

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

Office of the Public Counsel)	
)	
v.)	Case No. WC-2007-0038
)	
Central Jefferson County Utilities, Inc.)	

Office of the Public Counsel)	
)	
v.)	Case No. SC-2007-0039
)	
Central Jefferson County Utilities, Inc.)	

RESPONSE TO PUBLIC COUNSEL MOTION

COMES NOW Central Jefferson County Utilities, Inc. (Central Jefferson or Company), and, in response to the Office of the Public Counsel's (Public Counsel) Motion for Public Disclosure of the Amount of Overearnings (Motion for Disclosure), states as follows to the Missouri Public Service Commission (Commission):

SUMMARY

Central Jefferson explains the nature of the filing that led to the Staff work product referenced by the Public Counsel Motion. It explains that Central Jefferson has not had an opportunity to respond to the Commission Staff's calculations to show that there calculations are in error. It further explains that an "amount of over earning," as described by the Public Counsel does not and cannot exist. The Response explains that the Commission Staff's ten year system analysis that reflects the possible sewer plant expansion is unworkable because it fails to provide cash flow in the early years of the expansion financing sufficient to pay the required debt service.

BACKGROUND

1. On July 27, 2006, the Office of the Public Counsel (Public Counsel) filed a complaint against Central Jefferson's water and sewer operations that was assigned Cases Nos. WC-2007-0038 and SC-2007-0039. Concurrent with the filing of the Complaint in each case, Public Counsel filed its Motion for Disclosure.

2. In an attempt to address necessary facility improvements, Central Jefferson previously submitted a request to the Commission on October 31, 2005, seeking the implementation of a sewer connection fee (Commission Tracking Number QS-2006-0003). It did not request an increase in monthly recurring rates.

3. Central Jefferson explained in its proposal that the cost of a necessary expansion of its wastewater facilities was estimated to be approximately \$1.3 million. Central Jefferson was unable to finance the facility improvements through a third-party lender unless it had a Commission-approved cost recovery method. Without the expansion to the wastewater treatment plant, no additional homes can be served by the sewer system.

4. The proposed connection fee was designed to allow future homes to be connected to the Central Jefferson system. It would also require the increased revenues necessary for the expansion to be paid by those primarily responsible for the capacity need – the new homes –without placing an undue burden on the existing customers.

5. Central Jefferson's proposal contained protection for the consumer and Commission – 1) the proceeds would be held separately from the Company's other funds; 2) these funds could only be used to for making the principal and interest

payments associated with financing used to fund the sewer treatment plant expansion; and, 3) Central Jefferson could not make additional connections and, therefore, collect any of the connection fees until the necessary expansion had been completed.

6. In reviewing this proposal, the Staff examined Central Jefferson's rates to see what portion of the costs of the necessary sewer system improvements, if any, Staff believed could be supported by the Company's current earnings.

7. Central Jefferson has not had an opportunity to respond to the Staff's calculations to show that the calculations are in error.

NO OVER EARNING

8. The Public Counsel's Motion for Disclosure seeks a Commission order declaring "the amount of over earnings as public information." First, Central Jefferson does not believe that its current water and sewer rates are sufficient to "keep [its] public utility plants in proper repair for effective public service [and] . . . to ensure to the investors a reasonable return upon funds invested" as is required by law. *State ex rel. Washington University et al. v. Public Service Commission et al.*, 272 S.W. 971, 973 (Mo. Banc 1925). The documentation referenced by Public Counsel is solely the work product of the Staff. It does not represent a Commission decision or any other determination of a particular result. Further, it is not a "final calculation," as alleged by the Public Counsel, nor does it "identify" anything other than a Staff position at a particular point in time.

9. Second, it must be pointed out that by definition there are no "over earnings." The rates currently charged by Central Jefferson are in accordance with an order or decision of the Commission and deemed to be just and reasonable. Section

386.270, RSMo ("all rates . . . fixed by the commission shall be in force and shall be prima facie lawful . . . until found otherwise in a suit brought for that purpose . . ."). There is no allegation that Central Jefferson is charging more than the rates and charges found in its Commission-authorized and approved tariffs. Therefore, there can be no "over earnings" at this point in time.

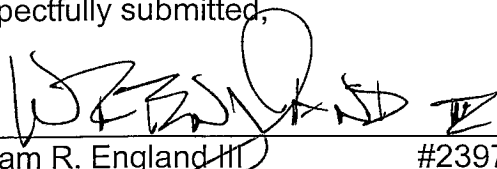
TREATMENT OF AUDIT AS PUBLIC INFORMATION

10. Central Jefferson has no objection to the treatment of the Staff's position as public information, provided that it is also disclosed that this is the initial work of the Commission's Staff and not the Commission; Central Jefferson has not had an opportunity to provide a rebuttal to this work; and further provided it is disclosed that Central Jefferson disputes these findings and will, if necessary, present facts to show that the Staff's calculations are in error.

11. Additionally, any viewing of the Staff's initial review of current rates should also include the ten year analysis performed by the Staff. Again, this ten year analysis is the work of the Staff only; Central Jefferson has not yet provided a rebuttal to this work; and it has never been presented to the Commission for any type of decision. However, it does attempt to show a revenue requirement increase that might be necessary if an expansion of the sewer system were pursued. But, the analysis fails in the early years to provide sufficient cash flow to make the payments on any financing for the planned expansion.

WHEREFORE, Central Jefferson respectfully requests that the Commission issue such order as it should find to be reasonable and just.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first electronic transmission, on this 30th day of August, 2006, to the Office of the Public Counsel and to the General Counsel, Missouri Public Service Commission.

