

*Exhibit No.:*

*Issues: Small Company Rate Increase; Pump  
Repair/Replacement Expenses; Utility  
Revenue; and Owner's/Operator's  
Salary*

*Witness: Dana E. Eaves*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Cross-Surrebuttal Testimony*

*Case Nos.: WC-2002-155 and  
SC-2002-160*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**CROSS-SURREBUTTAL TESTIMONY**

**OF**

**DANA E. EAVES**

**WARREN COUNTY WATER & SEWER COMPANY**

**CASE NOS. WC-2002-155 AND SC-2002-160**

*Jefferson City, Missouri  
April 2002*

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1                                   **CROSS-SURREBUTTAL TESTIMONY**

2   **OF**

3   **DANA E. EAVES**

4                                   **WARREN COUNTY WATER & SEWER COMPANY**

5                                   **CASE NOS. WC-2002-155 AND SC-2002-160**

6  
7           Q.     Please state your name and business address.

8           A.     Dana E. Eaves, P.O. Box 360, Jefferson City, MO 65102.

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

10          A.     I am a Regulatory Auditor for the Missouri Public Service Commission.

11          Q.     What is the purpose of your cross-surrebuttal testimony?

12          A.     The purpose of this testimony is to address the rebuttal testimony of  
13 Warren County Water and Sewer Company (Company) witness Gary L. Smith regarding  
14 several issues relating to the Staff's treatment of revenues and expenses for purposes of  
15 these cases.

16                   **SMALL COMPANY RATE INCREASE**

17          Q.     Please identify the source of the information you used in preparing this  
18 cross-surrebuttal testimony.

19          A.     The Staff's information used in the preparation of this testimony was  
20 derived from an audit conducted during 2001 related to the Company's requested small  
21 company rate increase request, which was submitted during July 2001. By letter dated  
22 March 8, 2002, the Staff informed Mr. Smith that, because of the audit and other  
23 unresolved matters, no increase was warranted at this time and that consistent with the

1 Commission's rules, the Staff was closing the small company rate case. The Company  
2 does have the option of filing a formal general rate proceeding if desired.

3 **PUMP REPAIR/REPLACEMENT EXPENSES**

4 Q. On page 7 of his rebuttal testimony, Mr. Smith alleges that the Staff did  
5 not include expenses related to pumping equipment. Do you agree with Mr. Smith's  
6 statement that auditors disregarded expenses related to repair/replacement of pumping  
7 equipment?

8 A. No, the Staff did not arbitrarily disregard expenses related to pump repair.  
9 Staff attempted to verify amounts spent by the Company for pump repair/replacement  
10 through the review and analysis of Company financial records. The Staff was unable to  
11 verify any amount spent on pump repair/replacement.

12 Q. Did the Company provide any credible documentation relating to expenses  
13 incurred by the Company for repair/replacement of pumping equipment?

14 A. No, the Company did not provide paid invoices, cancelled checks or any  
15 other third party documentation relating to pump repair/replacement. The Company was  
16 unable to produce adequate documentation that it spent anything on repair/replacement of  
17 pumping equipment that was expensed or capitalized during the test year examined by  
18 the Staff. The only documents provided to Staff were internal invoices from Warren  
19 County Water and Sewer to "WCW&s" for various amounts. The Staff believes based  
20 on its review of all documentation provided by the Company that "WCW&s" is simply  
21 an abbreviation for Warren County Water and Sewer. However, Staff could not verify  
22 payment of these invoices or otherwise substantiate their validity for ratemaking  
23 purposes.

**UTILITY REVENUE**

Q. On page 10, Mr. Smith states, “[d]ue to the auditors adding the money supposedly paid to the Construction Company as income to the Utility, thus overstating the Utility income by double...”. Did the Staff include the money supposedly paid to the Construction Company as income to the Company, thus overstating the Company’s income by double, as claimed by Mr. Smith?

A. No, Staff annualized water and sewer revenue based upon billing records provided by the Company. Staff is generally aware that Mr. Smith has other financial endeavors that in the past have included construction work. Contrary to the suggestion by Mr. Smith, the Staff did not add any construction revenue into the revenue annualization.

Q. Did the Company provide a billing record summary detailing water and sewer sales for the twelve months ended 12/31/2001?

A. Yes, the report the Company provided was a summary by month for the prior 82 months. The report showed that the total yearly water and sewer sales for twelve months ended 12/31/2001 was \$164,835.20.

Q. Did the Staff complete the revenue annualization before 12/31/2001?

A. Yes, Staff’s revenue annualization was completed in the summer of 2001.

Q. What was the amount of Staff’s annualized revenue?

A. The Staff’s annualized amount for that period was \$164,692.00.

Q. Did the Staff include this amount in its rate calculations?

A. Yes, it did include this amount.

Q. Do you believe that the Staff’s revenue annualization is overstated?

1           A.     No, based on historical data provided by the Company, Staff's revenue  
2     annualization is actually \$143.20 less than what the actual revenue was as reported by the  
3     Company for the twelve months ended 12/31/2001.

4     **OWNER'S/OPERATOR'S SALARY**

5           Q.     On page 11, Mr. Smith discussed various salary issues. Did Staff allow an  
6     amount for an operator's salary in its rate calculations?

7           A.     Yes, Staff has included \$24,000 in the small company rate case for an  
8     annual salary. In addition, Staff has included expense allowances totaling \$10,742 for the  
9     Company's use of Mr. Smith's personal vehicle and residence.

10          Q.     Can you identify the amount of Company funds that were transferred to  
11     Mr. Smith or one of his affiliated businesses during the test year, which was used in the  
12     small company rate case?

13          A.     Yes. I have identified 26 checks issued by the Company for \$74,433.27  
14     for the period 1/23/2001 thru 8/4/2001. The Company was unable to provide the Staff  
15     with suitable documentation that the Staff could use to support including these payments  
16     in the rate case calculations.

17          Q.     Does this complete your cross-surrebuttal testimony?

18          A.     Yes, it does.