Exhibit No.:	_____
Issues:	(1) Rate Case Expense (2) Grinder Pumps (3) Application of Sewer Commodity Rate
Witness Name:	Dale W. Johansen
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Emerald Pointe Utility Company
File No.:	SR-2013-0016, et. al.
Date Testimony Prepared:	April 29, 2013

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Request for an Increase in Sewer Operating Revenues of Emerald Pointe Utility Company	**)** **)** **)** **)**	**File No. SR-2013-0016, et. al.**

Surrebuttal Testimony of
Dale W. Johansen

Presented on Behalf of
Emerald Pointe Utility Company

April 29, 2013

Johansen Consulting Services
915 Country Ridge Drive
Jefferson City, MO 65109

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Request for an Increase in the Sewer Operating Revenues of Emerald Pointe Utility Company	)))	File No. SR-2013-0016, et. al.

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)
) SS
COUNTY OF COLE)

COMES NOW Dale W. Johansen, being of lawful age, and on his oath states:

(1) That I am the owner of Johansen Consulting Services and have been retained to present testimony on behalf of Emerald Pointe Utility Company in this proceeding.

(2) That I participated in the preparation of the following Surrebuttal Testimony, which consists of the following: (a) a Table of Contents; and (b) six pages of questions and answers.

(3) That I provided the answers given in the testimony.

(4) That I have knowledge of the information presented in the answers, and that such information is true and correct to the best of my knowledge, information and belief.

Dale W. Johansen

Subscribed and sworn to before me this 29 day of April 2013.

Notary Public

My Commission Expires: 7-6-13

KELLY A. TRIGG
Notary Public - Notary Seal
STATE OF MISSOURI
County of Callaway
My Commission Expires 7/6/2013
Commission # 09832835

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INTRODUCTION

Q. Please state your name and business mailing address.

A. Dale W. Johansen, Johansen Consulting Services, 915 Country Ridge Drive, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am the owner of Johansen Consulting Services. For the purposes of this consolidated case, I have been retained by Emerald Pointe Utility Company (Company) to provide assistance to the Company in reaching a resolution in the case.

Q. Have you previously filed testimony in this consolidated case?

A. Yes, I have. I filed Direct and Rebuttal Testimony on behalf of the Company.

EXECUTIVE SUMMARY

Q. Please summarize the Surrebuttal Testimony you are presenting.

A. In response to the Rebuttal Testimony of Office of the Public Counsel (OPC) witness Keri Roth, I am presenting testimony on the issue of rate case expense. Additionally, I am providing testimony on two issues that were raised at the local public hearing, with the first one being grinder pumps and the second one being the application of the sewer commodity rate.

Q. Is anyone else providing surrebuttal testimony on behalf of the Company?

A. Yes. Company witness Bruce Menke is also providing surrebuttal testimony on various issues.

RATE CASE EXPENSE

Q. Please provide a brief update regarding the rate case expense issue.

A. As noted in my previous testimony presented in this consolidated case, this issue is related to the amount of rate case expense to be included in the calculation of the Company's overall cost of providing service. For this consolidated case, these expenses include the reasonable and prudent legal fees directly related to the case and my consulting fees for work done in conjunction with the case. Additionally, it is the Company's position that these reasonable and prudent expenses should continue to be updated as close as possible to the end of this consolidated case.

Q. In her Rebuttal Testimony, OPC witness Roth notes that the staff has included $1,135 in rate case expense in its calculation of both the Company's sewer cost of service and water cost of service, and also noted these amounts are based on a five-year normalization. Additionally, Ms. Roth stated the OPC believes the Staff's proposal is reasonable. Do the amounts noted in Ms. Roth's testimony include all the relevant rate case expenses incurred by the Company to date?

A. No, they do not. As of the writing of this testimony, the Company has incurred the following additional expenses that it believes should also be included as rate case expense in the cost-of-service calculations: (1) legal fees of $4,128; and (2) consulting fees of $5,160. For both the legal fees and the consulting fees, the additional amounts include billings through March 31, 2013. As noted above, the Company believes these expenses should continue to be updated as long as possible as this case moves forward. For example, I will be submitting an invoice to the Company within about the next week for services provided

during the month of April. Failure to include these types of expenses would ignore a very real expense related to the operation of a Commission-regulated water and sewer company.

GRINDER PUMPS

Q. At the local public hearing for this case, there was a question raised as to how grinder pumps would be treated in the future. (Tr. 41-42) What is contemplated by the sample tariffs that have been filed in this case?

A. For new customers, the Company will provide the grinder pump units and associated plumbing parts and valves to the customers, and will inspect, maintain, repair and replace the units once they are installed, all at its expense. However, the customers will be responsible for installing the units, and will be required to provide the electrical parts and wiring necessary to connect the pump unit to their buildings' electric systems.

For existing customers, grinder pumps at the customers' premises will be treated like Company-owned facilities for purposes of inspection, maintenance, repair and replacement. In other words, the Company will assume the responsibility of inspecting, maintaining, repairing and replacing the grinder pumps and these activities will be done at the Company's expense.

Q. How are the Company's costs of carrying out these activities in the future being treated?

A. Adjustments have been made to the Company's allowable expenses in its overall cost of service to compensate it for carrying out these activities.

APPLICATION OF SEWER COMMODITY RATE

Q. At the local public hearing for this case, a witness suggested that the sewer commodity charge should be based on "sewer usage during the coldest months of December, January, and February." (Tr. 33) What does the agreed-upon sewer rate design contemplate in regard to the calculation of the sewer commodity charge?

A. One of the major components in the agreed-upon design of the sewer commodity rate is the volume of water sold that is used to calculate the rate. In this case, the volumes sold to customers that take both sewer service and water service was determined on an annualized basis and those volumes were used to calculate the commodity rate. As a result, the calculation of the commodity charge portion of a customer's sewer bill will be based on the volume of water used by the customer during each billing cycle – except that the first 2,000 gallons of usage is accounted for in the monthly base sewer charge. For example, the commodity charge portion of the sewer bill for a customer using 5,500 gallons of water will be calculated by multiplying the commodity rate, which is a charge per 1,000 gallons, times 3.5. (5,500 – 2,000 = 3,500 and 3,500 ÷ 1,000 = 3.5)

Q. Was the approach suggested by the customer at the local public hearing contemplated during the rate design discussions?

A. No, it was not.

Q. Do you think it should have been?

A. No, I do not. The Company's customer base and sales volumes are at least somewhat seasonal in nature, and may be significantly seasonal in nature. As a result, a rate design approach that does not take this into consideration by using the annual water sales

could have a negative impact on the full-time customers. The reason for this is that the full-time customers' usage during the "off-season" will be proportionately higher than the usage of part-time customers, or the usage in structures such as condominiums that are not normally occupied during the off-season.

Additionally, there really isn't any good way to estimate the amount of water being used for purposes that do not result in the water making its way into the sewer system. Also, accounting for water used but not going into the sewer system would necessarily result in the volumes being used to calculate the sewer commodity rate being lowered, which would result in a higher commodity rate.

Q. What would be required, in regard to rate design, if the 3-month approach to establishing the sewer commodity charge, as suggested by the customer at the local public hearing, were to be utilized?

A. Most importantly, an analysis would need to be conducted to determine the impact of this approach on the Company and the customers, and particularly the full-time customers. Without such a study, you simply won't know these impacts and thus you also won't know whether this approach makes sense for the Company and the customers.

Q. Is there a way to address concerns regarding water used specifically for lawn watering?

A. Yes. The most obvious way, and in my opinion the best and most logical way, is for separate irrigation system meters to be installed, where physically possible, to measure the water used for lawn watering. In fact, this has already been done in several situations in the Company's service areas.

However, there are also three obvious downsides to this approach. The first downside is that the customers would incur additional water service charges related to having a second meter. The second downside is that the result would be a higher sewer commodity rate for all customers. And the third downside is that you would have to have a mechanism in place to track, and subsequently make the Company whole, for the volumes being "removed" from the calculation of the sewer commodity charge on a going forward basis since those volumes are included in the calculation of the commodity rate in this case.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.