

Exhibit No.: \_\_\_\_\_  
Issues: See Table of Contents  
Witness Name: Dale W. Johansen  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Terre Du Lac Utilities Company  
Case No.: WR-2017-0110, et al.  
Date of Testimony: 06/19/2017

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

**In the Matter of the Request for            )  
Increase in Annual Water and                )  
Sewer System Operating Revenues        )  
for Terre Du Lac Utilities                 )**     **Case No. WR-2017-0110, et al.**

**Rebuttal Testimony of  
Dale W. Johansen**

**Presented on Behalf of  
Terre Du Lac Utilities Company**

**06/19/2017**

**Johansen Consulting Services, LLC  
P.O. Box 815  
Rocky Mount, MO 65072**

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

**In the Matter of the Request for  
Increase in Annual Water and Sewer  
System Operating Revenues for Terre  
Du Lac Utilities**

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)  
)

**Case No. WR-2017-0110, et al.**

**AFFIDAVIT OF DALE W. JOHANSEN**

**STATE OF MISSOURI )**

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**COUNTY OF COLE )**

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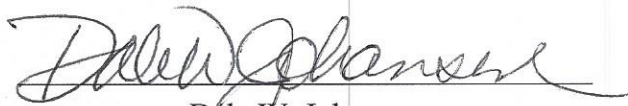
**COMES NOW** Dale W. Johansen, being of lawful age, and on his oath states:

(1) That I am the manager/owner of Johansen Consulting Services, LLC and have been retained to present testimony on behalf of Terre Du Lac Utilities Company in this proceeding.


(2) That I participated in the preparation of the following Rebuttal Testimony, which consists of the following: (a) a Table of Contents; (b) eight pages of questions and answers; and (c) one schedule.

(3) That I provided the answers given in the testimony and prepared the schedule included with the testimony.

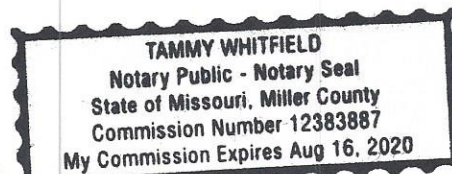
(4) That I have knowledge of the information presented in the answers and schedule, and that such information is true and correct to the best of my knowledge, information and belief.

  
Dale W. Johansen

Subscribed and sworn to before me this 19 day of June, 2017.

  
Notary Public

My Commission Expires: Aug 16, 2020



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**REBUTTAL TESTIMONY OF  
DALE W. JOHANSEN**

**CASE NO. WR-2017-0110, ET AL.**

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**REBUTTAL TESTIMONY OF  
DALE W. JOHANSEN  
CASE NO. WR-2017-0110, ET AL.**

**INTRODUCTION**

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

A. Dale W. Johansen, P.O. Box 815, Rocky Mount, MO 65072

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am the manager/owner of Johansen Consulting Services, LLC (JCS). For the purposes of this consolidated case, I have been retained by Terre Du Lac Utilities Company (TDLU or the Company) to provide assistance to the Company in reaching a resolution in its small water and sewer company revenue increase requests.

**Q. PLEASE DESCRIBE THE TYPES OF SERVICES JCS PROVIDES.**

A. Since starting JCS upon my retirement from the Missouri Public Service Commission (PSC or Commission), the types of services I have provided include the following: (1) training municipal natural gas system operators in pipeline safety rules compliance for the Security Integrity Foundation of the American Public Gas Association; (2) managing/operating a small PSC-regulated water and sewer company, as the court-appointed receiver; (3) managing/operating two small PSC-regulated sewer companies, as the court-appointed receiver; (4) assisting small PSC-regulated water and sewer companies in matters before the Commission, including the resolution of small company rate cases; and (4) providing expert testimony in civil litigation involving purported inappropriate actions by a PSC-regulated natural gas utility.

**Q. WHAT ARE YOUR EDUCATION AND WORK EXPERIENCE  
BACKGROUNDS?**

A. Please refer to Schedule DWJ-1 attached to this testimony for a summary of my education and work experience backgrounds.

**Q. HAVE YOU PREVIOUSLY TESTIFIED IN CASES BEFORE THIS  
COMMISSION?**

A. Yes, I have, on numerous occasions.

**EXECUTIVE SUMMARY**

**Q. WHAT HAS BEEN THE NATURE OF YOUR INVOLVEMENT IN THIS  
CASE?**

A. As I mentioned earlier, I have been retained by TDLU to assist it in reaching a resolution of the Company's requests for increases in its water and sewer operating revenues. In particular, my work has included: reviewing the proposals offered to date for resolving the operating revenue increase requests; providing the Company with suggested approaches for developing proposals on certain cost of service items; participating in various case-related discussions with representatives of the Commission Staff (Staff) and the Office of the Public Counsel (OPC), via both face-to-face meetings and telephone conferences; and reviewing the testimony presented to date by the Staff and the OPC.

**Q. PLEASE SUMMARIZE THE REBUTTAL TESTIMONY YOU ARE  
PRESENTING.**

A. I am presenting testimony regarding the following matters that were set out in a Partial Disposition Agreement as not being settled and that are thus the subject of the

1 upcoming evidentiary hearing: (1) the overall revenue increases for the water and sewer  
2 systems; (2) the net rate base for the water and sewer systems; (3) depreciation rates; (4) the  
3 accounting treatment for certain plant items; (5) electric costs; (6) fair rate of return; and (7)  
4 capital structure.

### 5 **OVERALL REVENUE INCREASES**

#### 6 **Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

7 A. For the water system, except for the necessary updating of the Company's rate  
8 case expenses, the resolution of this issue revolves around the resolution of the other issues  
9 set out below. Except for the resolution of those issues, and the rate case expenses updating,  
10 I am not aware of any differences between the Company and the Staff with regard to the  
11 other numerous cost-of-service components.

12 For the sewer system, except for the necessary updating of the Company's rate case  
13 expenses, I am not aware of any differences between the Company and the Staff with regard  
14 to the total cost of service and the revenue increase needed.

15 For both systems, there are several differences between the Company and the OPC  
16 (and the Staff and the OPC). However, it is my understanding the Company is focusing on  
17 the differences between it and the Staff in its attempt to reach a resolution of this  
18 consolidated case.

### 19 **NET RATE BASE**

#### 20 **Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

21 A. For both systems, there are differences between the Staff and the OPC with regard  
22 to the net rate base values, and in both instances the OPC calculates a higher rate base than

1 does the Staff. However, except as noted below for the water system, the Company is  
2 agreeing with the Staff's calculations of rate base.

3 For the water system, the difference between the Company and the Staff pertains  
4 solely to the resolution of the "accounting treatment for certain plant items" issue discussed  
5 below.

### 6 **DEPRECIATION RATES**

#### 7 **Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

8 A. For the sewer system, I don't believe there are any differences between the  
9 Company, the Staff and the OPC with regard to the depreciation rates. For the water system,  
10 it is my understanding this matter was listed as an unresolved issue solely because the  
11 resolution of the "accounting treatment for certain plant items" issue might impact the  
12 depreciation rates to be established for those "certain plant items." Other than that, I don't  
13 believe there are any differences between the Company, the Staff and the OPC with regard to  
14 the water system depreciation rates.

### 15 **ACCOUNTING TREATMENT FOR CERTAIN PLANT ITEMS**

#### 16 **Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

17 A. First, this issue pertains only to the water system and also only to certain costs  
18 associated with the construction of the Company's new well, and work done on one of the  
19 Company's water storage tanks. As was addressed in Company witness Mike Tilley's direct  
20 testimony, there are certain costs associated with the construction of the new well that the  
21 Company does not believe should be included in Wells & Springs account in which the cost  
22 of the new well is recorded. Likewise, there are certain costs associated with work done on

1 one of the storage tanks that the Company does not believe should be included in the  
2 Distribution Reservoirs & Standpipe account in which the cost of the storage tank is  
3 recorded.

4 **Q. REGARDING THE APPROACH TO TAKE ON THE ACCOUNTING**  
5 **TREATMENT FOR THE SUBJECT COSTS, WHAT ARE YOU SUGGESTING?**

6 A. Rather than the originally proposed amortization approach, that included  
7 removing the subject costs from plant in service, I am suggesting that the subject costs be  
8 placed in special plant accounts with a 10% depreciation rate being established for and  
9 applied to those accounts – for the reasons discussed in Mr. Tilley’s direct testimony.

10 **Q. WHAT ARE THE COSTS AT ISSUE FOR THE WELL CONSTRUCTION**  
11 **PROJECT?**

12 A. Mr. Tilley has identified four (4) specific invoices that include costs associated  
13 with the drilling of a test well that was a necessary, but abnormal, part of the well project.  
14 These invoices reflect total costs of \$123,550 that the Staff has included in the Wells &  
15 Springs account, account no. 314.000, which bears a depreciation rate of 2%. For these  
16 costs, I am suggesting they be placed into a new sub-account under account no. 314.000,  
17 with that account bearing a 10% depreciation rate. The reason for this suggested treatment is  
18 that the subject costs would not normally be incurred in a well drilling project and essentially  
19 do not have a “lifespan” like the permanent well does. The reason for the suggested  
20 depreciation rate is that it essentially equates to the term of the loan that the Company took  
21 out to fund the well project.



**Q. WHAT ARE THE COSTS AT ISSUE FOR THE STORAGE TANK PROJECT?**

A. Mr. Tilley has identified one (1) invoice that includes costs associated with improvements made to one of the Company's storage tanks, but which again are not considered a normal cost associated with the cost of the tank. This invoice includes costs of \$39,875 that the Staff has included in the Distribution Reservoirs & Standpipe account, account no. 342.000, which bears a depreciation rate of 2.5%. For these costs, I am suggesting they be placed into a new sub-account under account no. 342.000, with that account bearing a 10% depreciation rate. The reason for the suggested depreciation rate is that it essentially equates to the term of the loan that the Company took out to fund the subject project.

**Q. WHAT IMPACT WOULD THE ADOPTION OF YOUR SUGGESTIONS FOR THE RESOLUTION OF THIS ISSUE HAVE ON THE COMPANY'S OVERALL TOTAL COST OF SERVICE?**

A. The impact of my suggestions for the well project costs would be an increase in the Company's depreciation expense of approximately \$9,885. The impact of my suggestions for the storage tank project costs would be an increase in the Company's depreciation expense of approximately \$2,990.

**ELECTRIC COSTS**

**Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

A. This issue pertains to the water system only and has to do with the Staff's use of a downward adjustment for pumping costs due to what it believes are excessive water losses in

1 the system. While the application of this adjustment is problematic generally, the application  
2 of it to the electric account for the new well is particularly troublesome.

3 **Q. WHY DO YOU THINK THE STAFF'S ADJUSTMENT IS A GENERAL**  
4 **PROBLEM?**

5 A. My main concern about this type of an adjustment generally is that the water loss  
6 cap used by the Staff (15%) is at least somewhat arbitrary and apparently does not take into  
7 account any evaluation of what it could cost the Company to locate and repair system leaks  
8 that are contributing to the losses. Further, the water loss cap used by the Staff does not  
9 appear to take into account water that is not metered but that could be at least be partially  
10 accounted for.

11 **Q. WHY IS THE STAFF'S ADJUSTMENT A PARTICULAR PROBLEM**  
12 **WITH REGARD TO THE ELECTRIC ACCOUNT FOR THE NEW WELL?**

13 A. As was addressed in Company witness Mike Tilley's direct testimony, the  
14 Ameren charges to the Company for the account for the new well include charges that are not  
15 related to the electricity used, but instead include recovery of the cost of electric service  
16 being extended to the well site by Ameren. At a minimum, the Staff's adjustment should be  
17 changed to reflect this fact.

18 **FAIR RATE OF RETURN**

19 **Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

20 A. I'm really not sure why this matter was listed as an unresolved issue in the Partial  
21 Disposition Agreement, unless it might be impacted in some way by the resolution of the  
22 "accounting treatment for certain plant items" issue. However, it is not at all clear to me how

1 that could be. Also, the Staff and the OPC have used the same proposed return on equity and  
2 essentially the same proposed debt cost, both of which are acceptable to the Company for the  
3 purposes of this consolidated case.

#### 4 **CAPTIAL STRUCTURE**

##### 5 **Q. WHAT IS YOUR UNDERSTANDING OF THIS ISSUE?**

6 A. As I understand it, this matter was listed in the Partial Disposition Agreement as  
7 an unresolved issue solely because the resolution of the “accounting treatment for certain  
8 plant items” issue for the water system could impact the determination of the Total  
9 Capitalization for the water system, and thus the composition of the debt and equity  
10 components of the capital structure for the water system. For the sewer system, I don’t  
11 believe there are any differences between the Staff and the Company. Also, it appears the  
12 main differences between the Staff’s and the OPC’s capital structures pertain to differences  
13 in the calculations of the plant-in-service balances and the net rate base amounts for the water  
14 and sewer systems.

##### 15 **Q. DOES THIS CONCLUDE YOUR PREPARED REBUTTAL TESTIMONY?**

16 A. Yes, it does.

**SCHEDULES FOR THE REBUTTAL  
TESTIMONY OF DALE W. JOHANSEN**

**CASE NO. WR-2017-0110, ET AL.**

**LISTING AND DESCRIPTION OF SCHEDULES**

Schedule DWJ-1: Education & Work Experience Summary

**EDUCATION & WORK EXPERIENCE**  
**SUMMARY FOR DALE W. JOHANSEN**

**COLLEGE EDUCATION**

**Associate of Arts in Pre-Engineering Studies**

State Fair Community College – Sedalia, Missouri

**Bachelor of Science in Agricultural Engineering**

University of Missouri @ Columbia – School of Engineering

**REGULATORY/UTILITY WORK EXPERIENCE**

**Johansen Consulting Services**

Utility & Regulatory Consultant

October 2011 – Present

**Missouri Public Service Commission**

**Gas Pipeline Safety Engineer**

Energy Department – Gas Safety/Engineering

Utility Operations Division

September 2007 to September 2011

**Manager - Water & Sewer Department**

Utility Operations Division

June 1995 – August 2007

**Johansen Consulting Services**

Utility & Regulatory Consultant

March 1994 – May 1995

**Missouri One Call System, Inc.**

Executive Director

January 1992 – February 1994

**Missouri Public Service Commission**

**Director of Utility Services Division**

November 1990 – December 1991

**Utility Division Case Coordinator**

November 1987 – October 1990

**Gas Pipeline Safety Program Manager**

Gas Department – Utility Division

October 1980 – October 1987

**Gas Pipeline Safety Engineer**

Gas Department – Utility Division

May 1979 – September 1980