

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

In the Matter of the Request for)	
An Increase in Annual Water)	Case No. WR-2017-0343
System Operating Revenues for)	
Gascony Water Company, Inc.)	

**OFFICE OF THE PUBLIC COUNSEL’S
STATEMENT OF POSITIONS ON THE ISSUES**

COMES NOW the Office of the Public Counsel and submits its Statement of Positions on the Issues in the Gascony Water Company, Inc. (“Company”, or “Gascony”), rate case as ordered by the Missouri Public Service Commission (“Commission”) in its February 16, 2018 Order Granting Motion to Continue Hearing and Amending Procedural Schedule.

Factual Background

Company initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on June 19, 2017, the Company set forth its request for an increase of \$15,000.00 in its total annual water service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to three commercial customers, approximately 26 full-time customers and 157 part-time customers in a fishing resort area known as Gascony Village, outside of Hermann, MO in Gasconade County.

Statement of Positions on the Issues

1. Revenue Requirement / Expenses

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

OPC did not write testimony on this specific issue. However, OPC supports Staff's position of \$15,000 annual compensation for Mr. George Hoesch¹ and recommends the Commission order this amount be included in rates as just and reasonable. Section 393.130 RSMo (2016).

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

OPC did not write testimony on this specific issue. However, OPC supports Staff's position of to include \$1,500 annually for rent expense for use of the trailer located in Hermann, Missouri. OPC is supportive of Staff's position to disallow any rent expense for a second office located in Mr. Hoesch's home in St. Louis.² OPC recommends the Commission order rent expense of \$1,500 as just and reasonable. Section 393.130 RSMo (2016).

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

OPC recommends the Commission use the 2017 State of Missouri mileage rate of 37 cents per mile. Using the Missouri mileage rate would equate to \$2,893 of mileage expense to include in Gascony's cost of service.³ OPC recommends the Commission order \$2,893 as a just and reasonable amount for customers to pay for this mileage expense. Section 393.130 RSMo (2016).

¹ Staff witness Michael Jason Taylor, Rebuttal Testimony, page 4, lines 19 – 20

² Staff witness Michael Jason Taylor, Rebuttal Testimony, page 27, lines 12 – 15, and page 28, lines 6 – 9

³ OPC witness Keri Roth, Rebuttal Testimony, page 3, lines 6 – 8

- 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?**

OPC recommends the Commission allow recovery of only the actual amount of prudently incurred rate case expense. OPC proposes to normalize the costs over a six-year period.⁴

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

OPC recommends continued use of the current Commission ordered depreciation rates as ordered in WA-97-510. These rates are consistent with many of the other small-water depreciation rates currently ordered for other regulated small water systems in the state. Attached to OPC witness John Robinett's testimony is Schedule JAR-R-2 is the Order Approving the Stipulation and Agreement in Case No. WA-97-510.⁵

OPC reviewed this Order and, based on OPC's review of the Order, the Commission ordered depreciation rates are based on the Class C NARUC USoA account depreciation rates for water utilities. Based on the Commission ordered depreciation schedule, the trencher would have to be booked in one of two accounts – either account 394 Tools, Shop, Garage Equipment or account 398 Miscellaneous Equipment. Attached as schedule JAR-S-1 is schedule 3 from the Order Approving the Stipulation and agreement from Case No. WA- 97-510. Staff is recommending, as part of this case, a change in how the Company books its plant by using Class D accounts as opposed to accounts for Class C as the Company has previously done.⁶

⁴ OPC witness Keri Roth, Rebuttal Testimony, page 4, lines 1 – 3.

⁵ OPC witness John A. Robinett, Rebuttal Testimony, page 1, line 18 to page 2, line 1.

⁶ OPC witness John A. Robinett, Surrebuttal Testimony, page 3, line 19-27.

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

OPC did not write testimony related to this specific question. However, based on OPC's positions, and using Staff positions for other issues, OPC calculates a total annual revenue requirement of \$37,248. This equates to an annual revenue requirement increase of \$952, as necessary for the Company to recover the cost of providing safe and adequate utility service to customers.

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?

OPC supports Staff's treatment and recommendations related to the land.⁷ In terms of Lot 27, in Case Number Mr. Hoesch told the Commission he would convey this property to the regulated utility.

Staff recommends that CMC Water and Gascony Water should validly transfer ownership of Lot 27 from CMC Water to Gascony Water. Staff further recommends that rate base should contain a \$0 value for Lot 27.⁸ Public Counsel agrees.

OPC supports Staff's recommendation for the Shed Property. Staff recommends that Mr. Hoesch should file the transfer ownership of the Shed Property from Gascony Water to Gascony Water with the Gasconade County Recorder of Deeds. Staff further recommends that rate base should contain a \$0 value for this property as well, just as it recommends for Lot 27.⁹

⁷ OPC witness John A. Robinett, Surrebuttal Testimony, page 1, line 16

⁸ Staff Witness Matthew R. Young, Rebuttal Testimony, page 6, lines 5-8

⁹ Staff Witness Matthew R. Young, Rebuttal Testimony, page 20, lines 1-4

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?

Yes. For the trencher, OPC agrees with Staff that the correct original cost for the trencher is \$10,800. OPC recommends 1999 as the in service year for the trencher consistent with the approval of the CCN.¹⁰ In terms of the UTV/Gator OPC is in agreement with Staff that the correct original cost for the UTV/Gator is \$4,200 based on Gascony’s 2007 Annual Report. OPC recommends 2007 as the in service year for the UTV/Gator.¹¹

In its testimony, OPC did not provide specific calculations on rate base related to trencher and gator in testimony but information was requested by Staff in a data request. Rate base for both the trencher and Gator would be negative (or fully depreciated) using OPC’s recommended in-service dates and calculating depreciation accruals through June 2017 using authorized depreciation rates from File No. WA-97-510.

3. Rate Design

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

OPC did not write testimony on this specific issue. However, OPC is supportive of Staff’s position¹² and recommends the Commission adopt Staff’s rate design proposal.

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?

¹⁰ OPC witness John A. Robinett, Surrebuttal Testimony, page 1, line 19-21

¹¹ OPC witness John A. Robinett, Surrebuttal Testimony, page 2, line 3-5

¹² Staff witness Jarrod J. Robertson, Rebuttal Testimony, page 5, line 19

OPC did not write testimony on this specific issue. However, OPC is supportive of Staff's position¹³ and recommends the Commission order the Company to comply with this Staff proposal.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

On this 12th day of March 2018, I hereby certify that a true and correct copy of the foregoing motion was submitted to all relevant parties by depositing this motion into the Commission's Electronic Filing Information System ("EFIS").

/s/ Lera L. Shemwell

¹³ Staff witness Mark Kiesling, Rebuttal Testimony, page 3, lines 4 – 6