

Exhibit No.:
Issues: *Rate Design*
Witness: *Jarrold J. Robertson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case Nos.: *WR-2017-0343*
Date Testimony Prepared: *January 29, 2018*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

REBUTTAL TESTIMONY

OF

JARROD J. ROBERTSON

GASCONY WATER COMPANY

CASE NO. WR-2017-0343

Jefferson City, Missouri
January, 2018

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JARROD J. ROBERTSON
GASCONY WATER COMPANY
CASE NO. WR-2017-0343**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **JARROD J. ROBERTSON**

4 **GASCONY WATER COMPANY**

5 **CASE NO. WR-2017-0343**

6 Q. Please state your name and business address.

7 A. My name is Jarrod J. Robertson and my business address is P.O. Box 360,
8 Jefferson City, Missouri 65102.

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

10 A. I am a Utility Policy Analyst I in the Water and Sewer Department with the
11 Missouri Public Service Commission (“Commission”). My educational background, previous
12 work experience, and list of assigned duties while employed by the Commission have been
13 submitted as Schedule JJR-r1.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your rebuttal testimony?

16 A. The purpose of my rebuttal testimony is to respond to the direct testimony of
17 Gascony Water Company, Inc. (“Company”), witness James M. Russo, and to provide a rate
18 design alternative to the Commission for consideration in determining the ultimate rates for
19 the Company.

20 **COMPANY OVERVIEW**

21 Q. Please provide a brief history of the Company.

22 A. The Company, as a result of the Certificate of Convenience and Necessity
23 case, WA-97-510 approved in 1999, is a regulated water company under the jurisdiction of

1 the Commission. The Company provides service to approximately 182 customers, consisting
2 of 26 full-time customers, 156 part-time customers, and 3 commercial customers: the
3 Swimming Pool (including bath house); the Kitchen; and the Dump Station.

4 Q. Why are Company and Staff reporting different customer counts?

5 A. Regarding the customer count being reported by Staff, Staff's numbers are
6 derived from a Company email response received by Staff on November 3, 2017. This
7 difference is being addressed in further detail by Staff Witnesses, Jason Taylor, and
8 Matthew Young.

9 Q. What is the Company's current rate design for the Company's water
10 operations?

11 A. The Company bills customers a flat quarterly charge based on each customer
12 classification.

13 Q. What are the current quarterly charges for the Company's customers?

14 A. The current Company quarterly rates are as follows:

Quarterly Customer Charge	
Customer Class	Rate
Full-time	\$103.33
Part-time	\$36.88
Swimming Pool	\$368.16
Kitchen	\$170.74
Dump Station	\$58.39

16
17 Q. Is the Company proposing any changes to the current rate structure?

18 A. No.

19 Q. Is the Company proposing any modifications to the current rate design?

20 A. Yes.

1 Q. How are rates designed for each customer classification?

2 A. Once the Company's overall cost of service is determined, each individual
3 customer classification's rates are based on a customer equivalent factor as follows:

4

Customer Equivalency Factor	
Customer Class	Current Factor
Full-time	1
Part-time	0.35
Swimming Pool	3.56
Kitchen	0.56
Dump Station	1.65

5
6 Q. What modifications is the Company proposing to these customer equivalency
7 factors?

8 A. The Company is proposing to revise the customer equivalency factors for three
9 of the five customer classes.

10 Q. Which classes, and in what manner, does the Company propose revising?

11 A. The Company proposes to increase the current customer equivalency factor for
12 the Part-time customer class from 0.35 to 0.5; to increase the factor for the Swimming Pool
13 class from 3.56 to 6; and to increase the Kitchen class from 0.56 to 2. The Company proposes
14 to leave the Full-time customer class at its current customer equivalency factor of 1, and the
15 Dump Station at its current customer equivalency factor of 1.65. A comparison of the
16 Company's proposed changes to the current factors is below:

17

Customer Equivalent Factors		
Customer Class	Current Factors	Company Proposed Factors
Full-time	1	1
Part-time	0.35	0.5
Swimming Pool	3.56	6
Kitchen	0.56	2
Dump Station	1.65	1.65

18

1 Q. Does Staff agree with leaving the Full-time and Dump Station customer class'
2 equivalency factors at their current levels?

3 A. Yes. Staff agrees with leaving the Full-time Customer equivalent factor at 1,
4 since the Full-time customer is the base, and equal to one customer equivalent, and leaving
5 the Dump Station at its current customer equivalent factor of 1.65, as no infrastructure
6 upgrades occurred at the Dump Station that would result in a perceived change in usage
7 patterns.

8 Q. Does Staff agree with the revisions to the customer equivalent factors proposed
9 by the Company?

10 A. No. Staff disagrees with the proposed change to customer equivalent factors
11 for part-time customers.

12 Q. Why does Staff not agree with the Company's proposed revisions to the
13 customer equivalent factor for the Part-time customer class?

14 A. Regarding the Company's proposed change to the Part-time customer class equivalent
15 factor, from 0.35 to 0.5, the Company (on pages 13-14, lines 14 and 15 of Company witness,
16 Mr. Russo's direct testimony), claims, "The Company has observed that the part-time
17 customers visit Gascony Village more frequently and the part-time customers bring a greater
18 number of guests." Staff does not agree that this reasoning is justification enough to increase
19 the Part-time customer class' customer equivalent factor.

20 Q. Why does Staff not believe the reasoning is justifiable?

21 A. Company witness Russo claims "part-time customers visit Gascony Village
22 more frequently, and bring a greater number of guests," but there appears to be no existing
23 current, or historical data for the Company to provide in order to justify this claim. Also, on

1 the surface, the claim “part-time customers are visiting more frequently” would appear to be
2 more of a customer classification issue, than a customer equivalency issue. According to the
3 Company’s tariff, P.S.C. MO No. 1, Sheet No. 10, line item “I”, a Full-time customer is
4 defined as: “The ‘FULL-TIME RESIDENTIAL’ Customer Class includes all residential
5 Customers for whom the Living Unit is their primary residence for at least fifty percent (50%)
6 of a calendar year.” Therefore, the “Part-time” customers being referenced as “visiting more
7 frequently,” and as justification for the Company’s proposal to increase the customer
8 equivalent factor, should be researched instead as possible candidates for re-classification,
9 from Part-time, to Full-time.

10 Q. Does Staff agree with the Company’s proposed change of the customer
11 equivalency factor for the Swimming Pool from 3.56 to 6?

12 A. Based on the Company’s justification for increasing the customer equivalent
13 factor from 3.56 to 6, due to the restroom facility upgrades, which resulted in an increase in
14 number of showers from four to eight, toilets from two to six, and urinals from one to two,
15 Staff agrees the increase in the customer equivalency factor is appropriate.

16 Q. What are the customer equivalency factors Staff is proposing?

17 A. A comparison of the current customer equivalency factors versus Staff’s
18 proposed factors is below:

19

Customer Equivalency Factors		
Customer Class	Current Factors	Staff Proposed Factors
Full Time	1.00	1
Part Time	0.35	0.35
Pool/Bathhouse	3.56	6
Kitchen	0.56	2
Dump Station	1.65	1.65

20

1 Q. What are the conclusions of Staff's proposed rate design based on Staff's
2 proposed cost of service for Gascony Village?

3 A. Schedule JJR-r2 has been attached to this testimony in order to give a snap
4 shot of the workpaper used in configuring water rates for Gascony Water Company. The
5 results of Staff's proposed rate design for Gascony Village are in the comparison table below:
6

	Current	Proposed
	Service	Service
	Charge	Charge
Full Time	\$ 103.33	\$ 102.94
Part Time	\$ 36.88	\$ 36.03
Pool/Bathhouse	\$ 368.16	\$ 617.66
Kitchen	\$ 58.39	\$ 205.89
Dump Station	\$ 170.74	\$ 169.86

7
8 Q. If the Commission decides to accept the Company's proposed change to the
9 part-time customer equivalency factor, does Staff propose any further modifications?

10 A. Yes. If the Commission agrees with the Company's proposal for the part-time
11 class due to an increase in people visiting the system, then an increase in the customer
12 equivalent factor for the Dump Station should also be included to reflect a change in usage
13 behavior at the Dump Station due to the overall increase in traffic.

14 Q. Does this conclude your rebuttal testimony?

15 A. Yes, it does.

EDUCATIONAL BACKGROUND

I graduated from Columbia College, Columbia, Missouri, where I earned a Bachelor of Arts degree in Biology, May of 2004.

WORK EXPERIENCE

Prior to starting at the Commission in July of 2015, I worked as an Environmental Specialist III at the Missouri Department of Natural Resources (DNR) for both the Hazardous and Solid Waste Management Programs, from October 2008 – July 2015. I worked for the University of Missouri, Columbia as a Research Specialist from 1998 – October 2008, in the Agronomy, Animal Science and Biochemistry Departments, respectively.

While at DNR, as Project Manager in both the Hazardous and Solid Waste Management Programs, I analyzed data related to the release/spill of gasoline/petroleum, such as Light Non-Aqueous Phase Liquids (LNAPL) and Non-Aqueous Phase Liquids (NAPL), at Underground/Aboveground Storage Tanks and violations which occurred at Permitted Landfills and Infectious Waste Disposal, respectfully. The data analysis involved volatile and non-volatile chemical concentration(s), their toxic; carcinogenic; flammability and other health hazards and the subsequent “desired” remedial levels of said chemicals. While with the Hazardous Waste Management Program, I also performed qualitative data analysis of concentration vs time and/or distance and point by point analysis using both the Mann-Kendall and Linear Regression statistical methods.

While at the University of Missouri, I analyzed data as it relates to the genetic and biological study/manipulation of various organisms: maize (corn); bovine and bacteria. I worked on the “Maize Project,” mapping the genetic structure of corn, using Simple Sequence Repeat

(SSR) DNA Marker Technique; studied heat stress in bovine using microarray analysis; and I created mutagenic strains of bacteria by deletion of a single gene or an operon (a cluster of genes) combined with cloning sequence(s) and amplification by way of a Poly Chain Reaction (PCR) in the Agronomy, Animal Science and Biochemistry Departments, respectively.

As a Utility Policy Analyst I, my core duties revolve around being a Case Coordinator for Small Company Rate Cases, and formal Complaints filed with the Commission. These duties include, but are not limited to: setting up the case Activities Timeline; authoring Customer Notice(s); coordinating meetings and correspondence between Staff, Office of the Public Counsel (“OPC”), and the utilities; disseminating information between Staff, OPC and the utilities; reviewing and if necessary, revising utilities’ tariff(s), as well as performing rate design

PREVIOUSLY FILED TESTIMONY

- WR-2016-0064 (Hillcrest Utility Operating Company, Inc.)
- WR-2017-0285 (Missouri-American Water Company)

Gascony Water Company	
Rate Making Income Statement-Water	
Operating Revenues at Current Rates	
Tariffed Rate Revenues *	\$ 36,296
Other Operating Revenues *	\$ -
Total Operating Revenues	\$ 35,411
* See "Revenues - Current Rates" for Details	
Cost of Service	
Item	Amount
Casual Labor-Contracted	\$ 909
Maintainance of Miscellaneous Water Source Plant	\$ 212
Electric Expenses	\$ 1,628
Clerical Services	\$ 1,656
Management Salaries	\$ 15,000
Communication Expense	\$ 1,181
Billing Materials	\$ 534
IT Expense	\$ 262
Outside Services Employed	\$ 602
Maintainance of Miscellaneous Plant TDE	\$ 244
Travel Expenses	\$ 4,184
PSC Assessment	\$ 271
Regulatory Expense	\$ 200
Rent-Equipment Storage, Interest and Other Expenses	\$ -
Rate Case Expense	\$ 100
Gascony Association Expense	\$ 340
Bank Fees	\$ 178
Supplies and Expenses	\$ 491
Rents-AGE	\$ 1,500
Fuel Expense	\$ 506
Maintainance of General Plant-AGE	\$ 200
Depreciation Expense	\$ 3,306
Property Taxes	\$ 70
Sub-Total Operating Expenses	\$ 33,574
Current Income Taxes	\$ 572
Deffered Income Taxes	\$ -
Missouri Franchise Taxes	\$ -
Sub-Total Taxes	\$ 572
Total Amortization Expense	\$ -
Sub-Total Interest/Amortization	\$ -
Return on Rate Base	\$ 2,296
Total Cost of Service	\$ 36,442
Overall Revenue Increase Needed	\$ 1,031

Revenue Annualizations at Current Rates-**Water**

Annualized Customer Counts and Customer Charge Revenues

Retail Metered Customers

	Residential	Business	Total Meters	Rate *	Annual Revenue
Full-Time	26	0	0	\$ 103.33	\$ 10,746
Part-Time	151	0	0	\$ 36.88	\$ 22,276
Pool/Bathhouse	0	1	0	\$ 597.29	\$ 2,389
Kitchen	0	1	0		\$ -
Dump Station	0	1	0		\$ -
Total	177	3	0		\$ 35,411

*quarterly service charge

Other Operating Revenues

Miscellaneous Revenues	\$ -
Total Other Revenues	\$ -

Total Operating Revenues

Service Charges - Retail Customers	\$ 35,411
Commodity Revenues - Retail Customers	\$ -
Sub-Total Tariffed Rate Revenues	\$ 35,411
Other Operating Revenues	\$ -
Total Operating Revenues	\$ 35,411

Development of Tariffed Rates-**Water**

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 35,411
Agreed-Upon Overall Revenue Increase	\$ 1,031
Percentage Increase Needed	2.91%

Metered Customer Rates

	Current Service Charge	Proposed Service Charge
Full Time	\$ 103.33	\$ 102.94
Part Time	\$ 36.88	\$ 36.03
Pool/Bathhouse	\$ 368.16	\$ 617.66
Kitchen	\$ 58.39	\$ 205.89
Dump Station	\$ 170.74	\$ 169.86

Customer charge:

Customer equivalents

	Number	Factor	Equivalent Customers	
Full Time	26	1	26.0	\$ 102.94
Part Time	151	0.35	52.9	\$ 36.03
Pool/Bathhouse	1	6	6.0	\$ 617.66
Kitchen	1	2	2.0	\$ 205.89
Dump Station	1	1.65	1.7	\$ 169.86
	180		88.5	

	\$ 36,442.00	\$ 102.94
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Commodity:

There Are No Meters, and Therefore No Commodity Charge

Revenue Annualizations at Proposed Rates-**Water**

Annualized Customer Counts and Customer Charge Revenues

Retail Metered Customers

	Residential	Business	Total Meters	Rate *	Annual Revenue
Full-Time	26	0	0	\$ 102.94	\$ 10,706
Part-Time	151	0	0	\$ 36.03	\$ 21,762
Pool/Bathhouse		1	0	\$ 617.66	\$ 2,471
Kitchen		1	0	\$ 205.89	\$ 824
Dump Station		1	0	\$ 169.86	\$ 679
Total	177	3	0		\$ 36,442
monthly service charge					

Other Operating Revenues

Total Other Revenues	\$ -
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Total Operating Revenues

Service Charges - Retail Customers	\$ 36,442
Commodity Revenues - Retail Customers	\$ -
Sub-Total Tariffed Rate Revenues	\$ 36,442
Other Operating Revenues	\$ -
Total Revenues at Proposed Rates	\$ 36,442

Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 36,442
Total Revenues at Current Rates	\$ 35,411
Increase In Revenues at Proposed Rates	\$ 1,031
Agreed-Upon Increase in Operating Revenues	\$ 1,031

