

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

In the Matter of a Request for an Increase in)
Annual Sewer System Operating Revenues) Case No. SR-2013-0053
for W.P.C. Sewer Company.)

THE OFFICE OF THE PUBLIC COUNSEL'S POSITION STATEMENT

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

1. On August 14, 2012, W.P.C. Sewer Company (WPC) initiated a small company rate increase proceeding with the Missouri Public Service Commission (Commission) requesting an increase in its sewer revenues of \$14,483 (approximately 70.9%) per year.
2. On January 11, 2013, the Staff of the Missouri Public Service Commission (Staff) filed a Notice of Agreement Regarding Company/Staff Disposition of Small Company Rate Increase Request (Company/Staff Agreement) indicating an agreement between Staff and WPC for a sewer revenue increase of \$10,670 annually (approximately 52.2%). Public Counsel did not join in the agreement.
3. Revised tariff sheets reflecting the proposed rates agreed to in the Company/Staff Agreement were filed by WPC on January 16, 2013.
4. As the Company/Staff Agreement was executed by only WPC and Staff, 4 CSR 240.3-050(15) requires Public Counsel to file a pleading stating its position regarding the Company/Staff Agreement and the related tariff revisions, or requesting a local public hearing or an evidentiary hearing no later than five (5) working days after the end of the comment period for the written customer notice contemplated in 4 CSR 240-3.050(14).

5. Public Counsel now states that it did not sign the Company/Staff Agreement because, although Public Counsel agreed with most of Staff's audit positions, Public Counsel had concerns regarding the use of a hypothetical capital structure and the recommended return on equity based on that hypothetical capital structure. The Auditing Unit Recommendation Memorandum (Company/Staff Agreement – Attachment H) indicates that it is known that WPC's capital structure consists of debt in excess of 75%. However, Staff believes it is appropriate to use a hypothetical capital structure that limits WPC's debt to 75% and increases the amount of equity to 25%. Using the hypothetical capital structure imposed by Staff, Staff calculates a recommended return on equity of 12.09% and a total rate of return of 7.52%.

6. Public Counsel believes that the capital structure imposed by Staff is arbitrary and unreasonable and the recommended return on equity of 12.09% is excessive. No reasons are given why Staff believes it is just and reasonable for customers to pay rates based on a hypothetical equity rate of 25% when Staff knows that amount of equity does not exist. Additionally, the recommended return on equity of 12.09% is very high and does not reflect the current market nor does it address the current economic times faced by the customers.

7. However, the dollar amounts related to these issues are relatively small such that Public Counsel believes opposition to the Company/Staff Agreement and the related tariff revisions would not be in the best interests of ratepayers. Therefore, Public Counsel now states its position that while it does not agree with the Company/Staff Agreement and related tariff revisions, it will not oppose their approval by the Commission.

8. As stated above, 4 CSR 240-3.050(14) requires a written notice of the proposed tariff revisions no later than five (5) working days after the utility makes its tariff filing.

9. Additionally, 4 CSR 240-3.050(22) requires a final written notice of Commission approval of any tariff revisions resulting from a small utility rate case.

10. Given that Public Counsel will not oppose the Company/Staff Agreement, Public Counsel believes that it would be burdensome to WPC and its customers to require a written customer notice as contemplated in 4 CSR 240-3.050(14) as well as a final written notice per 4 CSR 240-3.050(22) if the Commission approves the Company/Staff Agreement and the related tariff revisions. Consequently, Public Counsel requests a waiver of the written customer notice as contemplated in 4 CSR 240-3.050(14). The final written notice per 4 CSR 240-3.050(22) would still be required.

11. Therefore, in compliance with 4 CSR 240.3-050(15), Public Counsel now states its position that while it does not agree with the Company/Staff Agreement and the related tariff revisions, Public Counsel will not oppose their approval by the Commission. Additionally, if the Commission approves the Company/Staff Agreement and the related tariff revisions, Public Counsel requests a waiver of the second customer notice as contemplated in 4 CSR 240-3.050(14). The final written notice per 4 CSR 240-3.050(22) would still be required.

WHEREFORE, Public Counsel respectfully submits its Position Statement.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Christina L. Baker

By: _____

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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 16th day of January 2013:

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