

Exhibit No.:  
Issues: Rate Design, Rates  
Other Stipulated Issues  
Future Ratemaking  
Witness: Hubbs, Wendell R.  
Sponsoring Party: MoPSC Staff  
Case Nos.: SR-2000-556

**MISSOURI PUBLIC SERVICE COMMISSION**  
**UTILITY OPERATIONS DIVISION**

**OSAGE WATER COMPANY**

**CASE NO. SR-2000-556**

**DIRECT TESTIMONY**

**OF**

**WENDELL R. HUBBS**

Jefferson City, Missouri  
February 2001

Exhibit No. 2  
Date 3-05-01 Case No. SR-2000-556  
Reporter AS

**TABLE OF CONTENTS FOR THE DIRECT  
TESTIMONY OF WENDELL R. HUBBS**

**CASE NO. SR-2000-556  
OSAGE WATER COMPANY**

INTRODUCTION . . . . . Page 1

PURPOSE OF TESTIMONY . . . . . Page 2

SEWER SERVICE RATES . . . . . Page 3

OTHER STIPULATED ISSUES . . . . . Page 4

FUTURE RATE PROCEEDINGS . . . . . Page 5



1 tariff review, allocations and rate design. From September 1983 to November 1990, I held  
2 the position of Assistant Manager-Rates in the Gas Department, where my duties consisted  
3 of tariff review, rate design, cost of service, accounting and administrative functions. From  
4 November 1990 till May 1995, I held the position of Assistant Manager-Rates in the Energy  
5 Department, where my duties were expanded to include electric and steam operations. From  
6 May 1995 till January 1998, I held the position of Regulatory Auditor IV in the Rates Section  
7 of the Energy Department, where my duties consisted of application analysis, tariff review,  
8 rate design, cost of service and accounting functions. In January 1998, I assumed my current  
9 position in the W/S Dept, where my duties consist of application analysis, tariff review, rate  
10 design, cost of service and accounting functions.

11 **Purpose of Testimony**

12 Q. What is the purpose of your pre-filed direct testimony in this case?

13 A. The Commission's Staff (Staff) has proposed a "cost of service" level for the  
14 Osage Water Company (OWC) to provide service to its customers. My testimony addresses  
15 the allocation of that cost of service to OWC's various customer classes, and also addresses  
16 the development of the customer rates necessary to recover the costs allocated to each size of  
17 customer. Additionally, my testimony addresses certain other items that OWC and the Staff  
18 have stipulated and agreed to as part of the Company/Staff Agreement Regarding Disposition  
19 of Small Company Rate Increase Request (Disposition Agreement), which was filed in this  
20 case on November 14, 2000. Lastly, my testimony also contains a Staff recommendation to  
21 OWC regarding its next rate proceeding.

1     **Sewer Service Rates**

2             Q.     Please explain how you developed the rates for sewer service for this case.

3             A.     The Accounting Staff provided me with the regulated "cost of service" for  
4     sewer service. The Accounting Staff also provided me with the annualized and normalized  
5     billing determinants, which yield the annualized and normalized revenues for the test period  
6     for sewer service.

7                     The difference between the "cost of service" and the annualized and  
8     normalized revenues for the test year is the "revenue requirement." If the "cost of service" is  
9     greater than the annualized and normalized (A&N) revenues for the test year, then there is a  
10    positive amount of revenue that OWC needs. This positive increase will yield a general  
11    increase in rates. A "cost of service" smaller than the A&N revenues indicates that a  
12    decrease in revenues and rates is needed.

13                    The existing sewer rates times the normalized customer numbers yield the  
14    annualized and normalized revenues for the test period for sewer service.

15                    The sewer service cost of service and revenue requirement is shown on  
16    Schedule 1-1 attached to this testimony. This positive increase in the revenue requirement  
17    shows the need to increase rates.

18                    The rate for sewer service was determined (see attached Schedule 1-2), by  
19    dividing the Accounting Staff's total cost of service by the number of annual billings. Rates  
20    for services to customers other than those served by 5/8" water meters were developed based  
21    upon flow capacities of the different size of water meters. To all the per-meter amounts so

1 developed, I added \$1.00 per bill to recover costs associated with OWC's Account Nos. 301,  
2 Organization and 302, Franchises and Consents. The rates so developed are contained on  
3 Schedule 2-1 attached to this testimony.

4 **Other Stipulated Issues**

5 Q. Does the previously referenced Company/Staff Disposition Agreement  
6 include a provision that requires the segregation of OWC's books and records of its non-PSC  
7 regulated utility systems/services from the books and records of its PSC regulated utility  
8 systems?

9 A. Yes, it does. The Staff found there was confusion about many of OWC's  
10 books and records regarding which ones pertained to PSC regulated systems and which ones  
11 pertained to non-PSC regulated systems/services. OWC agreed with this assessment and has  
12 thus agreed to start maintaining the books and records for its PSC jurisdictional systems  
13 separate and apart from the books and records for its non-regulated systems/services.

14 Q. Does the previously referenced Company/Staff Disposition Agreement  
15 include a provision that requires OWC to maintain its books and records in a manner such  
16 that revenues, expenses and plant balances will be segregated by certificated service area?

17 A. Yes, it does. OWC and the Staff agree that segregation of the books and  
18 records by each separate certificated area should greatly improve rate design capabilities in  
19 future rate proceedings. OWC has thus agreed and stipulated to maintaining its books and  
20 records by separate certificated areas.

1 Q. Does the previously referenced Company/Staff Disposition Agreement  
2 include a provision whereby bills for services that OWC provides under contract  
3 management agreements, which are not regulated by the Commission, will not be rendered  
4 under the name of "Osage Water Company"?

5 A. Yes, it does. With billing under OWC's regulated name, the Staff found there  
6 was much confusion as to which customers' service the Commission regulates and which it  
7 does not. OWC agreed with this assessment and has thus agreed to not render bills for  
8 services to non-regulated systems under the name of "Osage Water Company".

9 **Future Rate Proceedings**

10 Q. Is there another issue that you wish to address?

11 A. Yes, there is. A review of the previously referenced Company/Staff  
12 Disposition Agreement will reveal two matters upon which OWC and the Staff have "agreed  
13 to disagree" for the purpose of settling the current rate case. These matters pertain to the  
14 following issues: (1) certain aspects of OWC's plant-in-service balances and related  
15 depreciation reserve balances; and (2) the amounts that should be included in Account 301,  
16 Organization, and Account 302, Franchises and Consents, and the ratemaking treatment that  
17 should be accorded such amounts.

18 For the purpose of timely disposing of the current rate case, OWC agreed to  
19 the incorporation of the Staff's position on these two matters in the calculations of the overall  
20 cost of service for its sewer operations, as is noted in the subject Disposition Agreement.  
21 However, OWC also insisted that the Disposition Agreement clearly state that the Staff's

1 position was being accepted only until such time as a Commission decision regarding these  
2 matters is issued in a future rate proceeding.

3 The Staff now wants to inform OWC that in its next rate proceeding, the Staff  
4 will no longer defer a final determination regarding these two matters. To that end, if OWC  
5 still does not agree to the Staff's positions on these matters when it is ready to file for its next  
6 rate increase, the Staff recommends that OWC file a formal rate proceeding. The Staff does  
7 not intend to enter into settlement of another small company rate proceeding with OWC  
8 unless there is full agreement between at least OWC and the Staff regarding these matters.  
9 The reason for this is that the Staff believes that a timely determination of the subject plant  
10 balances and ratemaking issues needs to be either agreed to, or determined by the  
11 Commission, before the information and positions surrounding these matters become stale.

12 Q. Does this conclude your pre-filed direct testimony in this case?

13 A. Yes, it does.




In the Matter of Osage Water Company's )  
Request for a Rate Increase for Sewer Service ) **Case Nos. SR-2000-556**  
Pursuant to the Public Service Commission's ) Tariff File No. 2000 00346  
Small Company Rate Increase Procedure )

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

Wendell R. Hubbs  
Wendell R. Hubbs

February 2001.

  
\_\_\_\_\_  
Notary Public

My commission expires June 1, 2001

# Osage Water Company

Case No. SR-2000-556

Small Company Rate Filing - Sewer Service

File # 2000 00346

S-1

## Rate Making Income Statement

	As Adjusted	
<b>Revenue</b>	\$ 45,162.95	
<b>Expenses</b>		
Gas	\$346	
Equipment 25% Hancock		
Electric	\$2,473	
O & M Employees	\$3,222	
Supervisor 50%	\$5,143	
Secretary	\$5,566	
Phone	\$101	
Rent/Lease/Utilities	\$0	
Accounting	\$1,204	
Legal	\$429	
Engineering	\$206	
Insurance/Worker's comp, truck	\$1,691	
Miscellaneous	\$77	
PSC Fees	\$1,551	
DNR Fees	\$290	
Repair Parts	\$2,892	
Testing	\$857	
Property Tax	\$68	
Office Supplies	\$172	
Supplies - Other	\$433	
Sludge Removal	\$512	
Postage	\$501	
Depreciation Expense	\$4,673	
Revenue Requirement, 12.54%)	\$14,856	
<b>Total Cost of Service</b>	<b>\$47,263</b>	
<b>Add: Organizational Costs</b>	<b>\$1,860</b>	
<b>Total Cost of Service</b>	<b>\$49,123</b>	
<b>Less: Organizational Revenues</b>	<b>\$1,860</b>	
<b>Less: Other Revenues</b>	<b>\$709</b>	
<b>Cost to Recover in Rates</b>	<b>\$46,554</b>	
<b>Increase =</b>	<b>\$2,100</b>	<b>4.65%</b>
<b>+Organiz. Cost</b>	<b>\$1,860</b>	<b>4.12%</b>
<b>Total Increase</b>	<b>\$3,960</b>	<b>8.77%</b>

October 6, 2000  
Missouri Public Service Commission Staff

Page 1 of 4  
W. R. Hubbs

# Osage Water Company

Case No. SR-2000-556

Small Company Rate Filing - Sewer Service

S-1

File # 2000 00346

## Sewer Rate Development

### Sewer Rate

Total Sewer Cost of Service \$46,554

Divided by:

Customer Bills ( 155 customers X 12 months/yr) 1860

Equals:

Proposed Sewer Charge \$25.03

Add: Organizational Rate \$1.00

Proposed Sewer Charge \$26.03

## Residential Sewer Customer Impact

Monthly  
Charge

Proposed Rates \$26.03

Current Rates \$23.90

Difference \$2.13

Percentage Difference  
from Current Rates 8.91%

October 6, 2000  
Missouri Public Service Commission Staff

Page 2 of 4  
W. R. Hubbs

**Osage Water Company**

**Sewer Revenues, Customer Numbers & Billings**

**Case No. SR-2000-556**

**S-1**

<b>At Existing Rates</b>				
<b>Test Year Annualized &amp; Normalized</b>				
	Staff Annualized Revenues	Current Rates	Staff Annualized Customer Numbers	Staff Annualized Billings
Cedar Glen	\$ 24,378	\$23.90	85	1020
Chelsea Rose	\$ 6,596	\$23.90	23	276
Cimmorron Bay	\$ 9,464	\$23.90	33	396
KK	\$ 4,015	\$23.90	14	168
<b>Total Operating Revenues</b>	<b>\$ 44,454</b>		<b>155</b>	<b>1860</b>
<b>Other Misc. Rev.</b>			<b>Occurrences</b>	
Construction Inspeiton Charge		\$100		
Disconnect Reconnect w/ Backhoe		\$150 + Backhoe time		
Disconnect Reconnect < 6 days		\$50		
Disconnect Reconnect > 6 days		n/c		
Returned Check Charge		\$15		
Past due Notice		\$6.50		
Turn Off-On Charge		\$30.00		
Overdue Residential Bill		1.50%		
Overdue Commercial Bills		1.50%		
<b>Total Other Misc.Revenues</b>	<b>\$ 709</b>			
<b>Total Sewer Revenues</b>	<b>\$ 45,163</b>			

**October 6, 2000**

**Missouri Public Service Commission Staff**

**Page 3 of 4**

**W. R. Hubbs**

Osage Water Company

Sewer Revenues, Customer Numbers & Billings

Case No. SR-2000-556

S-1

At Proposed Rates

Test Year Annualized & Normalized

	Staff Annualized Revenues	Current Rates	Staff Annualized Customer Numbers	Staff Annualized Billings
Cedar Glen	\$ 26,550	\$26.03	85	1020
Chelsea Rose	\$ 7,184	\$26.03	23	276
Cimmorron Bay	\$ 10,308	\$26.03	33	396
KK	\$ 4,373	\$26.03	14	168
Total Operating Revenues	\$ 48,414		155	1860
Other Misc. Rev.			Occurrences	
Construction Inspecton Charge		\$100		
Disconnect Reconnect w/ Backhoe		\$150 + Backhoe time		
Disconnect Reconnect < 6 days		\$50		
Disconnect Reconnect > 6 days		n/c		
Returned Check Charge		\$15		
Past due Notice		\$6.50		
Turn Off-On Charge		\$30.00		
Overdue Residential Bill		1.50%		
Overdue Commercial Bills		1.50%		
Total Other Misc.Revenues	\$709			
Total Sewer Revenues	\$ 49,123			

Schedule 1 - 4

October 6, 2000

Missouri Public Service Commission Staff

Page 4 of 4

W. R. Hubbs

Osage Water Company      For:      **Certificated Sewer Service Areas in Camden County**  
Name of Issuing Company      Community, Town or City

Rules Governing  
Rendering of **Sewer Service**      +

**Schedule of Rates**

**\*Rate Schedule S-1**

**Availability:**

This rate is available to Sewer customers adjacent to the Company's collector sewers.

**Monthly Bill**

Unmetered Condominium	\$ 26.03 per month
For Service through a 5/8" water meter	\$ 26.03 per month
For Service through a 1" water meter	\$ 46.05 per month
For Service through a 1 1/2" water meter	\$ 98.62 per month
For Service through a 2" meter	\$ 116.14 per month
For Service through a 3" meter	\$ 178.71 per month
For Service through a 4" meter	\$ 325.70 per month

**Taxes:**

Any applicable Federal, State, or local taxes computed on a billing basis shall be added as a separate item in rendering each bill.

\* indicates new rate or text

+ indicates change

Date of Issue 11/14/00 Date Effective 12/29/00

Issued By: Greg Williams, President      Highway 54 East, Osage Beach, MO  
Name of Officer      Title      Address