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Witness: *Curtis B. Gateley*
Sponsoring Party: *MoPSC Staff*
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Case No.: *SR-2016-0202*
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

WATER AND SEWER DEPARTMENT

REBUTTAL TESTIMONY

OF

CURTIS B. GATELEY

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

CASE NO. SR-2016-0202

Jefferson City, Missouri
October 2016

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1 Q. What is Staff's position on rate design?

2 A. Staff has recommended consolidating Raccoon Creek's three districts into Single
3 Tariff Pricing (STP) for rate design, and to maintain the single customer class instead of adding
4 an apartment class.

5 Q. Why is STP the more appropriate rate design?

6 A. As discussed in my Direct Testimony, DSP would create significant rate disparity
7 among customers receiving the same service, in a relatively small geographic area, from the
8 same company, because they happen to be connected to different sewage treatment plants. The
9 only principal difference among the groups of customers (or 'districts') is the number of
10 customers connected to each treatment plant. The resulting rate differences associated with DSP
11 arise from different numbers of customers connected to the respective treatment plants and
12 allocating shared costs to those customers. As discussed in my direct testimony, spreading
13 common costs over more customers lessens the rate impact overall.

14 Q. What is the hybrid rate design that OPC witness Russo offered?

15 A. On Page 9 of his direct testimony OPC witness Russo offers an alternative rate
16 design that consolidates the WPC and West 16th districts, while leaving the Village district
17 separate. This would reduce the rate shock to WPC customers and increase the rate for West 16th
18 customers.

19 Q. Why does Staff oppose this hybrid rate design?

20 A. As I discussed in my Direct Testimony, for these systems having three separate
21 districts would create discriminatory rates. Customers receiving the same service, living nearby
22 and supported by the same company and operations, would pay a significantly different rate
23 because they are connected to different Raccoon Creek sewage treatment plants. While a hybrid

1 rate design would slightly decrease the discriminatory nature of pure DSP, STP more closely
2 aligns with the Commission's stated goal of utilizing district consolidation when it is appropriate.
3 The hybrid rate design would still discriminate against the customers connected to WPC and
4 West 16th, compared to the customers connected to the Village, via the rate disparity. It would
5 also have the potential to increase administrative costs and cause more customer confusion.

6 **CUSTOMER CLASSES**

7 Q. What is the new customer class that OPC witness Russo proposed?

8 A. OPC witness Russo proposed to separate the customers connected to the Village
9 treatment plant into a residential customer class and an apartment class. He supports this
10 proposal by stating that water usage data for Village sewer customers, which he received from
11 the Johnson County Public Water Supply District #3, shows significantly less water usage by
12 "apartment customers". He postulates that less water usage means less impact on the sewage
13 treatment plant.

14 Q. Does Staff believe another customer class is necessary?

15 A. No, Staff's position is that a single customer class is most appropriate in this
16 situation.

17 Q. Does Mr. Russo offer a definition of who would qualify for an "apartment" rate?

18 A. No, he does not.

19 Q. Does Staff have a definition for an "apartment" rate?

20 A. No. Upon review, Staff finds it difficult to determine who would qualify for an
21 "apartment" rate. If the definition relies on number of attached living units, then the proposed
22 relationship of water usage no longer holds because the units could be any size. A building with
23 four three-bedroom units could in theory be expected to have a different usage than a building

1 with four one-bedroom units, but both units would pay the same “apartment” rate. A townhouse-
2 style building with several bedrooms per unit could qualify for an “apartment” rate despite
3 having a larger per unit space than some homes. Relying on square footage of a unit is also
4 problematic, as Raccoon Creek has no authority to enter a unit and assess its size. There are
5 several duplexes in the Village district, which OPC witness Russo appears to exclude from the
6 “apartment” rate, but there are also six-unit buildings with a back and a front yard that would be
7 included in this special rate. This could discriminate against landlords with similar properties
8 but who chose different styles of construction.

9 Q. Are there other problems with the creation of an additional class as suggested by
10 OPC witness Russo?

11 A. Yes. OPC witness Russo proposes a customer equivalent factor of 0.8, instead of
12 a factor equivalent to water use. No explanation is provided for this difference.

13 Q. Is OPC witness Russo correct regarding relative impact related to flow?

14 A. Staff does not agree with OPC witness Russo’s assertion that water usage has a
15 direct correlation to impact or demand on the sewage treatment plant. Some processes used in
16 sewage treatment are adjusted based on relative flow, some require no adjustment across
17 broad categories of flow, and some continue to operate in the same manner regardless of relative
18 flow until their maximum design flow is exceeded. The Village plant is composed of a
19 repurposed 3-cell lagoon and a new Moving Bed Biofilm Reactor (MBBR), followed by
20 disinfection via chlorination and dechlorination. Primary treatment, which is the initial
21 separation of solids that float or rapidly sink, is accomplished in the repurposed lagoon cells and
22 operates the same regardless of flow variation. Secondary treatment, which is accomplished in
23 the MBBR, may be adjusted across broad categories of flow. That adjustment could in theory

1 create some higher electricity costs relative to flow associated with pumping the wastewater, but
2 the theoretical adjustment parameters and associated electricity costs are not known. Finally, the
3 disinfection process is subject to a more direct correlation of additional costs in chemicals used,
4 but again this relative cost per flow is not known. Therefore, there is no data to support OPC's
5 conclusion that sewer operational cost is directly tied to drinking water monthly usage.

6 Q. Are there other reasons why Staff does not support the creation of an apartment
7 customer class?

8 A. Yes. Creating this new customer class with a lower customer equivalent shifts
9 costs to the other customers. A couple living in a two bedroom house or duplex would, under
10 OPC's proposed rates, pay almost \$13 more per month than a similar couple living in a two
11 bedroom "apartment." OPC witness Russo has failed to offer any further evidence for creating
12 this potentially discriminatory rate beyond his analysis of water usage.

13 Q. Does this conclude your testimony?

14 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of a Rate)
Increase for Raccoon Creek Utility Operating)
Company Inc.)
Case No. SR-2016-0202

AFFIDAVIT OF CURTIS B. GATELEY

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW CURTIS B. GATELEY and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony and that the same is true and correct according to his best knowledge and belief.

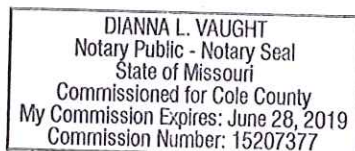
Further the Affiant sayeth not.

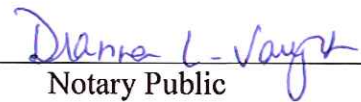


CURTIS B. GATELEY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12th day of October, 2016.





Notary Public