

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

In the Matter of the Request for an Increase in)
Annual Water System Operating Revenues for)
Gascony Water Company, Inc.)

File No. WR-2017-0343

STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Statement of Positions*, states as follows:

1. Revenue Requirement / Expenses

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

Staff's position: Staff has determined that the appropriate amount to include in water rates for Mr. Hoesch's compensation is \$15,000. [Taylor rebuttal p. 4: lines 19-20]. Staff's analysis is based on actual time reporting maintained by Mr. Hoesch and other job related activities that are typical of an owner/operator of a small water company like Gascony Water. [Taylor rebuttal p. 8: line 19 – p. 10: line 22].

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

Staff's position: Staff recommends \$1,500 for office rents [Taylor rebuttal p. 27: lines 12-15]. Staff's analysis shows that \$1,500 represents an appropriate level of costs to assign to the Company for its share of the actual costs related to the owner's residence in the utility's service area. [Taylor rebuttal p. 27: lines 3-12]. Staff opposes the inclusion of office rents related to a second office in the city of St. Louis. [Taylor rebuttal p. 24: lines 15-16].

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

Staff's position: Staff has included travel costs for Mr. Hoesch based on using the Internal Revenue Service's (IRS) 2017 standard mileage rate of 53.5 cents per mile. [Taylor surrebuttal p. 2: lines 1-3].

- d. What is the appropriate amount of rate case expense to include in the cost of service for Company and what is the appropriate mechanism to apply to rate case expense costs for Company?

Staff's position: Staff has reviewed actual costs incurred by Gascony Water for processing this rate case and supports actual rate case expense normalized over a 10-year period. [Taylor rebuttal p. 31: lines 10-12].

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

Staff's position: Staff supports depreciation rates of 3.3% for Class D NARUC USOA Account 379 – Other General Equipment, and 6.7% for Class D NARUC USOA Account 373 – Transportation Equipment. [Taylor Schedule MJT-rt, Accounting Schedule 05, p. 1: line 36; Taylor Schedule MJT-rt, Accounting Schedule 05, p. 1: line 35]. Staff's recommended depreciation rates are reflective of Staff's recommended in-service dates and useful lives of the equipment booked in these accounts. [Young rebuttal p. 30: lines 6-15].

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

Staff's position: The Accounting Schedules attached to the Rebuttal testimony of Staff Witness Taylor support \$37,527 of revenues required. [Taylor Schedule MJT-r2]. This amount represents Staff's recommended \$1,231 increase of the existing \$36,296 of annualized revenue. [Taylor Schedule MJT-rt, Accounting Schedule 01, p.1; Taylor Schedule MJT-rt, Accounting Schedule 9-2, p. 1].

2. **Rate Base**

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

Staff's position: Yes. Staff supports including Lot 27 and the Shed Property in the Company's rate base. [Young rebuttal p. 4: lines 15-17]. However, the rate base value of the properties should be \$0, as there is not an unrecovered investment associated with the properties. [Young rebuttal p. 6: lines 4-16]. The appropriate

accounting for these properties is to recognize that the assets are included in rate base, but also include an offsetting inclusion of Contributions in Aid of Construction (CIAC). [Young rebuttal p. 7: line 5 – p. 9: line 16].

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

Staff’s position: Yes. Staff has identified the proper rate base values for the trencher and utility task vehicle (UTV) using the traditional original cost concept. [Young rebuttal p. 24: line: 16 – p. 25: line 2; p. 27: lines 13-15]. Staff is opposed to Gascony Water’s recommended rate base values for both of these assets as they are reflected in promissory notes signed by related parties. [Young rebuttal p. 22: lines 3-15; p. 26: line 17 – p. 27: line 2]. The appropriate June 30, 2017, net rate base value to include for ratemaking purposes is \$2,887 for the trencher. [Young rebuttal p. 25: lines 11-15] and \$1,403 for the UTV. [Young rebuttal p. 28: lines 9-12].

3. **Rate Design**

What are the appropriate Customer Equivalency Factors that will be used to determine rates for the various customer classes?

Staff’s position: Staff proposes the following Customer Equivalency Factors and provides the following chart to compare current Factors to Staff proposed Factors:

Full Time – 1
Part Time – 0.35
Pool/Bathhouse – 6
Kitchen – 2
Dump Station – 1.65

Customer Equivalency Factors		
Customer Class	Current Factors	Staff Proposed Factors
Full Time	1.00	1
Part Time	0.35	0.35
Pool/Bathhouse	3.56	6
Kitchen	0.56	2
Dump Station	1.65	1.65

[Robertson rebuttal p.5: lines 19-20].

Should the Commission approve an increase to the part-time customer equivalency factor as proposed by Company, then Staff recommends the Commission consider an increase to the Dump Station customer equivalency as well. [Robertson rebuttal p.6: lines 10–13].

4. **Miscellaneous**

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

Staff's position: Yes. The Company should have an application available, per the Company's tariff, for new customers to fill out upon a request for new service. [Kiesling rebuttal p. 3: lines 2-24]. This requirement should be completed within thirty (30) days of the resolution of the case. [Kiesling rebuttal p. 3: lines 2-6].

Respectfully submitted,

/s/ Alexandra L. Klaus

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and/or counsel of record on this 12th day of March, 2018.

/s/ Alexandra L. Klaus