

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

In the Matter of the Request for an)
Increase in Sewer Operating Revenues of)
Emerald Pointe Utility Company.) **File No. SR-2013-0016**

THE OFFICE OF THE PUBLIC COUNSEL’S STATEMENT OF POSITION

COMES NOW the Office of the Public Counsel (Public Counsel) and presents its Statement of Position as follows:

1. Sewer Commodity Charge

- a. Was the Company authorized to collect a sewer commodity charge as a result of Case No. SR-2000-595?

It is Public Counsel’s position that the Company was not authorized to collect a sewer commodity charge in the tariff approved by the Commission in Case No. SR-2000-595.

- b. If not, what action should the Commission take?

It is Public Counsel’s position that the Commission should order that the amounts collected through a sewer commodity charge should be returned to the customers.

- c. If the Company is required to return to customers amounts collected through a sewer commodity charge:

- i. What is the appropriate time period over which the amounts due to customers should be calculated?

It is Public Counsel’s position that the amount due to customers should include all amounts collected through a sewer commodity charge from the effective date of the current

approved tariff (May 10, 2000) through the time when the Company ceased charging a sewer commodity charge (March 31, 2012).

- ii. What, if any, interest should be applied to the amounts to be returned?

It is Public Counsel's position that 6% interest should be applied to the amounts returned, accruing from the date of inception through the entire applicable payback period.

- iii. If an over collection occurred, over what period of time should those amounts be redistributed to customers?

Since the refunds calculated from December 30, 2004, to March 31, 2012, are customer specific, it is Public Counsel's position that bill credits for this portion of the refunds should be provided to those remaining customers over a 24-month period after the effective date of the Commission's Order in this case. Additionally, it is Public Counsel's position that a check should be provided to customers who are no longer customers but are to receive a refund, no later than 90 days after the effective date of the Commission Order in this case. Also, it is Public Counsel's position that if a customer leaves the system before they are given their full refund, the Company should provide a check to the customer no later than 90 days after termination of service.

Because the refunds calculated from May 10, 2000, through December 29, 2004, are not customer specific due to the lack of customer records, it is Public Counsel's position that this portion of the refunds should be credited to all customers on the sewer system over a 24-month period after the effective date of the Commission's Order in this case.

2. Late Fee/Reconnect Fee Overcharges

- a. Should interest be applied to the refund of late fee/reconnect fee overcharges?

It is Public Counsel's position that interest should be applied to the refund of late fee/reconnect fee overcharges.

- i. If so, at what rate?

It is Public Counsel's position that 6% interest should be applied to the amounts returned, accruing from the date of inception through the entire applicable payback period.

- b. Over what period of time should those amounts be returned to customers?

It is Public Counsel's position that a check should be provided to those customers who were erroneously charged and paid these late fees/reconnection fees within 90 days of the effective date of the order in this proceeding.

3. Customer Deposits

- a. Over what period of time should deposits be returned to customers?

It is Public Counsel's position that a check should be provided to those affected customers within 90 days of the effective date of the order in this proceeding.

4. Hollister Sewage Treatment Expense

- a. What amount of expense related to the sewage treatment performed by the City of Hollister should be recovered in rates?

It is Public Counsel's position that the rate design mechanism as agreed to by the parties to this case sufficiently anticipates variable sewer volumes by including a volumetric charge for sewer.

5. Legal Fees

- a. What amount of the Company's legal fees should be recovered in rates?

It is Public Counsel's position that the amount of legal fees to be recovered in rates as proposed by Staff, based on a five-year normalization, and updated to the end of the rate case is reasonable.

6. Rate Case Expense

- a. What are the appropriate expenses to be included as rate expense in this case?

It is Public Counsel's position that the amount of rate case expense proposed by Staff, based on a five-year normalization, and updated to the end of the rate case is reasonable.

7. Capital Structure

- a. Should the capital structure of the Company for ratemaking purposes be: 1) a structure that treats the Company as one entity or 2) a structure that considers the water and sewer operations of the Company separately?

It is Public Counsel's position that the capital structure of the Company for ratemaking purposes should be a structure that considers the water and sewer operations of the company separately.

8. Rate of Return/Return on Equity

- a. What is the appropriate cost of equity for the Company?

It is Public Counsel's position that the appropriate cost of equity for each utility is 9.35% based on actual debt of 5.5% secured indebtedness associated with the construction of a sewer line and to eliminate the existing wastewater treatment facility and to convert it to a lift station, and the 3.15% loan from White River Valley Electric Cooperative, Inc. plus a 4% risk premium.

- b. What is the appropriate methodology for estimating small water and sewer companies' rates of return?

It is Public Counsel's position that each utility's actual capital structure should be utilized in the determination of its weighted rate of return. Including a 9.35% return on equity in the weighted rate of return analysis with Company's actual capital structure yields Public Counsel's position of a weighted rate of return before income tax of 6.14% for the sewer operation and 9.35% for the water operation.

9. CIAC Reserve – Customer Fees

- a. What is the appropriate amount of CIAC Reserve to book for customer fees?

It is Public Counsel's position that since the ratepayers paid the \$17,579 of miscellaneous revenue CIAC based on the \$400 new water customer fee charged to the utility's customers, those funds should be accounted for in the utility's plant as such whether or not cost of the associated plant was equal to or less than the contributions obtained from ratepayers.

10. Plant-Related Balance Update Period

- a. Through what period should the plant-related balance be updated?

It is Public Counsel's position that plant changes such as additions, retirements, depreciation, etc. should be updated as close to the effective date of the rate change as possible.

WHEREFORE, Public Counsel respectfully submits its statement of position on the issues in this case.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 7th day of May 2013:

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