

*Exhibit No.:*  
*Issue:* Rate Case Expense  
*Witness:* Erin M. Carle  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* True-Up Direct Testimony  
*Case No.:* WR-2013-0461  
*Date Testimony Prepared:* March 6, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION  
UTILITY SERVICES - AUDITING**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**ERIN M. CARLE**

**LAKE REGION WATER & SEWER COMPANY**

**CASE NO. WR-2013-0461**

*Jefferson City, Missouri  
March 2014*

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1 Q. Does Staff dispute any rate case expense amounts incurred by the Company?

2 A. Yes. The Staff disallowed \$725 from what the Company submitted to Staff as  
3 rate case expense. This was an expense incurred by Camden County Public Water Supply  
4 District No. 4 ("PWSD4") for seeking legal counsel from the law firm Pohl & Pohl, P.C. in  
5 regards to Staff's sunshine law request concerning availability fees. Pohl & Pohl, P.C. did  
6 not represent Lake Region in this proceeding. Staff removed this cost because the expense  
7 was incurred by PWSD4, not Lake Region.

8 Q. Does Staff have any other changes in regards to the true-up portion of rate  
9 case expense for Lake Region?

10 A. Yes. Staff is now proposing a five-year normalization of rate case expense,  
11 spread evenly between the three systems.

12 Q. Is Staff recommending that the rate case expense be normalized or amortized  
13 over five years?

14 A. Staff is recommending that rate case expense be normalized over a five year  
15 period. Rate case expense is not an extraordinary expense that should be amortized. Rate  
16 case expense is an ordinary expense that should be included in a Company's cost of service  
17 at a reasonable annual level.

18 Q. Does Staff's recommendation regarding the time period for normalization  
19 differ from Staff's approach used in their cost of service report?

20 A. Yes. At the time of Staff's direct filing of the cost of service report, the  
21 Company had incurred minimal rate case expense and Staff had proposed a three-year  
22 normalization for rate case expense.

1 Q. Why is a five-year normalization period appropriate?

2 A. Staff is proposing a five-year normalization because the Company has given  
3 no indication as to when it anticipates filing its next rate case, and has not apprised Staff of  
4 any large capital improvement projects that would make it necessary for the Company to file  
5 a new case at a particular time in the future. For smaller water and sewer utilities, Staff often  
6 proposes five-year normalization periods for purposes of including rate case expense in rates.

7 Q. Are there any other reasons why Staff is now proposing a five-year  
8 normalization as opposed to its earlier proposed three-year normalization?

9 A. Yes. Staff believes that a five-year normalization will help reduce the burden  
10 of the ratepayers to pay the large amount of rate case expense incurred to process this case  
11 from start to finish.

12 Q. What amount of rate case expense did Lake Region incur in its last rate case,  
13 Case No. SR-2010-0110?

14 A. The Company incurred \$42,997 for rate case expense.

15 Q. What is the current level of rate case expense that Lake Region has incurred in  
16 this case?

17 A. As of March 4, 2014, Staff has been provided invoices by the Company for  
18 rate case expense totaling \$61,693. This amount does not include any expenses incurred for  
19 the True-up period or for the filing of post-hearing Briefs portion of this rate case.

20 Q. What is the financial responsibility of each customer of Lake Region to  
21 recover the \$61,693?

22 A. Shawnee Bend Water has 660 customers; that equates to \$6.23 per customer  
23 per year for rate case expense. Shawnee Bend Sewer has 638 customers; that equates to

1 \$6.45 per customer per year for rate case expense. Horseshoe Bend Sewer has 245  
2 customers; that equates to \$16.79 per customer per year for rate case expense.

3 Q. Why will the Horseshoe Bend Sewer customers pay more rate case expense  
4 than the Shawnee Bend Water and Shawnee Bend Sewer customers?

5 A. Staff has proposed to allocate rate case expense on an equal basis to the three  
6 service areas within Lake Region: Horseshoe Bend Sewer, Shawnee Bend Sewer and  
7 Shawnee Bend Water. Horseshoe Bend Sewer has fewer customers than either Shawnee  
8 Bend Sewer or Shawnee Bend Water; thus, the costs are spread over fewer customers.

9 Q. Does Staff have any concerns in regards to the level of rate case expense that  
10 is being incurred by Lake Region to process their case?

11 A. Yes. Due to Lake Region filing a rate case under the large rate case  
12 procedures, Lake Region has incurred quite a bit more rate case expense than they would  
13 incur using the small rate case procedures. The Commission has developed the small rate  
14 case procedures in a manner that allows the process to be stream-lined. This enables the  
15 companies to file rate cases while incurring minimal rate case expense. This does not  
16 prevent the companies from contesting issues on which they do not agree with Staff or the  
17 Office of Public Counsel and taking those issues to hearing. Staff strongly encourages  
18 Lake Region to consider the use of the small company rate case procedures for future filings  
19 in order to minimize the level of rate case expense that they incur.

20 Q. Does this conclude your true-up direct testimony?

21 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Lake Region Water & Sewer )  
Company's Application to Implement a )  
General Rate Increase in Water & Sewer )  
Service )

Case No. WR-2013-0461

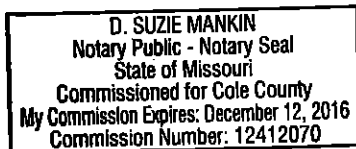
AFFIDAVIT OF ERIN M. CARLE

STATE OF MISSOURI                     )  
  )      ss.  
COUNTY OF COLE                     )

Erin M. Carle, of lawful age, on her oath states: that she has participated in the preparation of the foregoing True-Up Direct Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing True-Up Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Erin M. Carle

Subscribed and sworn to before me this 6<sup>th</sup> day of March, 2014.



Shuzell Hankin  
Notary Public