

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

In the Matter of the Application of Lincoln)
County Sewer and Water, LLC, for Approval of)
A Rate Increase.)
Case No. SR-2013-0321

**STAFF’S RESPONSE IN OPPOSITION TO THE COMPANY’S MOTION TO
ESTABLISH RATE CASE EXPENSE AND FOR
EXPEDITED TREATMENT**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Response in Opposition to the Company’s Motion to Establish Rate Case Expense and for Expedited Treatment*, states as follows:

1. On May 8, 2014, Lincoln County Sewer and Water, LLC (“Lincoln County” or “Company”). Filed its *Motion to Establish Rate Case Expense and for Expedited Treatment*, seeking \$65,777.50 as an addition to revenue requirement for rate case expense, to be amortized to rates over three years. This sum includes \$10,106.00 for expert witness services from Johansen Consulting Services; \$26,330.00 for legal services from Brydon, Swearingen and England P.C.; \$4,147.50 for additional legal services from McIlroy and Millan; and \$25,194.00 for “Company time” and expenses, such as copying, lodging, mileage, and the like.

2. On May 13, 2014, the Commission by Order set a response deadline of May 16, 2014.

3. Also on May 13, 2014, the Office of the Public Counsel (“OPC”) filed its *Objection* to Lincoln County’s motion. In support of its *Objection*, OPC states that some of the claimed expenses were incurred long before the hearing in this case, and that they are unaudited and unverified. In summary, OPC contends that the proposed rate case expense amount is excessive and thus not just and reasonable.

4. Now Staff joins OPC in opposing the Company's *Motion*, stating:

A. The amount of rate case expense incurred by Lincoln County, up to the time of the hearing, so far as Staff was aware, was \$14,610. In its *Motion*, Lincoln County seeks an additional \$51,000.¹

B. By Staff's calculation, the Commission granted an annual revenue requirement increase of about \$18,300 to Lincoln County, including approximately \$4,870 in rate case expense ($\$14,600/3 = \$4,870$). If the full amount of additional rate case expense requested by Lincoln County were granted and normalized over three years, the total annual rate increase for Lincoln County's sewer and water customers would be about \$35,000.

C. About half of the additional rate case expense claimed by Lincoln County in its *Motion* consists of time spent and expenses incurred by Mr. and Mrs. Kallash. All of the labor costs were either incurred prior to the filing of the Company's rate case or during the audit. These labor related amounts were all incurred prior to the evidentiary hearing in this case in early November 2013. There was no indication from Lincoln County, as of the time of the hearing, that the Company would be seeking recovery of additional rate case expenses incurred prior to the hearing. These costs could -- and should -- have been provided to the parties and to the Commission in time to be audited and considered in the evidentiary hearing. The belated production of these costs after the audit and the hearing, is a matter of great concern to Staff. For this

¹ All amounts are inclusive of both Lincoln County's water and sewer operations.

reason, Staff believes that these costs, amounting to about \$24,500, should be disallowed.

D. Additionally, only limited supporting documentation has been provided with respect to the costs Lincoln County incurred prior to the hearing for which it now seeks recovery (timesheets, invoices, receipts, mileage logs, etc.). Without undertaking an audit of the claimed amount, Staff cannot be sure that it accurately reflects the time spent and expenses incurred by the Company with respect to the rate case. On cursory review, expenses paid to an affiliate for copies seem unduly high. For this reason as well, Staff believes that these costs should be disallowed. Alternatively, Staff should be afforded the opportunity to audit them.

E. Staff recommends that the costs of the Company's attorneys and consultant be included in revenue requirement and that, in view of the magnitude of the resulting rate increase, that they be normalized to rates over five years rather than three years. The resulting annual increase would then be \$20,988- in Staff's calculation.

WHEREFORE, Staff prays that the Commission will (1) either disallow the claimed Company time and expenses or, alternatively, permit Staff to audit those claimed costs; and (2) include the costs of the Company's attorneys and consultant in revenue requirement and normalize those costs to rates over five years; and grant such other and further relief as the Commission believes is just in the premises.

Respectfully submitted,

/s/ Kevin A. Thompson

Kevin A. Thompson
Chief Staff Counsel
Missouri Bar Number 36288

Missouri Public Service Commission
Post Office Box 360
Jefferson City, MO 65102
(573) 751-6514 (Voice)
(573) 526-6969 (FAX)
Kevin.thompson@psc.mo.gov

Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, **on this 16th day of May, 2014.**

/s/ Kevin A. Thompson