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Issue(s):

Rate Case Expenses

Alternative Energy Gas Well Cost Recovery
Contingency/Emergency Repair Fund

Witness:

Ted Robertson

Type of Exhibit:

Direct

Sponsoring Party:

Public Counsel

Case Numbers:

SR-2010-0320

Date Testimony Prepared:

Nov. 23, 2010

DIRECT TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of
the Office of the Public Counsel

TIMBER CREEK SEWER COMPANY

Case Nos. SR-2010-0320

November 23, 2010

Exhibit No. 22
Date 1-5-11 Reporter TU
File No. SR-2010-0320

My Commission expires August 23, 2013.

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**DIRECT TESTIMONY
OF
TED ROBERTSON**

**TIMBER CREEK SEWER COMPANY
CASE NO. SR-2010-0320**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Missouri Office of the Public Counsel (OPC or Public Counsel) as the Chief Utility Accountant.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include all activities associated with the supervision and operation of the regulatory accounting section of the OPC. I am also responsible for performing audits and examinations of the books and records of public utilities operating within the state of Missouri.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

A. I graduated in May, 1988, from Missouri State University in Springfield, Missouri, with a Bachelor of Science Degree in Accounting. In November of 1988, I

1 passed the Uniform Certified Public Accountant Examination, and I obtained
2 Certified Public Accountant (CPA) certification from the state of Missouri in 1989.
3 My CPA license number is 2004012798.
4

5 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
6 UTILITY ACCOUNTING?

7 A. Yes. In addition to being employed by the Missouri Office of the Public Counsel
8 since July 1990, I have attended the NARUC Annual Regulatory Studies
9 Program at Michigan State University, and I have also participated in numerous
10 training seminars relating to this specific area of accounting study.
11

12 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC
13 SERVICE COMMISSION (COMMISSION OR MPSC)?

14 A. Yes, I have testified on numerous issues before this Commission. Please refer
15 to Schedule TJR-1, attached to this testimony, for a listing of cases in which I
16 have submitted testimony.
17

18 **II. PURPOSE OF TESTIMONY**

19 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

20 A. On October 7, 2010, Timber Creek Sewer Company, Public Counsel and the
21 MPSC Staff filed a *Unanimous Partial Agreement Regarding Disposition of Small*

1 *Sewer Company Revenue Increase Request* (Disposition Agreement). Since the
2 Disposition Agreement did not resolve the entirety of the small sewer company
3 revenue increase request, the MPSC Staff filed a *Request to Open Contested*
4 Case on the same day. Then, on October 18, 2010, the MPSC Staff filed a *Joint*
5 *Procedural Schedule and Joint Motion For Approval of Procedural Agreements*
6 which identified the unresolved issues as:

7
8 5. Since the Disposition Agreement, Timber Creek, Public
9 Counsel, and Staff have identified the remaining issues in the case.
10 Parties agree that prefiled testimony and issues to be addressed in
11 this matter be limited to the issues identified below:

- 12
13 a. Timber Creek Staff Compensation/Timesheets/Overtime
14 b. Rate Case Expenses
15 c. Alternative Energy Gas Well Cost Recovery
16 d. PSC Assessment
17 e. Contingency/Emergency Repair Fund
18
19

20 In its *Order Establishing A Procedural Schedule*, dated October 25, 2010, the
21 Commission approved the parties jointly filed procedural schedule with
22 modification regarding the public hearing. The Commission directed all parties to
23 file direct testimony, on the non-settled issues, on November 23, 2010. Thus, my
24 testimony will address the Public Counsel's position on the unresolved issues
25 identified above.
26

1 Q. WILL PUBLIC COUNSEL BE PROVIDING A POSITION ON EACH OF THE
2 UNRESOLVED ISSUES IN THIS DIRECT TESTIMONY?

3 A. No. Public Counsel has been actively involved in this case and is knowledgeable
4 of the issues and costs that have been discussed during the various contacts and
5 meetings with the parties; however, this case is unique in that it has evolved from
6 the proceedings of the small rate case procedure application. As such, the
7 individual parties positions, not being part of the case record, are not known with
8 definitive certainty. Therefore, Public Counsel will reserve its right to present
9 additional testimony on any or all of the unresolved issues in subsequent filings.
10

11 Q. WHICH OF THE UNRESOLVED ISSUES WILL YOU ADDRESS IN THIS
12 DIRECT TESTIMONY?

13 A. Public Counsel will present its position on the issues: 1) Rate Case Expenses, 2)
14 Alternative Energy Gas Well Cost Recovery, and 3) Contingency/Emergency
15 Repair Fund.
16

17 **III. RATE CASE EXPENSES**

18 Q. WHAT IS THE ISSUE?

19 A. The issue is what amount of rate case expense should be included in the
20 Company's cost of service for the development of rates in this case.
21

1 Q. HAS PUBLIC COUNSEL REVIEWED THE COMPANY'S RATE CASE EXPENSE?

2 A. As I stated previously, this case is unique in that it has resulted from the processing
3 of a rate increase request utilizing the Commission's small rate case procedures.
4 Normally, in such cases there are little, if any, rate case expense type expenditures
5 incurred. Usually, costs that are incurred are included the development of the
6 utility's authorized cost of service by booking them within the utility's various other
7 expense accounts, e.g., postage, miscellaneous expenses, etc. In this instance,
8 Public Counsel reviewed the Company's calendar year 2009 General Ledger, which
9 coincides with the test year for this case, and found that the utility did not book any
10 expenditures for 2009 identifiable as rate case expense.

11
12 Q. DOES PUBLIC COUNSEL EXPECT THAT THE COMPANY WILL INCUR RATE
13 CASE EXPENSES AS THIS CASE PROGRESSES?

14 A. Yes. Company's decision to force a Commission hearing on the issues identified in
15 the *Joint Procedural Schedule and Joint Motion For Approval of Procedural*
16 *Agreements* filed by the MPSC Staff on October 18, 2010 will certainly increase
17 the expenditures Company will incur to present and support its positions.

18
19 Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

1 A. Public Counsel will continue to monitor and audit the Company's rate case
2 expenses, as they are incurred, and will present in later testimony its
3 recommendation to the Commission.
4

5 **IV. ALTERNATIVE ENERGY GAS WELL COST RECOVERY**

6 Q. WHAT IS THE ISSUE?

7 A. The issue is should costs incurred by Company to drill a speculative natural gas well
8 be recovered from ratepayers.
9

10 Q. PLEASE CONTINUE.

11 A. During the test year, twelve months ended December 31, 2009, Company incurred
12 and booked costs of \$10,849.42 to drill a natural gas well. Company alleges that
13 the increasing cost of electric utility services led it to evaluate alternative energy
14 options in order to reduce on-going operational costs. Company investigated
15 several options and decided upon the option of drilling a speculative natural gas
16 well. Company contacted several oil/gas well drillers and hired one to drill a well, in
17 the summer of 2009, to a depth of over 900 feet.
18

19 Q. IS THE NATURAL GAS WELL OPERATING AND PROVIDING SERVICE TO THE
20 RATEPAYERS OF THE UTILITY?

21 A. No. Natural gas was not found so the hole was filled and plugged with cement.

1

2 Q. WHAT IS THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

3 A. Public Counsel recommends that the Commission disallow the recovery of the
4 costs incurred associated with the drilling of the speculative natural gas well
5 because the plant is not in-service and not used and useful in the provision of
6 service to ratepayers.

7

8 **V. CONTINGENCY/EMERGENCY REPAIR FUND**

9 Q. WHAT IS THE ISSUE?

10 A. It is my understanding that Company, and the MPSC Staff, may request the
11 Commission to approve the development and implementation of a funding
12 mechanism whereby ratepayers are required to pay rates that exceed the actual
13 cost of service of the Company. The monies provided by the excess rates would
14 then be utilized by the utility's owners to fund contingencies or emergency repairs
15 that occur in its operations and plant.

16

17 Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THE ISSUE?

18 A. Public Counsel generally opposes any scheme that would force ratepayers to pay
19 more than the cost of service determined under the traditional regulatory ratemaking
20 process. Public Counsel opposes such schemes because it is our understanding
21 that the owners of the regulated utility bear the responsibility for funding the capital

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1 investments associated with the operation of their company - not ratepayers. In
2 addition, once the Commission has determined a reasonable and prudent level of
3 expenses to include in rates, that amount plus the authorized return on their in-
4 service investment is the owners reward for the risks they take. Mitigation of the
5 owner's risk by forcing ratepayers to pay rates that exceed the actual cost of service
6 is, in my opinion, inappropriate and unreasonable.

7
8 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

9 A. Yes, it does.
10
11
12

**CASE PARTICIPATION
OF
TED ROBERTSON**

<u>Company Name</u>	<u>Case No.</u>
Missouri Public Service Company	GR-90-198
United Telephone Company of Missouri	TR-90-273
Choctaw Telephone Company	TR-91-86
Missouri Cities Water Company	WR-91-172
United Cities Gas Company	GR-91-249
St. Louis County Water Company	WR-91-361
Missouri Cities Water Company	WR-92-207
Imperial Utility Corporation	SR-92-290
Expanded Calling Scopes	TO-92-306
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Southwestern Bell Telephone Company	TO-93-192
Missouri-American Water Company	WR-93-212
Southwestern Bell Telephone Company	TC-93-224
Imperial Utility Corporation	SR-94-16
St. Joseph Light & Power Company	ER-94-163
Raytown Water Company	WR-94-211
Capital City Water Company	WR-94-297
Raytown Water Company	WR-94-300
St. Louis County Water Company	WR-95-145
United Cities Gas Company	GR-95-160
Missouri-American Water Company	WR-95-205
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427
Missouri Gas Energy	GR-96-285
Union Electric Company	EO-96-14
Union Electric Company	EM-96-149
Missouri-American Water Company	WR-97-237
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
United Water Missouri Inc.	WR-99-326
Laclede Gas Company	GR-99-315
Missouri Gas Energy	GO-99-258
Missouri-American Water Company	WM-2000-222
Atmos Energy Corporation	WM-2000-312
UtiliCorp/St. Joseph Merger	EM-2000-292
UtiliCorp/Empire Merger	EM-2000-369
Union Electric Company	GR-2000-512
St. Louis County Water Company	WR-2000-844
Missouri Gas Energy	GR-2001-292
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company	EC-2002-1
Empire District Electric Company	ER-2002-424

Schedule TJR-1.1

**CASE PARTICIPATION
OF
TED ROBERTSON**

Company Name	Case No.
Missouri Gas Energy	GM-2003-0238
Aquila Inc.	EF-2003-0465
Aquila Inc.	ER-2004-0034
Empire District Electric Company	ER-2004-0570
Aquila Inc.	EO-2005-0156
Aquila, Inc.	ER-2005-0436
Hickory Hills Water & Sewer Company	WR-2006-0250
Empire District Electric Company	ER-2006-0315
Central Jefferson County Utilities	WC-2007-0038
Missouri Gas Energy	GR-2006-0422
Central Jefferson County Utilities	SO-2007-0071
Aquila, Inc.	ER-2007-0004
Laclede Gas Company	GR-2007-0208
Kansas City Power & Light Company	ER-2007-0291
Missouri Gas Utility, Inc.	GR-2008-0060
Empire District Electric Company	ER-2008-0093
Missouri Gas Energy	GU-2007-0480
Stoddard County Sewer Company	SO-2008-0289
Missouri-American Water Company	WR-2008-0311
Union Electric Company	ER-2008-0318
Aquila, Inc., d/b/a KCPL GMOC	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0131
Kansas City Power & Light Company	ER-2010-0355
Kansas City Power & Light Company	ER-2010-0356
Timber Creek Sewer Company	SR-2010-0320