

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

In the Matter of the Application of Lincoln )  
County Sewer & Water, LLC for Approval )  
Of a Rate Increase )

**File No. SR-2013-0321**

**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. Meters/Meter Reading**

**a. What is the appropriate amount, if any, to include in rates for the purchase, installation, and operation and maintenance of the Company's automated meters?**

None. It is Public Counsel's position that, as compared to non-automated meter costs, the excessive costs associated with the automatic meter reading (AMR) system are unnecessary for the provision of safe and adequate water service, and an extravagant investment that customers of such a small utility system should not be asked to bear in rates.

**b. If the automated meter costs are not included in rates, what amount of non-automated meter purchase, installation, and operation and maintenance costs should be included in rates?**

It is Public Counsel's position that \$25,000 and \$10,800 for the Bennington and Rockport water systems respectively plus resultant depreciation and interest expense, as shown in the Staff of the Missouri Public Service Commission's (Staff's) Direct Testimony Accounting Schedules,

is just and reasonable for non-automated meter purchase, installation, and operation and maintenance costs to be included in rates.

**c. If the automated meter costs are not included in rates, what amount of meter reading costs should be included in rates?**

It is Public Counsel's position that \$900 and \$1,296 for the Bennington and Rockport water systems respectively, as shown in Staff's Direct Testimony Accounting Schedules, is just and reasonable for non-automated meter reading costs to be included in rates.

**2. Billing Program & Billing Expenses**

**a. What is the appropriate amount to include in rates for the Company's billing program?**

None. It is Public Counsel's position that as the excessive costs associated with the AMR system should be disallowed as they are unnecessary for the provision of safe and adequate water service, and an extravagant investment that customers of such a small utility system, the costs associated with a computer billing software program Lincoln County Sewer and Water, LLC (LCSW or Company) acquired to compliment the AMR system should also be disallowed.

It is also Public Counsel's position that even if the AMR billing program is not included in rates, no additional expenses for a non-AMR billing system are just and reasonable to be included in rates.

**b. If the billing program is not included in rates, should additional payroll expenses be included for billing and related activities?**

No. It is Public Counsel's position that additional labor billing costs should not be included in rates, as the same bills have to be prepared no matter how the meters are read and LCSW did not provide any support or work papers to show the estimated additional payroll costs are just and reasonable or even how these costs were determined.

**3. Land Ownership and Valuation**

**a. Should the value of the land on which the Company's facilities are situated be included in rate base for the Company?**

Yes. It is Public Counsel's position that just and reasonable, documented costs for the land on which LCSW's facilities are located should be included in rate base for the Company.

**b. If so, what is the value of that land?**

It is Public Counsel's position that, as LCSW did not provide an appraisal or any other viable documentation of the value of the land, the monetary value of each of the parcels of land for rate making purposes should be set to \$10, the purchase price reflected on the February 15, 2012, Quit Claim Deeds transferring these parcels of land from Rockport and Bennington Homeowners Association to LCSW.

**4. Rate Base**

**a. What are the appropriate beginning balances for the Company's rate base?**

Public Counsel concurs with Staff's position on this issue.

**5. Capacity Adjustments (Rockport)**

**a. What should be the adjustment to rate base for excess capacity in the Company's Rockport facilities?**

Public Counsel concurs with Staff's position on this issue.

**6. Plant Held for Future Use**

**a. Should the capacity adjustment to rate base be recorded as plant held for future use?**

Public Counsel concurs with Staff's position on this issue.

**7. Depreciation Rates**

**a. What is the appropriate depreciation rate for the Company's submersible pumping equipment account on the Bennington system?**

It is Public Counsel's position that, as it is not just and reasonable to include depreciation expenses for the fully-depreciated submersible pump in rates, the depreciation rate for the Bennington submersible pump account should be set at zero.

**b. Should the Commission order adjustments to the accumulated depreciation for the Bennington submersible pump account?**

It is Public Counsel's position that, as it is not just and reasonable to adjust accumulated depreciation reserve balances for the fully-depreciated submersible pump, the accumulated depreciation reserve balance of the submersible pump should be set at an amount of \$39,356.

**8. Rate Case Expense**

**a. What is the appropriate amount of rate case expense to include in the Company's rates?**

It is Public Counsel's position that only the amount of just and reasonable rate case expense, based on a three-year normalization and updated to the evidentiary hearing date, is reasonable.

**9. Certificate Case Expense**

**a. What is the appropriate amount of costs related the Company's certificate cases to include in the Company's rates?**

Public Counsel concurs with Staff's position on this issue.

**10. Office Rent/Office Utilities**

**a. What is the appropriate amount of expense to include in rates for the Company's office space, including rent and utilities?**

It is Public Counsel's position, based on the square feet of the current office space actually utilized by LCSW and research regarding rental rates per square foot for similar office rental properties in Troy, Missouri, that LCSW should be allowed to recover an annualized rent of \$5,227.92.

Public Counsel supports Staff's recommendation that \$900 for electricity expenses should be included in LCSW's cost of service. Also, as water expenses are currently included in the current office rent for LCSW, it is Public Counsel's position that \$180 (\$45 multiplied by four quarters) for water expenses should be included in LCSW's cost of service. Additionally, it

is Public Counsel's position that \$180 (\$15 multiplied by 12 months) for sewer costs assessed to commercial properties in Troy, Missouri, should be included in LCSW's cost of service.

**11. Property/Liability Insurance**

**a. What is the appropriate amount of expense to include in rates for property or liability insurance?**

All attempts to obtain details of the policy regarding what the policies covered, who was insured, etc, did not yield any supportive response from LCSW, therefore Public Counsel concurs with Staff's position on this issue that the costs should be disallowed.

**12. Income Taxes**

**a. Is it appropriate to include income tax expense in the Company's cost of service?**

Public Counsel did not file testimony on this issue but reserves the right to base a final position on the testimony provided at hearing.

**13. Salaries – Dennis and Toni Kallash**

**a. What is the appropriate level of salary to include in rates for Dennis Kallash?**

It is Public Counsel's position that, based on a lack of detailed timesheets, no major changes in its operations and only a small increase in customer numbers since its last cases in 2012, LCSW should be allowed to recover an annualized management salary of \$8,240 for Mr. Kallash.

**b. What is the appropriate level of salary to include in rates for Toni Kallash?**

It is Public Counsel's position that, based on a lack of detailed timesheets, no major changes in its operations and only a small increase in customer numbers since its last cases in 2012, LCSW should be allowed to recover an annualized salary of \$6,592 for Mrs. Kallash.

**14. Mileage**

**a. What is the appropriate amount of expense to include in rates for vehicle mileage?**

Public Counsel concurs with Staff's position on this issue.

**15. Testing**

**a. What is the appropriate amount of expense to include in rates for water testing?**

Public Counsel concurs with Staff's position on this issue.

**16. Sludge Hauling**

**a. What is the appropriate amount of expense to include in rates for sludge hauling?**

Public Counsel concurs with Staff's position on this issue.

**17. Office Supplies and Postage (Mailing of Consumer Confidence Report)**

**a. What is the appropriate amount of expense to include in rates for office supplies and postage in regard to the mailing of the Consumer Confidence Report?**

Public Counsel concurs with Staff's position on this issue.

**18. Late Fees**

**a. What is the appropriate amount of revenue to include in rates for late fees?**

Public Counsel concurs with Staff's position on this issue.

**19. Telephone and Internet**

**a. What is the appropriate amount of expense to include in rates for telephone and internet usage?**

Public Counsel concurs with Staff's position on this issue.

**20. Electricity Expense (Operations)**

**a. What is the appropriate amount of expense to include in rates for electricity related to the Rockport well and sewage treatment plant?**

Public Counsel concurs with Staff's position on this issue.

**21. EMSU Staff Recommendations**

**a. Should the Company continue to implement the recommendations of Staff's EMSU unit regarding time sheets, vehicle logs, estimation procedures, after-hours availability, and distribution of customer rights information?**



Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

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

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

**/s/ Christina L. Baker**

By: \_\_\_\_\_

Christina L. Baker (#58303)

Deputy Public Counsel

P O Box 2230

Jefferson City, MO 65102

(573) 751-5565

(573) 751-5562 FAX

christina.baker@ded.mo.gov

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 30<sup>th</sup> day of October 2013:

General Counsel Office  
Missouri Public Service Commission  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
staffcounsel@psc.mo.gov

Amy Moore  
General Counsel Office  
Missouri Public Service Commission  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
amy.moore@psc.mo.gov

Dean Cooper  
Lincoln County Sewer & Water, LLC  
P.O. Box 456  
312 East Capitol  
Jefferson City MO 65102  
dcooper@brydonlaw.com

**/s/ Christina L. Baker**

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