for the 22nd.

11 JUDGE CLARK: All right. Are there any
12 other matters that need to be taken up today before
13 we adjourn?

14 MR. WESTEN: None from Staff, Judge.

15 MS. CARTER: Judge, should we already have
16 dates set for our briefing?

17 JUDGE CLARK: I was going to go into that
18 in just a second.

19 MS. CARTER: Okay. That was my only
20 question.

21 JUDGE CLARK: Office of Public Counsel?

22 MS. SHEMWELL: Nothing further.

23 JUDGE CLARK: Okay. I have right now --
24 because there was a change in the schedule because
25 this hearing got rescheduled and handed to me, I

1 have initial briefs due on April the 6th, 2018. Is
2 that when everybody else has those due?

3 MS. SHEMWELL: Yes.

4 JUDGE CLARK: And reply briefs due on
5 April the 13th --

6 MS. SHEMWELL: Yes.

7 JUDGE CLARK: -- of 2018?

8 MR. WESTEN: Yes.

9 JUDGE CLARK: Okay. Are there any other
10 matters?

11 MS. SHEMWELL: No.

12 JUDGE CLARK: Okay. Then we will adjourn
13 this proceeding, and we'll go off the record.
14 Thank you all for your time.

15 MR. WESTEN: Thank you, Judge.

16 MS. CARTER: Thanks, Judge.

17 (The proceedings were concluded at 3:00 on
18 March 19, 2018.)

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1 REPORTER'S CERTIFICATE

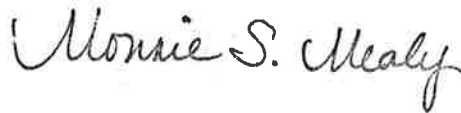
2
3 STATE OF MISSOURI)

4) ss.

5 COUNTY OF OSAGE)
6

7 I, Monnie S. Mealy, Certified Shorthand Reporter,
8 Certified Court Reporter #0538, and Registered Professional
9 Reporter, within and for the State of Missouri, do hereby
10 certify that I was personally present at the proceedings as
11 set forth in the caption sheet hereof; that I then and there
12 took down in stenotype the proceedings had at said time and
13 was thereafter transcribed by me, is fully and accurately
14 set forth in the preceding pages.

15
16 IN WITNESS WHEREOF, I have hereunto set my hand and
17 seal on March 22, 2018.

18 
19
20

21 Monnie S. Mealy, CSR, CCR #0538

22 Registered Professional Reporter
23
24
25

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