

Exhibit No.  
Issue: General  
Witness: Dennis Kallash  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Lincoln County Sewer &  
Water, LLC  
Case No. SR-2013-0321 and WR-2013-0322

**Missouri Public Service Commission**

**Rebuttal Testimony**

of

**Dennis Kallash**

On Behalf of

**Lincoln County Sewer & Water, LLC**

1

LCSW Exhibit No. 3  
Date 11-05-13 Reporter KF  
File No. SR-2013-0321  
WR-2013-0322

**TABLE OF CONTENTS**

WITNESS INTRODUCTION.....1  
PURPOSE.....2  
RATE CASE FILING.....3  
DOCUMENTATION.....5  
OTHER BUSINESSES.....10

REBUTTAL TESTIMONY  
OF  
DENNIS KALLASH  
LINCOLN COUNTY SEWER & WATER, LLC  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION

WITNESS INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Dennis Kallash. My business address is Fitch & Associates, 360 E.  
4 Cherry Street, Troy, Missouri 63379. The Lincoln County Sewer & Water, LLC  
5 (LCSW) business address is 202 Sunswept, Troy, Missouri 63379.

6

7 **Q. WHAT IS YOUR CONNECTION TO LCWS?**

8 A. I am a member of LCSW.

9

10 **Q. HOW ARE YOU EMPLOYED?**

11 A. I am self-employed in various capacities. I perform work on behalf of LCSW. I  
12 also: farm corn and soybeans; bale and sell hay; raise cattle with my daughter  
13 and wife; and, raise deer and elk with my son. I have developed land. I am a  
14 licensed land surveyor. I have a current Federal Firearms License and do  
15 gunsmithing. Lastly, I repair jewelry.

16

17 **Q. WHAT EXPERIENCE DO YOU HAVE OPERATING WATER AND SEWER**  
18 **SYSTEMS?**

1 A. I have successfully managed the operation of water and sewer systems for over  
2 fifteen (15) years. I am also the co-owner of a surveying and engineering  
3 company that has designed several treatment plants and wells that have been  
4 approved by the Missouri Department of Natural Resources and continue to  
5 operate successfully.

6  
7 **Q. WHEN DID LCSW BEGIN PROVIDING SERVICE AS A PUBLIC  
8 UTILITY?**

9 A. LCSW's first tariff sheets became effective on July 20, 2012.

10

11 **Q. PRIOR TO WHEN LCSW BEGAN TO OPERATE AS A PUBLIC UTILITY, DID  
12 YOU HAVE ANY EXPERIENCE OPERATING WATER OR SEWER SYSTEMS  
13 THAT WERE REGULATED BY THE MISSOURI PUBLIC SERVICE  
14 COMMISSION (COMMISSION)?**

15 A. No.

16

17

**PURPOSE**

18 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

19 A. I will respond to the Direct Testimony of Commission Staff witness Lisa K.  
20 Hanneken, as it relates to LCSW's rate case filing, LCSW documentation and my  
21 other business interests.

22

RATE CASE FILING

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**Q. STAFF WITNESS HANNEKEN DESCRIBES THE TEST YEARS UTILIZED BY THE STAFF AS INITIALLY BEING THE TWELVE MONTHS ENDING SEPTEMBER 30, 2012, AND THEN THE TWELVE-MONTHS ENDING DECEMBER 31, 2012, UPDATED THROUGH MARCH 31, 2013 (DIR., P. 3). DO EITHER OF THESE TEST YEARS, AS UPDATED, COVER TWELVE MONTHS OF LCSW'S OPERATION AS A PUBLIC UTILITY?**

**A. No. As stated above, LCSW's first tariff sheets became effective on July 20, 2012.**

**Q. MS. HANNEKEN FURTHER STATES THAT "... LATER IT BECAME APPARENT THAT ADEQUATE DATA COULD NOT BE OBTAINED FROM LCSW FOR THAT TIME PERIOD" (DIR., P. 3). SHOULD THIS HAVE BEEN A SURPRISE TO STAFF?**

**A. No. It should not have been a surprise. LCSW did not exist for the entire twelve month period. Staff would have known that many of these items did not exist as the result of its original audit in LCSW's certificate case.**

**Q. WHEN WERE LCSW'S RATE CASES INITIATED?**

**A. I sent a letter dated December 4, 2012, to the Commission initiating these small water and sewer rate cases.**

1 Q. WHY DID YOU BELIEVE RATE CASES WERE NECESSARY?

2 A. The LCSW utility systems did not have water meters at the time they  
3 began to operate as public utilities. It had become obvious during the  
4 certificate process that there would be advantages for the systems if  
5 meters were installed. Thus, in July, August and September of 2012, I  
6 installed meters for all of the LCSW customers. It was my objective to  
7 initiate the rate cases for the purpose of having the meters, meter  
8 installation and other investments reflected in the Company's rates, along  
9 with costs associated with certain changes in the operation costs.

10

11 Q. STAFF WITNESS HANNEKEN STATES THAT LCSW REQUESTED AN  
12 INCREASE OF \$13,382 IN ITS ANNUAL SEWER SYSTEM OPERATING  
13 REVENUES AND \$7,569 IN ITS ANNUAL WATER SYSTEM  
14 OPERATING REVENUES (DIR., P. 3). IS THIS CORRECT?

15 A. Yes.

16

17 Q. DID YOU DEVELOP THE SMALL RATE CASES REQUESTS ON YOUR  
18 OWN?

19 A. No. I contacted the Commission's Water and Sewer Department and  
20 worked with staff members in that Department to develop both the letters  
21 and the original revenue increase request amounts, based upon the  
22 investment and expenses I provided to a Staff member.

23

DOCUMENTATION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**Q. STAFF WITNESS HANNEKEN MAKES COMMENTS RELATED TO THE DOCUMENTS PROVIDED AND RETAINED BY LCSW (DIR., P. 4-5). DO YOU UNDERSTAND THAT WHEN LCSW BECAME A PUBLIC UTILITY IN JULY OF 2012, ITS RECORDS BECAME SUBJECT TO INSPECTION BY THE COMMISSION STAFF AND THE OFFICE OF THE PUBLIC COUNSEL IN ACCORDANCE WITH MISSOURI STATUTES (FOR EXAMPLE, SECTION 393.140(7) AND (8), RSMO)?**

**A. Yes.**

**Q. DO YOU ALSO UNDERSTAND THAT THE COMMISSION HAS RULES RELATED TO PUBLIC UTILITY RECORD RETENTION WITH WHICH LCSW MUST COMPLY AS A PUBLIC UTILITY (FOR EXAMPLE, COMMISSION RULES 4 CSR 240-61.010 AND 4 CSR 240-50.020)?**

**A. Yes.**

**Q. STAFF WITNESS HANNEKEN STATES ON PAGE 4 OF HER DIRECT TESTIMONY THAT "THE AUDITING STAFF DISCOVERED DURING THE COURSE OF ITS AUDIT THAT THE COMPANY HAD DISPOSED OF MUCH OF ITS HISTORICAL RECORDS RELATED TO UTILITY OPERATIONS AND RATE BASE." DID LCSW DISPOSE OF ANY RECORDS?**

1 A. No. LCSW did not dispose of any requested records. Many of the  
2 requested records never existed.

3

4 **Q. MS. HANNEKEN ALSO STATES THAT "IN CERTAIN INSTANCES,**  
5 **LCSW DECLINED TO PROVIDE REQUESTED HISTORICAL**  
6 **DOCUMENTATION BASED ON ITS DETERMINATION THAT THE**  
7 **DOCUMENTATION WAS IRRELEVANT SINCE IT PERTAINED TO THE**  
8 **TIME PERIOD PRIOR TO LCSW BECOMING A REGULATED UTILITY**  
9 **(JULY, 2012)" (DIR., P. 4). IS THIS CORRECT?**

10 A. No. All expense information that LCSW had (electric bills, testing, etc.)  
11 was provided. However, some information that was requested never  
12 existed prior to the provision of service by LCSW. There also seemed to  
13 be differences of opinion in regard to the form of information we provided.  
14 Some members of the Staff found certain items of information to be in  
15 acceptable form (for example, my well log report, my wife's message pad  
16 and calendar), while others did not find it to be sufficient.

17

18 **Q. DO YOU BELIEVE THAT SOME OF THESE ISSUES WILL BE**  
19 **WORKED OUT OVER TIME?**

20 A. Yes. As stated above, LCSW is in its infancy as a regulated utility. As  
21 time passes and I become more accustomed to the regulatory  
22 environment, I would expect these issues to be less prevalent. However,



1           having said this, the records that do not exist from the time prior to  
2           LCSW's operation as a public utility, will not suddenly appear.

3  
4   **Q.   MS. HANNEKEN STATES ON PAGE 5 OF HER DIRECT TESTIMONY**  
5           **THAT THE "AUDITING STAFF'S EXPERIENCE IN THIS RATE**  
6           **PROCEEDING INDICATES THAT LCSW HAS FAILED TO ABIDE BY**  
7           **THE RECORDKEEPING REQUIREMENTS CONTAINED WITHIN THE**  
8           **CERTIFICATE CASE STIPULATION AND AGREEMENT." HOW DO**  
9           **YOU RESPOND?**

10   **A.   LCSW has communicated with Staff members on numerous occasions to**  
11           **discuss LCSW's form of recordkeeping. We have attempted to implement**  
12           **the recommendations and suggestions of those Staff members and**  
13           **thought Staff was satisfied with LCSW's system. The Staff auditors later**  
14           **told us that they were not satisfied with LCSW's system. One example of**  
15           **this dissatisfaction is that I understand the Staff auditors want our expense**  
16           **information to be kept by individual system – Bennington sewer,**  
17           **Bennington water, Rockport sewer and Rockport water – rather than just**  
18           **LCSW as a whole. In fact, one Staff auditor attempted to write a separate**  
19           **program to separate out the cost of a 46 cent stamp to an individual utility**  
20           **system. LCSW certainly understands that it must keep records of its**  
21           **expenses. However, it seems wasteful to then try and specifically allocate**  
22           **these size costs in a system of just over 100 customers.**

1 Q. MS. HANNEKEN STATES THAT "THERE ARE ITEMS LCSW HAS  
2 REQUESTED STAFF INCLUDE IN RATES IN THESE CASES BUT FOR  
3 WHICH THE COMPANY HAS NOT PROVIDED THE NECESSARY  
4 DOCUMENTATION" (DIR., P. 5-6). DO YOU HAVE AN EXAMPLE OF  
5 AN ITEM FOR WHICH STAFF INDICATED LCSW'S DOCUMENTATION  
6 WAS NOT SUFFICIENT?

7 A. Yes. LCSW installed a drop box in front of its office so that customers  
8 could drop off payments at their convenience. I arranged to purchase the  
9 necessary materials from the local Future Farmers of America (FFA)  
10 chapter. I was charged \$25.00, for which I wrote a check to the FFA. The  
11 Staff Auditors would not include the cost of the drop box materials in the  
12 rate calculation because, while I had the cancelled check, I did not have  
13 an invoice from the FFA chapter.  
14

15 Q. ARE YOU CONCERNED ABOUT THIS PROCESS FROM THE  
16 COMPANY'S POINT OF VIEW?

17 A. Yes. LCSW has spent a significant amount of money and time working its  
18 way through this process. The end result will be to cost our small  
19 customer base more money than it should. It is my hope that the  
20 Commission wants to insure the viability of a small system, such as  
21 LCSW, for the benefit of the customers and not try to force such  
22 companies into receivership.  
23

1 Q. ON PAGE 6 OF HER DIRECT TESTIMONY, MS. HANNEKEN FURTHER  
2 ASKS THE COMMISSION TO ORDER LCSW TO DO CERTAIN THINGS  
3 RELATED TO RECORD RETENTION AND FORM OF RECORDS.  
4 WHAT IS LCSW'S RESPONSE TO THESE ITEMS?

5 A. The first two items each would direct LCSW to "adhere" to existing Commission  
6 regulations. Unless a waiver is obtained, it is my belief that LCSW would be  
7 subject to these rules anyway. Having said this, I would note that the records  
8 retention rules are not really obtained in Commission Rule 4 CSR 240-61.010  
9 (sewer) and 4 CSR 240-50.020 (water). Those rules refer the reader to  
10 publications entitled *Regulations to Govern the Preservation of Records of Sewer*  
11 *Utilities*, and *Regulations to Govern the Preservation of Records of Electric, Gas*  
12 *and Water Utilities*, published by the National Association of Regulatory Utility  
13 Commissioners (NARUC) in April 1974, for the actual requirements.  
14 Additionally, while the rules certainly require that LCSW maintain its books and  
15 records in accordance with the appropriate Uniform System of Accounts, this is  
16 something that is a challenge for a small utility. It would not make sense for us to  
17 have a regulatory accountant on staff for this purpose and a general CPA is not  
18 versed in the Uniform System of Accounts. Accordingly, we must rely on the  
19 Commission Staff for guidance in this area.

20  
21 Q. MS. HANNEKEN ALSO SUGGESTS THAT LCSW BE ORDERED TO  
22 "KEEP APPROPRIATE TIMESHEETS AND VEHICLE LOGS AS  
23 AGREED TO IN THE UNANIMOUS STIPULATION AND AGREEMENT

1           **IN LCSW'S PRIOR CERTIFICATE CASES" (DIR., P. 6). DOES LCSW**  
2           **RETAIN TIMESHEETS AND VEHICLE USE LOGS ASSOCIATED WITH**  
3           **THE SERVICES YOU AND YOUR SPOUSE PROVIDE IN REGARD TO**  
4           **THE OPERATION OF THE WATER AND SEWER SYSTEMS?**

5    A.    Yes. LCSW does not believe there is an issue as to whether it is keeping  
6           vehicle and time information, but rather some issue as to the format of  
7           such information. LCSW does not object to continuing to work with the  
8           Staff to find practical ways to record and maintain this information.

9  
10                                   **OTHER BUSINESSES**

11   **Q.    STAFF WITNESS HANNEKEN STATES THAT THE LCSW SEWER**  
12           **SLUDGE IS HAULED BY "DK DEER" FOR LAND APPLICATION (DIR.,**  
13           **P. 2). IS DK DEER A CORPORATE ENTITY?**

14    A.    No. This is a name for the deer and elk farming performed by my son and  
15           I.

16  
17   **Q.    MS. HANNEKEN ALSO INDICATES THAT YOU OWN "FITCH AND**  
18           **ASSOCIATES" (DIR., P. 3). IS THAT CORRECT?**

19    A.    Fitch and Associates is a partnership that provides land surveying and  
20           engineering services. It is not a separate corporate entity.

21  
22   **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

23    A.    Yes, it does.

**AFFIDAVIT**

STATE OF MISSOURI     )  
                                  )  
COUNTY OF Lincoln    )     ss

I, Dennis Kallash, state that I am a Member of Lincoln County Sewer & Water, LLC and, that the answers to the questions posed in the attached Rebuttal Testimony are true to the best of my knowledge, information and belief.

*Dennis Kallash*

Subscribed and sworn to before me this 25 day of September, 2013.

*Jacqueline Reid*  
Notary Public

My Commission Expires:

02/09/2014  
(SEAL)

