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Witness: *Matthew R. Young*
Sponsoring Party: *MoPSC Staff*
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Rebuttal of Supplemental Direct
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

**SURREBUTTAL TESTIMONY /
REBUTTAL OF SUPPLEMENTAL DIRECT**

OF

MATTHEW R. YOUNG

CENTRAL RIVERS WASTEWATER UTILITY, INC.

CASE NO. SR-2014-0247

Jefferson City, Missouri
December 2014

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Q. Please state your name and business address.

A. Matthew R. Young, Fletcher Daniels State Office Building, 615 East 13th Street, Room G-8, Kansas City, Missouri 64106.

Q. Are you the same Matthew Young that filed direct testimony which included Schedules MRY-1 through MRY-7 in this case?

A. Yes.

Q. What is the purpose of your surrebuttal / rebuttal testimony?

A. I am responding to 1) the direct testimony of Mark E. Geisinger filed on November 14, 2014 on behalf of Central Rivers Wastewater Utility ("Central Rivers" or "Company", 2) the supplemental direct / rebuttal direct testimony of Mark E. Geisinger filed on December 5, 2014, 3) the supplemental direct / rebuttal testimony of Dale W. Johansen for Central Rivers filed on December 5, 2014, and 4) the rebuttal testimony of William Addo filed on December 5, 2014 for The Office of Public Counsel ("OPC"). Specifically, I am addressing the issues relating to the revenue requirement, customer connection fees, customer deposit refunds, contribution in aid of construction ("CIAC") depreciation offset, rate case expense and the affiliations of Central Rivers.

EXECUTIVE SUMMARY

Q. Please summarize your surrebuttal / rebuttal testimony in this proceeding.

A. Staff recommends that no rate increase be granted to Central Rivers in this case due to the Company's failure to support a vast majority of the total expenses recorded on the Company's books and records. Staff also recommends that no increase of the Company's installation fees linked to the installation of septic tank effluent pump ("STEP") units be granted.

As described in Staff's direct testimony as well as the rebuttal testimony of OPC witness Addo, the costs claimed by Central Rivers for STEP installations, as well as routine operation and maintenance costs incurred by the Company, continue to be unsupported by the utility. Central Rivers incurs these expenses by contracting with Construction Services and Management, LLC ("Construction Company"), an affiliated entity that has refused to provide actual cost support during this rate case.

Prior to this case, the Company has collected installation fees from ratepayers at amounts that exceed the provision found in the Company's tariff. Staff recommends that the Commission order Central Rivers to refund the amount collected in excess of the tariffed amount to the individual customers over a three-year period. In addition to refunding installation fees, Staff also recommends that the Company shall refund all customer deposits held by Central Rivers, with simple interest, over a two-year period.

Staff's position on the rate case expense incurred by the Company is consistent with positions taken on rate case expense in other cases. Staff will include recovery of reasonable and prudently incurred rate case expense in the Company's rates. However, to date, the Company has not directly submitted documents to Staff supporting its claimed rate case expense amounts.

1 Mr. Geisinger's direct and supplemental direct and rebuttal testimonies identify costs
2 from non-affiliated entities which should be considered in the Company's final cost of service
3 in this case, to the extent that the Commission finds a revenue increase is necessary. The
4 costs incurred thus far for outside services from non-affiliated entities relate to legal counsel
5 and consulting services retained by Central Rivers. If the Commission grants any rate relief
6 to Central Rivers, Staff recommends rate case expense should be amortized for recovery over
7 a six-year period.

8 **REVENUE REQUIREMENT**

9 Q. During the audit, did you examine the contract between Central Rivers and the
10 affiliated Construction Company?

11 A. Yes, I did.

12 Q. What was the purpose of the examination of the contract?

13 A. The purpose was to verify if the costs charged to Central Rivers, as defined in
14 the contract, are just and reasonable costs. Staff considers just and reasonable costs eligible
15 for inclusion in the cost-of-service calculation for the Company.

16 Q. What were the results of the examination of the contract?

17 A. The contractual costs were not supported by the Company with historical cost
18 information and documentation, therefore Staff found the contract insufficient support as
19 evidence of just and reasonable costs.

20 Q. Since Staff found the contract to be insufficient support, did you make an
21 adjustment to the test year to remove all contractual costs or did you attempt to conduct
22 further analysis?

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1 A. Rather than adjust the cost charged to Central Rivers by the Construction
2 Company to zero, I continued my analysis by comparing the contractual charges to an
3 estimated market value for the contractual services using known and measurable market wage
4 rates.

5 Q. On page 5, line 19 of Mr. Johansen's testimony, he states that part of the basis
6 for Staff's calculation was "its attempt to 're-price' the terms of the contract." Is your market
7 value comparison what he is referring to?

8 A. I can only assume so.

9 Q. Was it ever your intention to "re-price" the terms of the contract?

10 A. No. The computation of the estimated market value was simply a last resort
11 since the Company could not or would not provide the data necessary to evaluate the contract
12 against actual historical costs. In any case, Staff would prefer to evaluate historical cost data
13 to form an opinion rather than relying on an "educated guess" for ratemaking purposes.

14 Q. Why was the historical cost data unavailable?

15 A. As described thoroughly in my direct testimony, the Company claims the
16 historical cost data lies in the books and records of its affiliated Construction Company and
17 Central Rivers does not have access to that information.

18 Q. Did you attempt to obtain the necessary information through formal data
19 requests to Central Rivers?

20 A. Yes. Attached to this testimony as Schedule MRY-8 is a series of data
21 requests designed to obtain the historical cost information necessary to justify or invalidate
22 the contractual charges. The responses to these data request read, "Central Rivers Wastewater
23 Utility, Inc. does not have access to that information"

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1 Q. Have you found evidence that Central Rivers does in fact have access to the
2 information requested?

3 A. Yes. Referencing Data Request No. 18 contained in Schedule MRY-8, Central
4 Rivers claimed it does not have access to the Construction Company's employee information.
5 However, in Mr. Geisinger's supplemental direct / rebuttal testimony beginning on page 10
6 and continuing on page 11, Mr. Geisinger lists several Construction Company personnel.

7 Q. Why is this significant?

8 A. If Central Rivers truly had no access to the employee information as stated in
9 Data Request No. 18, Mr. Geisinger should not have been able to name the Construction
10 Company's employees while acting as the owner of Central Rivers. This contradiction
11 provides evidence that Mr. Geisinger did in fact have access to the Construction Company's
12 data and records required by Staff to conduct its audit but chose to deny Staff the opportunity
13 to review certain information.

14 Q. What would motivate the Company to deny Staff the opportunity to review
15 certain information?

16 A. I cannot say for certain. I can only assume that Mr. Geisinger is using the
17 affiliation between Central Rivers and the Construction Company as a screen for the
18 information that he does not want Staff to consider in this rate case.

19 Q. Since the Company would not provide justification of its costs, is it Staff's
20 duty to justify expenses for inclusion in rates that the utility claims are necessary for
21 providing utility service?

22 A. No. The burden to justify necessary expenses lies with the utility.

1 Q. Since Central Rivers did not provide historical cost information to Staff's data
2 requests, did the utility attempt to justify their expenses in another fashion?

3 A. Yes. The Company sought three bids from third parties in an attempt to prove
4 that the contractual charges are just and reasonable. These bids are attached to the direct
5 testimony of Mr. Geisinger as Schedule MEG-1.

6 Q. Did the bids provided by the Company offer support for the expenses charged
7 by the Construction Company for contractual services?

8 A. I discussed Staff's review of the bids in my direct testimony beginning on page
9 35, but I will add one additional concern here. The parties involved in this case should not
10 have to use bids obtained and provided by the Company or by anybody else as a substitution
11 of historical costs when the Company has access to actual historical information. As I
12 mentioned earlier, Staff prefers historical information while examining a utility's cost-of-
13 service and the bids submitted by Central Rivers does not qualify as historical information.

14 Q. Beginning on page 15 of Mr. Geisinger's supplemental direct and rebuttal
15 testimony, he addresses the bid received by the Commission during the local public hearing
16 and offers some criticism of the independent bid. Do you disagree with his criticisms?

17 A. No. As I understand his argument, the documents provided leave some doubt
18 as to the capability of the installer and the specifications of the equipment. However, the
19 same critiques can be applied to the bids supplied by Central Rivers. The largest difference
20 between the bids submitted at the local public hearing and the bids submitted by the Company
21 is the dollar amounts.

22 Q. Beginning on page 7 of Mr. Johansen's testimony, he states his belief that the
23 contract in this case appears to be reasonable based on the bids. He goes on to say that as a

1 court-appointed receiver for other Missouri water and sewer companies, the contract in this
2 case is comparable to charges for like services he pays to contractors in those other utilities.
3 Have you reviewed the cost of service composition for the utilities currently operated by
4 Mr. Johansen?

5 A. Yes. Two of the utilities that are currently being managed by Mr. Johansen as
6 a court-appointed receiver are M.P.B. Inc. ("MPB") and P.C.B. Inc. ("PCB"). Both of those
7 utilities filed for rate reviews as recently as September 9, 2013, in Case Nos. SR-2014-0067
8 and SR-2014-0068, respectively.

9 Q. Did you find any similarities between MPB, PCB and Central Rivers?

10 A. Yes. In Case No. SR-2014-0068, Staff's Auditing Unit filed a memorandum
11 (attached to the Company-Staff Disposition Agreement¹) outlining the costs included in the
12 cost of service, including costs for management and a certified operator. An excerpt from that
13 memorandum is attached as Schedule MRY-9. As Mr. Johansen notes, MPB and PCB have
14 seven total treatment facilities which is the same number of treatment facilities that Central
15 Rivers operates.

16 Q. What were the total costs agreed to in those cases for certified operators?

17 A. The combined costs of both companies included for a certified operator totals
18 \$42,187.

19 Q. The contract in this case also includes costs for management and clerical
20 duties. Do the cost of service calculations in the other cases consider those types of costs?

¹ Disposition Agreement filed September 5, 2014. Commission order approving disposition agreement filed October 22, 2014.

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1 A. Yes. The combined costs of MPB and PCB for “Receivership Fees²” total
2 approximately \$23,000.

3 Q. So to make the best comparison between the outside services Mr. Johansen
4 retains on the behalf of MPB and PCB to the contractual charges between Central Rivers and
5 the Construction Company, what calculation is appropriate?

6 A. If I am reading the memorandum correctly, it appears the sum of the costs for
7 receivership fees and certified operator fees included in MPB and PCB’s cost of service add
8 to approximately \$65,187 (\$43,187 + \$23,000). Thus, this annual amount paid by the
9 ratepayers of MPB and PCB for managerial, operational, and clerical services is well below
10 the total \$129,000 that are itemized in the contract between Central Rivers and the
11 Construction Company.

12 Q. Were there any major differences between MPB, PCB and Central Rivers?

13 A. A few. First, the customer count of MPB and PCB is significantly higher than
14 the customer count of Central Rivers. Second, MPB and PCB utilize completely different
15 treatment facilities than Central Rivers. Third, the rate case filings for MPB and PCB were
16 unique to companies that are in receivership status because the sewer infrastructure was in a
17 state of disrepair which leads to a higher level of management oversight and attention. These
18 items reduce the comparability between MPB, PCB, and Central Rivers.

19 Q. So if MPB, PCB, and Central Rivers are not exactly comparable, why would
20 Mr. Johansen assert that the contract between Central Rivers and the Construction Company
21 is reasonable based on the bids and his own experience?

² It is my understanding that the Receivership Fee was included to reimburse the Receiver for managerial and billing duties.

1 A. Since Central Rivers has chosen not to produce historical cost information,
2 other methods of determining the reasonableness of the contract are the only alternatives if
3 these costs are sought for inclusion in this rate case. In other words, the various bids provided
4 in this case, the experience of various individuals, and analytical procedures are the only
5 methods left available to evaluate the reasonableness of the contract between Central Rivers
6 and the Construction Company.

7 Q. Do you agree with Mr. Johansen's assertion in his supplemental direct and
8 rebuttal testimony that "the contract controls the actions of the Construction Company"?

9 A. No. The Construction Company is the controlling entity in the structure of the
10 affiliated companies.

11 Q. Why is the Construction Company the controlling entity?

12 A. The contract is between two companies that are owned by one individual. That
13 individual simultaneously acts as a manager of the Construction Company and the manager of
14 Central Rivers. It follows that a conflict of interest may exist while that individual decides
15 which company should be the final recipient of utility's revenue. During the test year,
16 approximately 80% of the utility's expenses were paid to the Construction Company showing
17 that the Construction Company is the entity that receives a vast majority of utility revenues.

18 Q. Beginning on page 11, line 8 of Mr. Johansen's supplemental direct and
19 rebuttal testimony, he quotes from the Staff recommendation filed in October, 2014. How do
20 you respond to Mr. Johansen's use of this quote from the agreement?

21 A. Mr. Johansen's quote is misleading and inappropriate in response to the
22 question it is answering.

23 Q. Please explain.

1 A. Mr. Johansen is responding to a question of whether or not he agrees with Staff
2 witness Young's direct testimony stating that prices established in the contract between
3 Central Rivers and the Construction Company are not competitive. His response is
4 misleading in that it refers only to hourly labor rates, not the total contractual labor price
5 (which includes amount of hourly labor charged as well as the hourly labor rates). The
6 two-sentence quote used by Mr. Johansen is from the first page of Staff's five-page discussion
7 of the analytical procedures Staff used to evaluate the reasonableness of the prices in the
8 contract. If Mr. Johansen were to continue reading Staff's five-page discussion, he may
9 notice that the fifth page states "Staff found that the total of the charges per period listed in
10 the contract exceeded fair market value ... pointing to the conclusion that, on the whole, the
11 hourly component of the Company's formula is overstated. In other words, the hourly
12 component combined with the labor rate component equals non-competitive overall prices
13 being charged. As I mentioned earlier, analytical procedures to evaluate reasonableness were
14 necessary only because Central Rivers did not provide the historical information requested
15 and Staff was forced to examine the contract from different angles.

16 Furthermore, while Staff composed that particular section of the recommendation
17 memorandum, it was relying on the Company's response to Staff Data Request No. 4, which
18 is attached as Schedule MRY-10. In this data request, the Construction Company stated
19 the rates that it charges customers other than Central Rivers. It was not until after the
20 recommendation memorandum was composed that Staff learned of the affiliations between
21 the Construction Company and WET RPM (to be discussed later). It is also my
22 understanding Mr. Betts, one of WET RPM's organizers, is also involved with the operations

1 of Benton County Sewer District. The discovery of the affiliations, discussed elsewhere in
2 this testimony, reduces the reliability of the Company's response to Data Request No. 4.

3 Q. If Mr. Johansen's quote on page 11 of his supplemental direct and rebuttal
4 testimony were to be taken literally and one concludes that Staff has validated the rates used
5 to form the contract, does it follow that Staff has validated the contract as a whole?

6 A. No. The charges in the contract were quantified by multiplying the
7 Construction Company's hourly rates by the Construction Company's estimate of the number
8 of hours required. The hourly component of the contract has never been supported or
9 validated by Staff. Since Staff has never been able to verify the hourly component of the
10 contractual charges, Staff has never been able to verify the amount of the contractual charges
11 as a whole.

12 Q. On page 13 of Mr. Geisinger's supplemental direct and rebuttal testimony,
13 he compares the rates the Construction Company charges Central Rivers to the rates
14 the Construction Company charges to "other customers." Schedule MEG-5, attached to
15 Mr. Geisinger's supplemental direct and rebuttal testimony, shows an invoice sent by the
16 Construction Company to WET RPM. Does this invoice provide any insight on the
17 appropriateness of the Construction Company's hourly rates?

18 A. No. WET RPM is an acronym for "Water Expert Technology Research Plus
19 Management" LLC. A search of the Missouri Secretary of State's online database for the full
20 name of this company yields WET RPM's official Articles of Organization, effective June 28,
21 2012. This document, attached as Schedule MRY-11, lists Mark Geisinger as an organizer of
22 WET RPM. That means WET RPM and the Construction Company are affiliated since Mr.
23 Geisinger serves as the owner of the Construction Company and as a partner in WET RPM. It

1 follows that any transaction between the Construction Company and WET RPM is also an
2 affiliated transaction. Using the same rational for affiliated transactions discussed in this
3 testimony and my direct testimony, Staff concludes that the invoice provided by Mr.
4 Geisinger does not carry any weight for the purposes of justifying the hourly rates of the
5 Construction Company.

6 Q. Does Mr. Geisinger reference WET RPM anywhere else in his supplemental
7 direct and rebuttal testimony?

8 A. Yes. Attached to his supplemental direct and rebuttal testimony as Schedule
9 MEG-3 are Operator Compliance Charts for each of the utility's subdivisions. Mr. Geisinger
10 states that these charts identify many of the tasks that must be performed to properly maintain
11 the sewer systems. On the cover page for each subdivision, contact information is given for
12 WET RPM.

13 Q. As part of his supplemental direct and rebuttal testimony at page 5,
14 Mr. Geisinger indicates the Construction Company performed work for Central Rivers for
15 "service calls" and for work identified as "non-service call work." Mr. Geisinger identifies
16 that he has supplied invoices for these services. Can you respond to his discussion on these
17 invoices?

18 A. These invoices do not specifically identify itemized charges for material and
19 labor. The invoices do not break out actual labor costs by hourly rates and actual hours
20 recorded by the Construction Company to perform the services provided to Central Rivers.
21 Since Central Rivers has no employees, all services are performed by the Construction
22 Company. Staff requires more supporting detail of the costs for services provided as part of
23 the invoices than alluded to by the Company.

1 Q. Does Staff dispute the statement that Central Rivers has provided invoices to
2 Staff from its affiliate, the Construction Company for services it provides the sewer utility?

3 A. No. Staff has been given numerous invoices that Central Rivers purports
4 support costs for services performed and charged from the Construction Company. Staff has
5 reviewed these invoices and provided some illustrative examples of these invoices as a
6 schedule in its direct testimony so the Commission can also review them. While these
7 invoices discussed at pages 6 and 7 of Mr. Geisinger's rebuttal and supplemental testimony
8 generally identify the work the Construction Company performs for Central Rivers, nowhere
9 do these invoices show the actual costs for labor that is incurred by the Construction
10 Company or the actual material costs paid by the Construction Company broken out to
11 determine if the those costs are appropriate. Remember, Central Rivers and the Construction
12 Company are owned and operated by the same individual—Mr. Geisinger (see his rebuttal
13 and supplement testimony at page 4, line 18).

14 Q. Why does Staff believe the invoices supplied from the Construction Company
15 are not sufficient for supporting costs for Central Rivers?

16 A. Staff believes these invoices are not sufficient because both the Construction
17 Company and Central Rivers are owned by the same individual, Mr. Geisinger. Because of
18 this common ownership, there is every opportunity to inflate the costs charged to Central
19 Rivers for services performed by its affiliate. With this common ownership, it is doubly
20 important to have all the necessary costs broken down so an evaluation can be made to ensure
21 Central Rivers is not being overcharged. As in the case for services performed for the
22 "Non-service Call" work, no break down exists on the invoice that indicates the labor charges
23 and the time spent on each activity. It is left to the Construction Company to charge whatever

1 it believes is appropriate to Central Rivers. The Construction Company has the opportunity to
2 engage in such behavior because one person owns both entities.

3 While the invoices for the “Service Call” function provides for a break out of labor
4 and material costs, the same problem exists with these invoices despite having more
5 information for these services. With common ownership, there is an opportunity to
6 over-charge the utility for higher labor costs than what may be allowed in the regulated
7 environment for each of the services identified in Mr. Geisinger’s rebuttal and supplemental
8 testimony, pages 7 and 8.

9 Q. Does Staff dispute that the services performed by the Construction Company
10 are necessary for Central Rivers operations?

11 A. No. The services described by Mr. Geisinger in his rebuttal and supplemental
12 testimony at pages 6 through 8 relating to “Service Call” and “Non-service Call are all
13 necessary for the operations of Central Rivers. There is no disagreement with the Company
14 as to the services provided under contract by the Construction Company. What has always
15 been Staff’s disagreement with Central Rivers is the amount of actual costs charged to the
16 Company by the affiliate – the Construction Company.

17 Q. Were there any other revenue requirement issues you would like to address?

18 A. Yes. On page 20 of the rebuttal testimony of Mr. Addo, he discusses two
19 accounting errors related to the Company’s capital structure and the non-STEP CIAC
20 depreciation offset. Staff has reviewed Mr. Addo’s workpapers and agrees with Public
21 Counsel. Staff has updated its workpapers to reflect capital structure and CIAC amortization
22 as calculated by Mr. Addo. Also, Staff’s updated workpapers agree with Mr. Johansen’s

1 understanding as outlined on page 8 of his supplemental direct / rebuttal testimony for the
2 calculation of CIAC amortization and the customer deposit rate base offset.

3 **STEP INSTALLATION COSTS**

4 Q. On page 6, line 22 of his direct testimony, Mr. Geisinger quotes language from
5 the current tariff regarding installation fees for non-residential or multi-family connections.
6 This language states that the fees for these particular connections shall be based on actual cost
7 incurred by the Company. Has Staff been able to review any actual costs resulting from the
8 connection of a new customer to the sewer system?

9 A. No. While the Company has provided very limited documentation of the costs
10 of an installation for a single family connection, the Company does not serve non-residential
11 or multi-family structures and therefore the Company has never incurred these costs in
12 the past.

13 Q. If the Central Rivers did have non-residential or multi-family customers, would
14 Staff be able to review actual costs incurred by the Company?

15 A. No. If Central Rivers had these types of customers, the costs incurred by the
16 utility would amount to charges invoiced by the affiliated Construction Company. In this
17 case, Staff has been unable to obtain sufficient actual cost detail from the Construction
18 Company for any type of connection fee. The commonly owned Construction Company has
19 refused to provide the documentation necessary to define the actual cost for historical
20 customer connections, independent of the type of customer being connected.

21 Q. On page 7, lines 21 – 25, Mr. Geisinger quotes language from the current tariff
22 pertaining to connection charges for the installation of septic tank effluent gravity (“STEG”)
23 units and gravity collection systems. This language, similar to the language about

1 installations for non-residential or multi-family customers, states that the connection charge
2 for these installations will be established based on actual costs “when data is obtained to
3 present a reasonably accurate cost.” Has the Company performed installations of STEG units
4 or gravity collection systems?

5 A. No. The Company has historically only installed STEP units and pressurized
6 systems.

7 Q. So, historical data exists to “present a reasonably accurate cost” for STEP units
8 and pressurized systems?

9 A. Yes. It should be assumed that since the Company has been responsible for the
10 installations of STEP units and pressurized systems for approximately 15 years, the related
11 historical data must exist or at least should exist. However, since Central Rivers uses its
12 affiliated Construction Company to perform the installations and the Construction Company
13 has refused to provide the historical data, Staff has been unable to establish a reasonable cost
14 for a new STEP system.

15 Q. Has the Company supported its claim on page 7 of its direct testimony that
16 “during the passage of these many years, both equipment and labor costs have increased?”

17 A. No. Neither Central Rivers nor its affiliated Construction Company has
18 provided the necessary support for the actual costs incurred by Construction
19 Company. Central Rivers claims it does not have access to the actual cost information of its
20 affiliate Construction Company. However, Central Rivers’ owner, Mr. Geisinger, does have
21 access to the actual costs of the services it provides to Central Rivers on the books and records
22 of the Construction Company. In fact, Mr. Geisinger controls both Central Rivers and the
23 Construction Company operations. As such, the actual costs of the STEP installations as well

1 the actual operational costs incurred by the Construction Company on behalf of Central
2 Rivers are well known to the owner of both of these entities.

3 Q. Has Staff received information from other sources on the costs for the STEP
4 installations?

5 A. Yes. Mr. Geisinger has provided what are purported as bids obtained from
6 other contractors in an attempt to support the position of the Company to increase the STEP
7 installation fee to \$6,000 per installation. Mr. Geisinger attached these bids as Schedule
8 MEG-1 to his direct testimony. Central Rivers should not need these bids from outside
9 sources to justify an increase in the STEP installation fee since the utility's owner already has
10 direct access to the actual costs of installation for each of the STEP systems. Further, Staff
11 does not recognize these as "genuine" bid documents because they were not prepared by these
12 entities for the purpose of obtaining work; rather they were prepared for the purpose of
13 assisting CRW to attempt to justify its \$6,000 requested Connection Charge. Mr. Geisinger
14 knows the exact historical expenses for each of the individual installations since he owns and
15 operates the Construction Company which is incurring the costs for these installations.
16 Furthermore, he knows exactly how much profit the Construction Company earns by charging
17 Central Rivers for the installations. In other words, the Commission should not have to rely
18 on cost estimates from other entities but should be given actual cost information available to
19 Central Rivers from the Construction Company.

20 Q. Is the Construction Company the only entity that installs the STEP systems?

21 A. Yes. While the Construction Company refuses to cooperate with its affiliate,
22 Central Rivers, in providing support for the actual costs of the installations of the STEP
23 systems, Central Rivers allows the Construction Company to be the sole provider of the

1 installation of the STEP system. In addition, Central Rivers, under contract, allows the
2 Construction Company to be the exclusive provider of all services necessary to operate the
3 utility. Even though the two companies share common ownership, Central Rivers claims it
4 does not have access to the actual cost information for these services, namely the costs of
5 installations of STEP systems and the services to operate the sewer systems. Mr. Geisinger
6 knows exactly what the Construction Company's actual costs are to provide services to
7 Central Rivers but refused to provide this information. As such, Staff has been unable to base
8 its findings on the rate determination for Central Rivers using actual costs.

9 Q. Mr. Geisinger states at page 8, line 6 of his direct testimony that Central Rivers
10 incurs \$6,000 for each STEP unit installation. Has Staff seen the support for the \$6,000
11 installation costs for these units?

12 A. No. Even though there has been repeated requests for such actual cost
13 information, to date Staff has not been successful in obtaining detailed support of the
14 \$6,000 charge collected from the customers and passed through Central Rivers to the
15 Construction Company.

16 Q. Has Mr. Geisinger made a statement about the existence of the appropriate
17 information?

18 A. Mr. Geisinger states at page 13 of his supplemental direct and rebuttal
19 testimony that the Construction Company "...has never had a need to record or maintain
20 records of individual [STEP] installations." Staff would take exception to this approach.
21 Because of the affiliated relationship, there is a very strong need to have sufficient records
22 that justify the costs charged to the regulated Central Rivers. Simply because the

1 Construction Company and its affiliated utility do not believe it is necessary does not
2 eliminate the need for cost justification from a regulatory perspective.

3 Q. Has Staff reviewed the STEP installation cost breakdown provided by
4 Mr. Geisinger in the table on page 8 of his direct testimony?

5 A. Yes. Staff has actually reviewed several renditions of that table throughout the
6 audit. Attached as Schedule MRY-12 are three cost breakdowns that have been provided to
7 Staff. These breakdowns were given by the Company (1) in response to Data Request
8 No. 13.1 dated July 28, 2014, (2) in response to Data Request No. 13.1 dated September 24,
9 2014, and, (3) on page 8 of the direct testimony of Mr. Geisinger.

10 Q. While Staff reviewed these STEP installation cost breakdowns, was there
11 anything that stood out?

12 A. Yes. In all three renditions, the only line item that remained constant was the
13 grand total of \$6,000. The line items fluctuated for the total costs for materials, the total costs
14 for labor, and the number of hours required for labor. Additionally, the second and third
15 iterations contained mathematical errors in the descriptions of the labor costs and the total
16 dollars for the labor line items.

17 Q. What do these fluctuations in the Company's breakdowns indicate?

18 A. The fluctuations indicate that, after Central Rivers obtained cost information
19 for the materials purchased during a single STEP installation, (those costs are reflected in the
20 breakdown provided to Staff in Data Request No. 13.1 dated September 2014), the Company
21 was forced to alter the total cost listed for materials. As a result, the Company had to
22 manipulate the labor costs in the breakdown to maintain the grand total of \$6,000.

1 Q. Since the Company submitted two breakdowns of costs for STEP installations
2 with support for the costs of materials, does that mean the \$6,000 grand total is based on
3 actual costs?

4 A. No. The \$6,000 grand total is inclusive of labor charges from the affiliated
5 Construction Company. The breakdowns consist of stated charges and estimated averages
6 prepared by Mr. Geisinger and are not from audited records of the operation. As discussed in
7 my answer to the previous question, the labor charges appear to be a plug used by the
8 Construction Company to bring the sum of the cost components to \$6,000. A dynamic labor
9 cost is not the same as historical actual costs and is not sufficient support to justify an increase
10 in the STEP installation fee.

11 Q. Page 10 of Mr. Geisinger's direct testimony asserts that Central Rivers does
12 not have the sufficient revenues to support the costs associated with employees and equipment
13 necessary to perform STEP installations. Do you agree with that statement?

14 A. No. Staff has not been able to review the costs associated with maintaining a
15 sufficient employee count and the equipment necessary to perform STEP installations because
16 the Company has stated they do not have access to that information. Since Staff was unable
17 to review the historical costs associated with STEP installations, Staff does not know what
18 level of revenue would be sufficient to enable Central Rivers to perform STEP installations
19 without 3rd party contractors.

20 However, Staff's opinion is that if Central Rivers were to maintain its own employees,
21 the hourly rate of each employee would to be substantially lower than the hourly rates the
22 utility is currently charged by each employee of the Construction Company. The resulting

1 savings from the decreased hourly rate may provide the utility the resources to maintain its
2 own workforce for routine utility operations, if not for STEP installations.

3 Q. On page 10 of his direct testimony, Mr. Geisinger states that he obtained bids
4 from three other companies to compare the costs of STEP installations. He goes on to assert
5 on page 11 of his direct testimony that, if Central Rivers attempted to perform the work itself,
6 the cost per STEP installation would be greater than the bids obtained or the amount Central
7 Rivers is charged by Construction Services & Management. Is this a relevant argument?

8 A. No, it is not. His reasoning is entirely based on estimated costs from either the
9 Construction Company or three other companies. What Staff has been attempting to obtain
10 throughout this case, and Mr. Geisinger has not provided, is the actual costs of installing
11 customers' STEP systems. If Staff were allowed access to real, tangible receipts, invoices etc.
12 and access to the labor costs incurred by the Construction Company for records of all of the
13 installations, then it could formulate an opinion as to the prudence of such costs and not be
14 forced to speculate on the reasonableness of estimates.

15 **RATE CASE EXPENSE**

16 Q. Did Staff review Central Rivers' rate case expense prior to November 11,
17 when Staff filed its direct testimony?

18 A. No. Although Staff submitted Data Request No. 21 on October 16, 2014,
19 requesting rate case expense documentation, the data request was not responded to by the
20 Company by the direct testimony due date. Furthermore, the data request has not been
21 responded to as of the date of this testimony.

22 Q. Has Staff reviewed the schedules attached to Mr. Geisinger's testimony for
23 rate case expense?

Surrebuttal Testimony and
Rebuttal of Supplemental Direct Testimony of
Matthew R. Young

1 A. Yes. Included in the schedules are costs for (1) legal representation, (2) a rate
2 case consultant, (3) mailings to customers, and (4) charges from the employees from the
3 affiliated Construction Company for the time spent processing the rate case.

4 Q. What are the results of Staff's examination of these documents?

5 A. Consistent with traditional ratemaking concepts, Staff is not opposed to
6 including reasonable amounts of rate case expense incurred by obtaining legal counsel, expert
7 advice on the rate case process, and the costs associated with customer notification in the
8 Company's revenue requirement. However, Staff is opposed to including any amounts of rate
9 case expense related to the hourly cost of the Construction Company's employees.

10 Q. Of all the costs that the Company is claiming as rate case expense, what is the
11 most substantial?

12 A. To date, the largest source of costs that the Company is claiming as rate case
13 expense are charges for the time spent by the employees of the Construction Company.

14 Q. To process this rate case, is Central Rivers required to use the Construction
15 Company's employees?

16 A. Yes. However, the only reason it is required for the utility to use the
17 employees of the affiliated Construction Company to process the rate case is because of the
18 corporate affiliations that the utility owner has created. As explained in my direct testimony,
19 Central Rivers does not have any employees so the individuals needed to complete rate case
20 activities are employed with the Construction Company by decision of the common owner of
21 Central Rivers and the Construction Company. If the utility had its own employees, the
22 hourly cost of each of the individuals listed in Schedule MEG-3 would be substantially lower.

1 Q. In general, when a utility's employees process a rate case, how does Staff
2 examine the time recorded on rate case activities?

3 A. Typical procedure for the time spent by a utility employee on a rate case is to
4 compare timecards showing the hours spent by each employee during a rate case with the
5 historical number of hours spent by those employees while the Company is in normal
6 operations. The comparison will then show if rate case activities have resulted in increased
7 costs for the employee's time. Staff's position is that any hours spent in excess of ordinary
8 hours can be identified as hours charged exclusively to process a rate case and Staff will
9 typically include the related cost in rate case expense.

10 Q. On page 14, line 8 of Mr. Geisinger's direct testimony, he states that the time
11 recorded for rate case activities by the employees of the Construction Company "...is in
12 addition to the work related to the normal operations of the Company..." Has the
13 Construction Company shown that its employees are incurring hours in excess of
14 ordinary hours?

15 A. No. The invoices in Schedule MEG-3 do not make that distinction.
16 Additionally, Staff does not know if the employees of the Construction Company are salaried
17 (as opposed to hourly) employees. If they are indeed salaried employees, there would not be
18 any additional payroll costs resulting from this rate case.

19 Q. Did Mr. Geisinger address the Construction Company's payroll structure in his
20 supplemental direct and rebuttal testimony?

21 A. Yes. On page 11 he defines that the non-family employees are salaried but no
22 distinction is made for family employees.

1 Q. Has Staff been able to identify any additional payroll costs incurred by the
2 Construction Company associated with rate case activities?

3 A. No. Contained in Schedule MRY-8 is Data Request No. 18 in which Staff
4 attempted to obtain payroll information pertaining to the number of hours worked and
5 information indicating hourly or salary compensation from the Construction Company. In
6 response, Central Rivers claimed that it did not have access to that information. Additionally,
7 Staff submitted Data Request No. 23 on November 18, 2014, requesting the Construction
8 Company's employee timecards or other supporting documentation. The purpose for this
9 request was to obtain data necessary to perform the comparison of employee time charged for
10 different activities.

11 **OTHER ISSUES**

12 Q. Mr. Johansen discusses some plant investment that was not included in Staff's
13 calculations on page 6 of his supplemental direct / rebuttal testimony. Are you aware of the
14 plant investment he is referencing?

15 A. Yes. During a conference call, the Company claimed there were some plant
16 costs that were overlooked during the audit. During that same conference call, Staff advised
17 Central Rivers to submit the documentation of the plant costs to Staff for review. However, it
18 is my understanding that Staff did not receive any further correspondence from the Company
19 on the investment in question.

20 Q. Were there other portions of Mr. Addo's rebuttal testimony that you would like
21 to address?

22 A. Yes. In this case Staff and OPC are recommending that the Company be
23 ordered to refund certain amounts related to customer deposits and STEP installation fees that

1 were collected in excess of tariffed amounts. The disagreement lies in the timeframe for the
2 refunds. In Mr. Addo's rebuttal testimony, he recommends that both refunds should be
3 completed within 12 months of the effective date of rates. Staff's position is that the sum of
4 the refunds are too great to be completed in one year and is instead recommending a two year
5 refund period for customer deposits and a three-year period for STEP installation fee refunds.
6 Spreading the refund period as Staff recommends is more realistic when the utility's level of
7 overall revenues are considered.

8 Q. Mr. Addo also suggests that the exact amount of both of the refunds have not
9 been calculated by OPC. Has Staff calculated an exact amount?

10 A. Staff has not thoroughly examined each STEP installation to calculate the
11 correct tariffed charge. The complication lies in the tariff language that allows for additional
12 charges if the piping required for connection exceeds certain lengths. Each installation would
13 have to be measured and compared to the tariff specifications to recalculate the tariffed STEP
14 installation fee. Staff recommends that in the event the Commission orders the Company to
15 refund the over-collected STEP installation fees and/or customer deposits, a collaborative be
16 established including representatives from OPC, Staff, and the Company to examine the
17 details of the exact refund amounts after the effective date of any Commission order.

18 Q. Does this conclude your surrebuttal and rebuttal testimony?

19 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF MATTHEW R. YOUNG

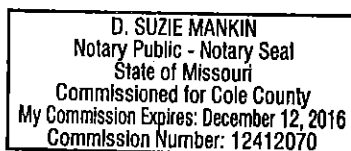
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

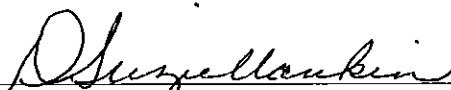
Matthew R. Young, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony / Rebuttal of Supplemental Direct Testimony in question and answer form, consisting of 25 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony / Rebuttal of Supplemental Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Matthew R. Young

Subscribed and sworn to before me this 15th day of December, 2014.





Notary Public

Missouri Public Service Commission**Respond Data Request**

Data Request No.	0018
Company Name	Central Rivers Wastewater Utility, Inc.-(Sewer)
Case/Tracking No.	SR-2014-0247
Date Requested	6/12/2014
Issue	General Information and Miscellaneous - Company Information
Requested From	Mark Geisinger
Requested By	Kevin Thompson
Brief Description	Affiliated Company Information
Description	a. Please identify all employees and job titles along with all related job descriptions for Construction Services & Management employees indicating if full or part time for 2011, 2012, 2013 and each month of 2014. b. Identify hourly compensation and other payroll benefits for each of these full or part time employees for 2011, 2012, 2013 and each month of 2014. c. identify the number of hours worked for each full or part time employee of Construction Services & Management for 2011, 2012, 2013 and each month of 2014. DR requested by Matthew Young (Matthew.Young@psc.mo.gov).
Response	Central Rivers Wastewater Utility, Inc. does not have access to that information.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **SR-2014-0247** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Central Rivers Wastewater Utility, Inc.-(Sewer)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Central Rivers Wastewater Utility, Inc.-(Sewer)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

Missouri Public Service Commission**Respond Data Request**

Data Request No.	0019
Company Name	Central Rivers Wastewater Utility, Inc.-(Sewer)
Case/Tracking No.	SR-2014-0247
Date Requested	6/12/2014
Issue	General Information and Miscellaneous - Company Information
Requested From	Mark Geisinger
Requested By	Kevin Thompson
Brief Description	Affiliated Company Information
Description	a. Provide all revenues for Construction Services & Management broken out between those received from Central Rivers and those received from other non-Central Rivers entities for 2011, 2012, 2013 and each month through 2014. b. Provide all costs/ expenses incurred by Construction Services & Management to provide services to Central Rivers and to other non-Central Rivers entities for 2011, 2012, 2013 and each month through 2014 broken out by category of costs/ expenses. DR requested by Matthew Young (Matthew.Young@psc.mo.gov).
Response	Central Rivers Wastewater Utility, Inc. does not have access to that information.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **SR-2014-0247** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Central Rivers Wastewater Utility, Inc.-(Sewer)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Central Rivers Wastewater Utility, Inc.-(Sewer)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

Missouri Public Service Commission**Respond Data Request**

Data Request No.	0020
Company Name	Central Rivers Wastewater Utility, Inc.-(Sewer)
Case/Tracking No.	SR-2014-0247
Date Requested	6/12/2014
Issue	General Information and Miscellaneous - Company Information
Requested From	Mark Geisinger
Requested By	Kevin Thompson
Brief Description	Affiliated Company Information
Description	Provide all monthly, quarterly and annual financial statements of Construction Services & Management indicating the profit/loss and financial condition of Construction Services & Management for 2011, 2012, 2013 and monthly for 2014. DR requested by Matthew Young (Matthew.Young@psc.mo.gov).
Response	Central Rivers Wastewater Utility, Inc. does not have access to that information.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **SR-2014-0247** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Central Rivers Wastewater Utility, Inc.-(Sewer)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Central Rivers Wastewater Utility, Inc.-(Sewer)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

MPB and PCB are under the control of a court-appointed receiver, Johansen Consulting LLC, which is responsible for the management and operations of the Companies. In addition, the receiver provides all billing services for the sewer system. The compensation for services provided to the Companies by the receiver is at the rate of \$1,500 per month plus travel expenses for both companies. Because this compensation for the receiver is what was ordered by the court, Staff determined that this rate was reasonable for the amount of receivership fees authorized to Johansen Consulting. Staff normalized these expenses at \$18,000 annually for sewer operations. Staff allocated the receivership fee expense between the different sewer systems by using customer numbers. In addition, Mr. Johansen makes two trips per month from Jefferson City, Missouri, to MPB and PCB. However, in the future, it is Staff's understanding that Mr. Johansen will only be making approximately eighteen trips per year once the system is operating properly. Therefore, Staff annualized the travel expense by multiplying the mileage traveled by the receiver to and from MPB and PCB by the IRS allowed mileage reimbursement rate plus one meal at the per-diem rate and \$20 per hour for six hours of travel time. Staff also split Mr. Johansen's travel expenses between the sewer systems based upon customer numbers.

The current receivership fees for these two companies total \$29,411. The assumption used in this calculation is based on \$1,500 monthly fee, 18 trips per year to systems, time for monthly billing, four special mailings plus post office, bank and one call fees. For this rate case, all of these fees are included under receivership fees instead of attempting to separate them into different expenses for the Company.

CERTIFIED OPERATOR FEES

Since MPB and PCB owners abandoned these sewer systems, Mr. Johansen has been checking the status of operators that would be interested in operating these systems at a reasonable rate. He has advised Staff that Environmental Consulting and Operations (Environmental Consulting) was interested in operating these systems and that they are discussing the details associated with operating and maintaining these systems. Staff expects that Environmental Consulting will be entering into a contract with Johansen Consulting Services as the operator for these systems in the near future. Therefore, for the current cost of service, Staff is using the estimated amount of \$42,000 which is based upon the estimate provided by the Receiver for these sewer operating systems. If necessary, Staff will be updating this expense once the negotiating is complete between Mr. Johansen and Environmental Consulting.

ELECTRIC EXPENSES

Staff used the actual electric expense of \$16,868 for the twelve months ended April 2013 to annualize the electric costs for both MPB and PCB. In addition, MPB and PCB have incurred a past due electric expense of \$1,444 as of April 2013. Staff has not received the updated electric costs from Ameren Missouri for May 2013 to current date

May 15, 2014

Matthew Young
Missouri Public Service Commission
PO Box 360
Jefferson City, Missouri 65102

CENTRAL RIVERS RATE REVIEW AUDIT
FILE NO. SR-2014-0247
DATA REQUEST NO. 4 & 5 RESPONSES

The following is a breakdown of the total lots per subdivision:

- Berkshire Glen – 32
- Park Estates/Bar-B – 46
- Country Hill Estates – 30
- Countryside – 7
- Fox Run – 40
- Private Gardens – 61
- Wilmar – 75

Data Request No. 4:

1. The following are the calculations of the other service fees listed on the Construction Services & Management 2014 contract:

Item 1 – Service Call: \$150 first hour, \$60 for each additional hour

Item 2 – Monthly Maintenance of Sewer Plants: \$1650 (27.5 hours @ \$60/hr)

Item 3 – Yearly Cleaning & Inspection of Each Customer Equip: \$120/customer (\$120 x # of lots cleaned)

Item 4 – Monthly Mowing of Plants: \$300/plant/month (5 Hours @ \$60/hr)

Item 5 – Monthly Clerical Duties: \$1625 (46.4 hours per month @ \$35/hr)

Item 6 – Monthly Management: \$900 (12 hours @ \$75/hr)

Item 7 – Install Collection Equipment: \$6000 (Includes Tank, Equipment & Installation)

Item 8 – Additional Monthly Private Gardens & Wilmar: \$1920 (32 hours @ \$60/hr)

Item 9 – Quarterly Cleaning: \$1260 (21 hours @ \$60/hr)

2. Construction Services & Management also provides services for the following companies:

- Benton County Sewer District:
\$35/hr clerical, \$65/hr labor, \$85/hr backhoe, \$225 mobilization fee
- Blue River Bible Church:
\$35/hr clerical, \$65/hr project management
- Trinity Excavating & Construction, Inc.:
\$35/hr clerical, \$65/hr labor, \$85/hr backhoe, \$225 mobilization fee
- Water Expert Technology Research Plus Management (WET RPM):
\$35/hr clerical, \$65/hr labor, \$85/hr backhoe, \$225 mobilization fee



State of Missouri
Robin Carnahan, Secretary of State

File Number: 201218081377

LC1238614

Date Filed: 06/28/2012

Robin Carnahan
Secretary of State

Articles of Organization

1. The name of the limited liability company is:

Water Expert Technology Research Plus Management, LLC

2. The purpose(s) for which the limited liability company is organized:

The transaction of any lawful business for which a limited liability company may be organized under the Missouri Limited Liability Company Act, Chapter 347 RSMo.

3. The name and address of the limited liability company's registered agent in Missouri is:

Bob Betts

Name

27656 Highway 00, Warsaw MO 65355

Address

4. The management of the limited liability company is:

☐

Manager

☒

Member

5. The duration (period of existence) for this limited liability company is:

Perpetual

6. The name(s) and street address(es) of each organizer:

Bob Betts, 27656 Highway 00, Warsaw MO 65355

Mark Geisinger, 11625 Knox Street, Overland Park KS 66210

7. The effective date of this document is:

06/28/2012

In Affirmation thereof, the facts stated above are true and correct:

(The undersigned understands that false statements made in this filing are subject to the penalties provided under Section 575.040, RSMo)

Bob Betts

(Organizer Name)

Mark Geisinger

(Organizer Name)

State of Missouri



Robin Carnahan
Secretary of State

CERTIFICATE OF ORGANIZATION

WHEREAS,

Water Expert Technology Research Plus Management, LLC
LC1238614

filed its Articles of Organization with this office on the June 28, 2012, and that filing was found to conform to the Missouri Limited Liability Company Act.

NOW, THEREFORE, I, ROBIN CARNAHAN, Secretary of State of the State of Missouri, do by virtue of the authority vested in me by law, do certify and declare that on the June 28, 2012, the above entity is a Limited Liability Company, organized in this state and entitled to any rights granted to Limited Liability Companies.

IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this June 28, 2012.

A handwritten signature in cursive script that reads "Robin Carnahan".

Secretary of State



STEP System Installation & Connection to Sewer Main – Price Breakdown

<u>Material</u>	<u>Price</u>
1500 Gallon Concrete Tank	930.00
Riser Lid	45.00
Riser	40.00
Riser Plate	44.00
Electrical Splice Box	65.00
Control Panel	310.00
1" Grommet	4.10
Control Float	48.00
Alarm Float	48.00
Pump Vault	485.00
Effluent Pump	427.50
4' of ¾" Conduit	3.71
2: ¾" Conduit Male Adapters	8.36
45' of 4" PVC Pipe	71.60
1: 4" Cap	7.71
1: 4" Wye	5.12
1: 4" Cleanout w/Cap	6.59
3: 4" 45's	12.24
220' of 1" PVC Pipe	100.00
5: 1" 90's	6.25
1: 1" Ball Valve	5.64
1: 1" Check Valve	8.95
1: 1" Union	4.86
1¼" x 1" Bushing	2.13
2x1 Tapping Saddle	38.22
6' of 6" Riser Pipe	29.00
60' of 12/3 Direct Bury Wire	48.00
60' of 14/3 Direct Bury Wire	33.00
Glue & Rectorseal	6.44
Total Materials	2844.42

<u>Labor</u>	<u>Fee</u>
Mobilization Fee	225.00
Locates & Office Support (4 Hrs @ \$35/Hr)	140.00
Plumber & Operator – Installation (16 Hrs @ \$60/Hr)	960.00
Backhoe (16 Hrs @ \$85/Hr)	1360.00
Start Up (4 Hrs @ \$60/Hr)	240.00
Total Labor	\$2925.00

Materials	2844.42
Labor	2925.00
Insurance & Fuel Surcharge	230.58
GRAND TOTAL	\$6000.00

STEP System Installation & Connection to Sewer Main – Price Breakdown

<u>Material</u>	<u>Price</u>
1500 Gallon Concrete Tank	980.00
Riser Lid	45.00
Riser	60.00
Riser Plate	24.00
Electrical Splice Box	55.00
Control Panel	325.00
1¼ " Grommet	4.10
Control Float	48.00
Alarm Float	48.00
Pump Vault	485.00
Effluent Pump	427.50
10' of ¾" Conduit	1.99
2: ¾" Conduit Male Adapters/w lock, 3/4" LB	8.55
40' of 4" PVC Pipe	82.00
1: 4" Cap	6.27
1: 4" Wye	12.46
1: 4" Cleanout w/Cap	6.27
3: 4" 45's	17.15
220' of 1¼" PVC Pipe	114.40
20' of 1" PVC pipe	7.80
5: 1" 90's	2.58
1: 1" Ball Valve	16.40
1: 1" Check Valve	14.39
1: 1" Union	2.96
1¼" x 1" Bushing	1.74
3 x 1½ Tapping Saddle	83.64
10' of 6" Riser Pipe	28.20
80' of 12/3 Direct Bury Wire	79.20
80' of 14/3 Direct Bury Wire	47.20
Glue & Rectorseal	9.09
1: 6" valve riser sewer lid	39.36
Subtotal	3083.25
Tax (7.975%)	245.89
Total Materials	3329.14

<u>Labor</u>	<u>Fee</u>
Mobilization Fee	225.00
Locates & Office Support (2.61 Hr @ \$35/Hr)	91.36
Plumber & Operator – Installation (15 Hrs @ \$60/Hr)	960.00
Backhoe (10 Hrs @ \$85/Hr)	850.00
Start Up (2 Hrs @ \$60/Hr)	120.00
Total Labor	2246.36

STEP System Installation & Connection to Sewer Main – Price Breakdown

Total Materials	3329.14
Rock for bedding (rock & delivery)	399.50
Total Labor	2246.36
Fuel Surcharge – Si Precast	25.00
GRAND TOTAL	6000.00

costs have increased. The connection charges found in the tariff no longer represent the cost of such installations.

Q. WHAT COSTS DOES CENTRAL RIVERS INCUR WHEN STEP UNITS ARE INSTALLED?

A. \$6,000.00. The costs are itemized as follows:

STEP System Installation & Connection to Sewer Main – Price Breakdown

<u>Material</u>	<u>Price</u>
1500 Gallon Concrete Tank	980.00
Riser Lid	45.00
2 -24x12 Risers	60.00
Riser Plate	24.00
Electrical Splice Box	55.00
Control Panel	325.00
1 1/4" Grommet	4.10
Control Float	48.00
Alarm Float	48.00
Pump Vault	485.00
Effluent Pump	427.50
10' of 3/4" Conduit	1.99
2: 3/4" Conduit Male Adapters/wlock, 3/4" LB	8.55
40' of 4" PVC Pipe	82.00
1: 4" Cap	6.27
1: 4" Wye	12.46
1: 4" Cleanout w/Cap	6.27
3: 4" 45's	17.15
220' of 1 1/4" PVC Pipe	114.40
20' of 1" PVC pipe	7.80
5: 1" 90's	2.58
1: 1" Ball Valve	16.40
1: 1" Check Valve	14.39
1: 1" Union	2.96
1 1/4" x 1" Bushing	1.74
3x1 1/2 Tapping Saddle	83.64
10' of 6" Riser Pipe	28.20
1- 6" valve box sewer lid	39.36

80' of 12/3 Direct Bury Wire	79.20
80' of 14/3 Direct Bury Wire	47.20
Glue	9.09
Subtotal	3083.25
Tax	245.89
Total Materials	3329.14

1

<u>Labor</u>	<u>Fee</u>
Mobilization Fee	225.00
Locates & Office Support (1 Hrs @ \$35/Hr)	91.36
Plumber & Operator – Installation (16 Hrs @ \$60/Hr)	720.00
Backhoe (10 Hrs @ \$85/Hr)	850.00
Start Up (2 Hrs @ \$60/Hr)	120.00
Total Labor	2246.36

2

Materials	3329.14
Labor	2246.36
Gravel for bedding	399.50
Fuel Surcharge	25.00
GRAND TOTAL	\$6000.00

3

4

5 **Q. WHO CURRENTLY PERFORMS THIS WORK FOR CENTRAL RIVERS?**

6 A. Construction Services & Management, LLC.

7

8 **Q. DO YOU HAVE ANY INVOLVEMENT IN CONSTRUCTION SERVICES &**
9 **MANAGEMENT, LLC?**