

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
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6 TRANSCRIPT OF PROCEEDINGS  
7 On-the-Record Presentation  
8 October 20, 2016  
9 Jefferson City, Missouri  
10 Volume 2  
11  
12 In the Matter of the )  
Application of a Rate ) File No. SR-2016-0202  
13 Increase for Raccoon Creek )  
Utility Operating Company. )  
14  
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16  
17 NANCY DIPPELL, Presiding,  
18 REGULATORY LAW JUDGE.  
19 DANIEL Y HALL, Chairman  
STEPHEN M. STOLL,  
20 SCOTT T. RUPP,  
COMMISSIONERS.  
21  
22  
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1 P R O C E E D I N G S

2 (WHEREUPON, the on-the-record  
3 presentation began at 8:30 a.m.)

4 JUDGE DIPPELL: Good morning. Today  
5 is October 20th, 2016, and I'm Nancy Dippell,  
6 Regulatory Law Judge presiding over this matter.  
7 This is the on-the-record preparation of the  
8 Stipulation & Agreement in the matter of the  
9 application of a rate increase for Raccoon Creek  
10 Utility Operating Company, Incorporated in Case  
11 No. SR-2016-0202.

12 And I would like to begin this  
13 morning by having the parties make their entries of  
14 appearance. If we could begin with Staff.

15 MS. PAYNE: Whitney Payne for the  
16 Staff of the Public Service Commission, and I'll  
17 provide you with my information in a short time.

18 JUDGE DIPPELL: And Office of the  
19 Public Counsel?

20 MS. MAYFIELD: Good morning, your  
21 Honor. Cydney Mayfield for the Office of the  
22 Public Counsel, and I have previously provided my  
23 information to our court reporter.

24 JUDGE DIPPELL: Thank you. And for  
25 the company?

1                   MR. COOPER: Yes, your Honor. Dean  
2 Cooper appearing on behalf of Raccoon Creek Utility  
3 Operating Company, Inc. And I provided my entry to  
4 the court reporter.

5                   JUDGE DIPPELL: Thank you. I would  
6 remind everyone to please speak into the  
7 microphones when you speak and make sure the  
8 microphone is on, and to please silence any  
9 electronic devices that you might have brought into  
10 the hearing room with you.

11                  So yesterday afternoon the Commission  
12 sent out an order asking you-all to put together  
13 some information to answer some questions, and if  
14 the Chairman is agreeable, I'll just have him begin  
15 with asking those questions, or would you like them  
16 to give you the written exhibits first?

17                  CHAIRMAN HALL: Are there written  
18 exhibits?

19                  JUDGE DIPPELL: I believe they put  
20 together some written pleadings.

21                  CHAIRMAN HALL: Okay.

22                  JUDGE DIPPELL: Let's go ahead then  
23 and get those and let the Commissioners have a  
24 chance to look at those a little bit.

25                  I think what we'll do then is I'll

1 just ask Staff to start maybe and kind of go over  
2 these questions, and then I'll let Office of the  
3 Public Counsel and the company respond as we go  
4 along. So, Ms. Payne, could you maybe just kind of  
5 go over the numbers, or if one of the Staff members  
6 would rather do that, I can go ahead and swear them  
7 in.

8 MS. PAYNE: Yes, absolutely, I would  
9 suggest if that's okay. We'll call Paul Harrison  
10 to explain this.

11 JUDGE DIPPELL: Okay. Mr. Harrison.  
12 (Witness sworn.)

13 JUDGE DIPPELL: Thank you.  
14 Mr. Harrison if you'd state your name for the court  
15 reporter and your position.

16 MR. HARRISON: It's Paul R. Harrison,  
17 H-a-r-r-i-s-o-n.

18 JUDGE DIPPELL: And your position  
19 with Staff?

20 MR. HARRISON: Regulatory auditor  
21 with the Commission Staff.

22 JUDGE DIPPELL: Thank you. Could you  
23 maybe just kind of walk us through the answers to  
24 questions and --

25 MR. HARRISON: There was two

1 documents that Staff put together. The one  
2 document specifically responded to the  
3 Commissioners' questions yesterday at the agenda.  
4 The other document here is -- basically it covers  
5 just about everything, a sum up of everything of  
6 the cost of service for Raccoon Creek.

7           The first question I believe that was  
8 asked is, What are the actual annual revenues  
9 received by the company during the test year? The  
10 total for all three systems was \$168,009. For The  
11 Villages it was \$73,381, WPC it was 29,340, for  
12 West 16th it was 54,848.

13           Second question: What is the current  
14 revenue requirement for the company? The current  
15 revenue requirement per the Stip & Agreement is  
16 \$548,311. For Villages the amount was \$250,693,  
17 for WPC 125,487, for West 16th 172,131.

18           The third question: What are the  
19 current rates? Villages current revenues -- or  
20 current rates for Villages' system is \$23.48, WPC  
21 is \$38.12, and West 16th is \$26.42.

22           The fourth question is, What is the  
23 percentage increase in revenue requirement? The  
24 percentage increase for revenue requirement is  
25 239.6 percent for Villages, 219 percent for WPC,

1 and 213.8 percent for West 16th.

2 What are the new rates and what is  
3 the new rate design? The rate design combines  
4 West 16th and WPC into one district and Villages as  
5 a standalone district. The rates for Villages is  
6 \$79.74. WPC and West 16th is \$95.76.

7 The last question is, What is the  
8 percentage increase in rates? Again, that's  
9 239.6 for Villages, 151.2 for WPC, and 262.5 for  
10 West 16th.

11 And that was the specific questions I  
12 think that we were directed to address.

13 JUDGE DIPPELL: Thank you. Go ahead,  
14 Chairman Hall.

15 CHAIRMAN HALL: Let me just step back  
16 for a second and ask the company first whether the  
17 company agrees with these calculations.

18 MR. COOPER: Yes, Commissioner. We  
19 had a chance late yesterday to review the Staff's  
20 calculations and didn't have any disagreement with  
21 those calculations.

22 CHAIRMAN HALL: Okay. Public  
23 Counsel, I see that there's a slight discrepancy on  
24 annualized revenues between -- but it's less  
25 than -- it's a little over a thousand dollars. So

1 I don't know if we need to quibble about that.

2 So other than that, does Public  
3 Counsel agree with these numbers? I haven't quite  
4 gone through all of your document yet.

5 MS. MAYFIELD: I think Keri Roth may  
6 be able to explain that thousand dollars plus or  
7 minus difference. I think we believe it's a  
8 difference related to miscellaneous revenues.  
9 We've had a chance to review this, our experts  
10 have.

11 I don't mean to assume, but I wonder  
12 if the Commission is going to order a final  
13 reconciliation, because we look at this as  
14 basically a document to help guide the Commission  
15 in making a determination that the rates are fair  
16 and reasonable and that the stipulation is fair and  
17 reasonable.

18 But from first glance, we're very  
19 close. I mean, there's some minor differences  
20 between the numbers but nothing extreme.

21 CHAIRMAN HALL: Okay. So then let me  
22 ask, on the Stipulation where -- on paragraph 3,  
23 what that essentially means is what you've -- is  
24 what's been done here, is that we're combining WPC  
25 and West 16th into one district and then Villages



1 into second?

2 MR. HARRISON: That is correct.

3 CHAIRMAN HALL: And the Villages,  
4 those are all apartments?

5 MR. COX: No, sir.

6 CHAIRMAN HALL: Okay. I'm seeing nos  
7 in the audience.

8 MR. HARRISON: Well, I'm not sure.  
9 That was the other side that was a disagreement  
10 between OPC and Staff. Originally we had it all as  
11 residential. But Staff witness Curtis Gateley will  
12 be able to respond to that better than I would.

13 JUDGE DIPPELL: If I may jump in,  
14 Mr. Chairman.

15 CHAIRMAN HALL: Absolutely.

16 JUDGE DIPPELL: The earlier filings  
17 indicated that there are some homes and some  
18 apartments at the Villages. The others are all  
19 individual homes.

20 CHAIRMAN HALL: Well, then maybe this  
21 is a question for counsel. Section 4 of the  
22 Stipulation concerns the apartment rate. Can  
23 somebody explain what -- what's going on here?

24 MS. MAYFIELD: Chairman Hall, I'll  
25 take a stab at that because this is really OPC's

1 issue, and then I'll let Staff kind of add some  
2 gloss over to this. Currently there is not an  
3 apartment rate for the Villages. There are homes  
4 in the Villages that they're triplexes, sometimes  
5 there are four du-- I don't know, they're all four  
6 like town home type style homes, and sometimes  
7 there are even more than four.

8 At this point there was not a clear  
9 definition as to what constituted an apartment.  
10 The water district that supplies water to this  
11 particular subdivision has its own classification  
12 for what an apartment is, but again, that was not a  
13 clear definition.

14 And so the parties agreed that we  
15 needed to conduct a study to make sure we had a  
16 definition for an apartment that was clear,  
17 definitive and applicable to not only the current  
18 customers but any future customers that may move in  
19 and meet that classification.

20 So that provision is supposed to be  
21 taken care of in 4 that we would take a look at six  
22 months of usage data moving forward so that we can  
23 make a clear definition of an apartment class, and  
24 then in the next rate case filing --

25 CHAIRMAN HALL: Okay.

1 MS. MAYFIELD: -- we would hopefully  
2 offer to the Commission a clearer definition of  
3 what an apartment class would look like and whether  
4 or not that needed to be added moving forward.

5 CHAIRMAN HALL: Okay. So there is no  
6 apartment class that will result from this rate  
7 case; it will be in the next rate case?

8 MS. MAYFIELD: Yes, Chairman, that's  
9 correct.

10 CHAIRMAN HALL: Okay. Well, I  
11 understood Mr. Russo's testimony, written testimony  
12 to indicate a different class cost of service for  
13 the apartment class, but I also understand what is  
14 being said here today, that there's some lack of  
15 certainty as to what constitutes an apartment.

16 MS. MAYFIELD: Yes, your Honor, or  
17 Chairman. We just wanted to avoid discrimination  
18 without clearly defining what that class or rate  
19 class would look like.

20 CHAIRMAN HALL: Okay. Well, then can  
21 somebody identify for me in the record where the  
22 class cost of service differs between the Villages  
23 and WPC and West 16th?

24 MR. HARRISON: Right now I believe  
25 that there's a flat rate being assigned, and it's

1 based on customer numbers, and the cost of service  
2 will be split among all of that. If you look at  
3 the West 16th and WPC, with the total customer  
4 numbers that you see at the top, there's about 259  
5 customers. That is WPC. West 16th there's 262  
6 customers. And this is basically a flat rate that  
7 is being spread over WPC, WSS and also over the  
8 Villages. Right now there's not an apartment rate  
9 or a monthly rate.

10 CHAIRMAN HALL: I'm -- on the  
11 classes, are the classes not Villages, WPC and West  
12 16th?

13 MS. PAYNE: Chairman, those are the  
14 individual systems. Each of those is a separate  
15 system, but there is currently only one class. So  
16 there is no class cost of service. There's only a  
17 cost of service. Right now they're all -- each  
18 system is one individual residential class.

19 CHAIRMAN HALL: Well, now I'm totally  
20 befuddled. Okay. I'm looking at the document that  
21 you gave me as new rates. Villages 79.74. New  
22 rate for WPC and West 16th as 95.76. So do we not  
23 have different rates for people living in the  
24 Villages versus people living in WPC and West 16th?

25 MS. PAYNE: We do have different --

1 CHAIRMAN HALL: We do, then. Okay.

2 So then there must be a different class for the  
3 two, no?

4 MS. PAYNE: No, there is no different  
5 class.

6 CHAIRMAN HALL: Okay. Well, then I  
7 need to go back to ratemaking 101 then.

8 MS. PAYNE: What it is is each is a  
9 separate system. The reason for the difference in  
10 rates is the number of customers that the cost is  
11 being spread over. Each one is serviced by a  
12 separate sewer plant.

13 MR. COOPER: Beyond that, Chairman,  
14 let me give one shot just in case I understand your  
15 question.

16 CHAIRMAN HALL: Okay.

17 MR. COOPER: I think that  
18 Mr. Harrison in his testimony or the Staff  
19 accounting schedules that he supports anyway, I  
20 think, and he can confirm this, they were broken  
21 out to where essentially they did an EMS run for  
22 the Villages, an EMS run for WPC and an EMS run for  
23 West 16th, and then they totaled the results of  
24 those on the accounting schedules.

25 So if that's your question, I think

1 that going back to the Staff accounting schedules,  
2 you can see a cost of service by area, by system.

3 JUDGE DIPPELL: Commissioner Stoll?

4 COMMISSIONER STOLL: Thank you. On  
5 the same subject, does it boil down to the number  
6 of customers that each system has? So if you take  
7 the amount that -- I'm not sure if I'm going to say  
8 this right, but the amount of the improvements  
9 divided by the number of customers?

10 MS. PAYNE: Correct. It's the  
11 specific cost of service for the number of  
12 customers in that individual system, be it  
13 Villages, WPC or West 16th.

14 COMMISSIONER STOLL: So since WPC has  
15 86 and West 16th has 173 --

16 MS. PAYNE: And those two are  
17 combined now under the stipulation.

18 COMMISSIONER STOLL: Okay.

19 MR. HARRISON: And the significant  
20 cost difference that you're seeing in this is  
21 because there was two systems, WPC/WSS, that had  
22 the infrastructure improvements done on it. So  
23 there were significant dollars tied to that, and  
24 that's driving the cost up of these rates compared  
25 to one system, Villages, that was improved.

1                   CHAIRMAN HALL: So is this a single  
2   tariff pricing or not?

3                   MS. PAYNE: The intent is to have a  
4   single tariff but with separate rates for the  
5   combined WPC and West 16th systems and then a  
6   separate rate for the Villages.

7                   CHAIRMAN HALL: So it's not a single  
8   tariff price?

9                   MS. PAYNE: It's not a single tariff  
10   price, no.

11                  MR. COOPER: It's a step towards  
12   that, but it's not a pure single tariff price.

13                  CHAIRMAN HALL: Okay. So -- and  
14   maybe this is where we started, but where in the  
15   record is there -- and maybe my calling it a class  
16   cost of service was the correct -- was the  
17   incorrect term and that's what threw people off in  
18   terms of answering the question. But where in the  
19   record does it support a different rate for the  
20   Villages versus WPC and West 16th? There was some  
21   discussion of it a moment ago, but I'd like to know  
22   where in the record that exists.

23                  MR. HARRISON: The accounting  
24   schedules that we filed, it breaks out, and that  
25   was a separate line item in EFIS that we filed that

1 I sponsored, and it breaks out the costs.

2 CHAIRMAN HALL: Can you show me --  
3 give me a page number?

4 MR. HARRISON: This right here  
5 (inaudible).

6 THE REPORTER: I can't hear you.

7 CHAIRMAN HALL: He's pointed at  
8 page 1.

9 MR. HARRISON: That's on the summary  
10 where we pull all three of the systems together  
11 without looking at all of the accounting schedules.  
12 That shows you what our current -- current revenues  
13 is.

14 CHAIRMAN HALL: Right.

15 MR. HARRISON: And as you go on down  
16 through to the very bottom at the end of that  
17 document, it's like on page 3, you will see the new  
18 cost of service that is being developed. And that  
19 cost of service when you divide it by all those  
20 customers are determining these rates.

21 The incremental increase in rates,  
22 that is showing you what the revenue requirement  
23 increase does, and if you take that number and  
24 divide it by all the customers in these systems,  
25 that is how you're getting the total rates for each



1 customer.

2 CHAIRMAN HALL: Okay. I follow that.  
3 All right. So I read Staff's and the company's  
4 testimony as supporting a single tariff price. Is  
5 that correct?

6 MS. PAYNE: That's correct.

7 CHAIRMAN HALL: So who was advocating  
8 having a separate rate for the Villages?

9 MS. PAYNE: That was something that  
10 was proposed by the Office of the Public Counsel.  
11 I'm sure they can explain it better.

12 MS. MAYFIELD: That's correct,  
13 Chairman. We were the ones that advocated for a  
14 separate rate for Villages. When you take a look  
15 at both the distance and as well as who is  
16 performing the services in the various systems,  
17 there seemed to be a distinct difference between  
18 the Villages as well as combining WPC and West 16th  
19 which are in Sedalia, Missouri, versus the Villages  
20 which is in Knob Noster.

21 Our cost of service sponsor is Jim  
22 Russo. He is here with me. He may be able to  
23 explain further OPC's position on this. But again,  
24 we saw these as two distinct service areas, and  
25 also again, given the distance, you know, to remain

1 as two distinct service areas.

2 CHAIRMAN HALL: Okay. And the  
3 apartment rate would apply just in the Villages?

4 MS. MAYFIELD: Yes, Chairman. Based  
5 on the makeup of the systems themselves, the  
6 Villages is the only one that has the duplexes,  
7 triplexes, quadruple-plexes. West 16th as well as  
8 WPC are residential homes.

9 MS. PAYNE: Chairman, if I may, the  
10 Villages consists of single-family homes, duplexes,  
11 and then certain buildings that have four units,  
12 six units or eight units, and that is where there  
13 is some discussion over what would be considered an  
14 apartment. The other two systems only have  
15 single-family homes and some duplexes, if I'm  
16 correct.

17 JUDGE DIPPELL: Commissioner, did you  
18 have --

19 COMMISSIONER COLEMAN: I do have a  
20 question. Okay. So I see where you're going with  
21 this, but when you -- when you decide that  
22 two-family, four-family, six or eight-family  
23 duplexes or whatever you're calling them are  
24 apartments, you then have, I suspect, some that are  
25 more bedrooms than others, more bathrooms than

1 others. And so you take that and decide because  
2 it's a different system, you said the Villages are  
3 serviced by Knob Noster, was that correct?

4 MS. PAYNE: They're located in Knob  
5 Noster.

6 COMMISSIONER COLEMAN: Located in  
7 Knob Noster. But that's where it gets confusing  
8 for me because it seems like a blanket decision was  
9 made about the different use and amount of services  
10 that's coming into these different structures, and  
11 if some are single-family-owned or home-owned,  
12 owner occupied I guess I want to say and some are  
13 apartments, it just speaks to a whole lot of  
14 different stuff to me. So that's where it gets  
15 clear as mud.

16 MS. PAYNE: Commissioner, and that  
17 was one of Staff's concerns. That's actually why  
18 we lobbied for -- to not have an apartment rate but  
19 instead to review the actual information to try to  
20 determine usage and determine if the actual usage  
21 is different between those buildings that might be  
22 considered apartments and those buildings that  
23 would be considered duplexes or single-family  
24 homes, and that way in a future case --

25 COMMISSIONER COLEMAN: But it would

1 be, wouldn't it?

2 MS. PAYNE: Well, the Stipulation  
3 itself agrees that the parties will review the  
4 usage for the next six months following the  
5 effective date of this case and then determine if  
6 anything that would be considered an apartment  
7 would develop, if there would be a different usage  
8 resulting from that. The Stipulation doesn't allow  
9 for the creation of an apartment rate, just a  
10 study.

11 COMMISSIONER COLEMAN: Okay. I've  
12 got another question coming. I just need to form  
13 it in my mind.

14 MS. PAYNE: Absolutely.

15 COMMISSIONER COLEMAN: Thank you.

16 JUDGE DIPPELL: Mr. Chairman?

17 CHAIRMAN HALL: Well, I don't think I  
18 have any other questions about the numbers, but  
19 I've got -- I don't have any other questions about  
20 the numbers, but I do have some questions about the  
21 capital investment, the 1.5 million capital  
22 investment that is triggering, at least my  
23 understanding is triggering the significant rate  
24 increase. So who would -- who I guess on behalf of  
25 the company would be best situated to address that?

1                   MR. COOPER: Mr. Cox would be best  
2     situated to address that.

3                   CHAIRMAN HALL: But before we move  
4     Mr. Harrison from the stand, I want to make sure  
5     there's no other questions from Commissioners,  
6     other Commissioners.

7                   JUDGE DIPPELL: Were there additional  
8     questions for Mr. Harrison regarding --

9                   COMMISSIONER: The numbers, no. No,  
10    thank you.

11                  JUDGE DIPPELL: Okay. Mr. Harrison,  
12    if you'd like to step down, you may.

13                  MR. HARRISON: Thank you.

14                         (Witness sworn.)

15                  JUDGE DIPPELL: Thank you. Mr. Cox,  
16    if you would state your name for the court reporter  
17    and tell us your position in the company.

18                  MR. COX: My name is Josiah Cox, and  
19    I'm the president of Raccoon Creek Utility  
20    Operating Company, Inc.

21                  CHAIRMAN HALL: I don't have an  
22    extensive number of questions for you about this  
23    topic, but I -- when were these -- my understanding  
24    is that you received a CCN to operate these  
25    companies in April of 2015; is that correct?

1 MR. COX: Yeah. I believe, yeah.

2 End of March or early April, correct, sir.

3 CHAIRMAN HALL: Okay. When did --  
4 when did you commence these -- actually, let me  
5 step back.

6 What was the condition of the systems  
7 when you purchased them?

8 MR. COX: Yeah. The systems were all  
9 out of compliance for various different reasons  
10 with the Missouri Department of Natural Resources  
11 NPDES permit limits. And so they were -- they  
12 hadn't been reinvested in for a large number -- for  
13 a number of years. They were really antiquated  
14 mechanical plants. So I could go step by step  
15 through each system. Would that be helpful?

16 CHAIRMAN HALL: Well, I guess I -- so  
17 were there -- you said out of compliance with MDNR  
18 what?

19 MR. COX: NPDES. So that's National  
20 Pollution Discharge Elimination System. So that is  
21 the permitting system for water and waste-- for  
22 wastewater plants.

23 CHAIRMAN HALL: Okay. So is there a  
24 general category of lack of compliance or was it a  
25 whole variety of things?

1                   MR. COX: It was a variety of things  
2 for each system. All the systems had a couple  
3 similar traits, but some of the systems had  
4 different issues they were facing.

5                   CHAIRMAN HALL: I don't want to spend  
6 hours on it, but I do kind of want to get a flavor,  
7 and I want it to be expressed publicly, a flavor  
8 for what was wrong with the systems.

9                   MR. COX: Absolutely. So for WSS and  
10 WPC, both those systems were both under a schedule  
11 of compliance with Missouri Department of Natural  
12 Resources to treat nutrients in the wastewater. So  
13 ammonia is the big constituent that is a permit  
14 component that's coming across the state right now,  
15 that's coming into effect for every wastewater  
16 treatment plant across the state. So both of those  
17 systems were not able to effectively treat their  
18 waste for ammonia.

19                   WSS also was not disinfecting its  
20 waste. So, you know, pathogens, human pathogens  
21 were getting into the creek, and they had a  
22 schedule of compliance to meet that as well.

23                   The Villages had both ammonia removal  
24 issues, so same thing, and dis-- and they had an  
25 issue where their disinfection system wasn't

1 properly closed, so stuff was getting into it.

2 All three of the systems had storm  
3 water issues, so -- sanitary storm overflow issues.  
4 So either the collection system is antiquated so  
5 water was getting into the system and washing these  
6 plants out. So those are the major issues that we  
7 were facing at each one of these.

8 So a big storm event would come  
9 along, or not even a big storm but just a normal  
10 storm event would come along and wash out all three  
11 plants would have big overflows into the creek,  
12 which are clear violations.

13 CHAIRMAN HALL: And so upon purchase  
14 of the systems, you began a plan to remedy those  
15 violations?

16 MR. COX: Yes, sir, about 45 days  
17 after we took ownership.

18 CHAIRMAN HALL: And you spent how  
19 much in order to fix the systems?

20 MR. COX: Not quite \$1.5 million.

21 CHAIRMAN HALL: Are the systems all  
22 compliant today?

23 MR. COX: They are all compliant  
24 today, yes, sir.

25 CHAIRMAN HALL: And do you get some



1 official notice from DNR to tell you that they are  
2 in compliance?

3 MR. COX: Well, so we have to test  
4 these systems on a monthly basis. So really our  
5 compliance comes in the fact that we're passing our  
6 monthly test for each system. So we have turned --  
7 we test the wastewater effluent coming out of each  
8 plant on a monthly basis and turn those in to the  
9 Missouri Department of Natural Resources. So  
10 that's how you know you're in compliance because  
11 you're meeting all your permit limits.

12 CHAIRMAN HALL: Is there anything in  
13 the record that would document that compliance?

14 MR. COX: We've submitted our DMRs,  
15 our testing results to both the OPC and the PSC,  
16 correct.

17 CHAIRMAN HALL: And I'll ask this  
18 question of other parties as well, but has any  
19 party, Staff or OPC, ever indicated to you that  
20 they believed that the manner by which you remedied  
21 those violations was unreasonable or otherwise  
22 imprudent?

23 MR. COX: We've had argue about the  
24 prudence. There's no final argument on that.  
25 Everyone agreed these are reasonable and prudent in

1 the end, from my perspective.

2 CHAIRMAN HALL: Well, I mean, you --  
3 OPC and Staff representatives never indicated to  
4 you that any of those expenditures were  
5 unreasonable or otherwise imprudent?

6 MR. COX: That's correct.

7 CHAIRMAN HALL: Okay. And I'll give  
8 the parties an opportunity to piggyback on that,  
9 but I -- I believe it is very important that we  
10 make that abundantly clear to the public.

11 MS. PAYNE: Chairman, if I may? We  
12 can see -- I believe the documents from DNR that  
13 have been provided to Staff and OPC have not  
14 actually been filed in the record. I believe those  
15 were DR responses. So if you would like for the  
16 parties to file those into the record after this  
17 proceeding, we can see that that happens.

18 CHAIRMAN HALL: Concerning the  
19 current compliance with DNR?

20 MS. PAYNE: Yes. Yes.

21 CHAIRMAN HALL: I would appreciate  
22 that.

23 MS. PAYNE: Absolutely.

24 CHAIRMAN HALL: Thank you.

25 JUDGE DIPPELL: Would anyone object

1 to Staff putting those into the record?

2 MS. MAYFIELD: Subject to check so  
3 that we can assure which DR response you're  
4 submitting, OPC would not have an objection to  
5 that.

6 MS. PAYNE: Absolutely. We'll make  
7 sure that, before it's filed, all the parties agree  
8 to what documents are being filed into the record.

9 JUDGE DIPPELL: Okay. Thank you.  
10 Mr. Cooper?

11 MR. COOPER: We have no objection.

12 CHAIRMAN HALL: I think that's all I  
13 have on the capital expenditure issue. I do have a  
14 couple of questions about the cost of debt. But  
15 before I move on, does anyone else want to --

16 JUDGE DIPPELL: Commissioners, did  
17 you have additional questions?

18 COMMISSIONER STOLL: Good morning,  
19 Mr. Cox.

20 MR. COX: Good morning, sir.

21 COMMISSIONER STOLL: My question,  
22 too, will be regarding the cost of debt. That's  
23 one of my questions. And there's -- I think your  
24 direct testimony had good information regarding the  
25 difficulty in getting a loan from the traditional

1 sources that would -- that you would go to. It  
2 does mention in here that you went to over 50  
3 specialized infrastructure institutional investors,  
4 et cetera. Is there evidence of that in the  
5 record?

6 MR. COX: Yes, sir. I provided both  
7 names of groups I went to, submission packages I've  
8 turned in before, that kind of information.

9 COMMISSIONER STOLL: Okay. Good.

10 MR. COOPER: Although, Commissioner,  
11 this is going to be similar, I think, to the  
12 question about the test results. I think what  
13 Mr. Cox is referring to is that he supplied those  
14 to other parties. I don't know that they're  
15 necessarily, quote, unquote, in the record.

16 COMMISSIONER STOLL: Do you think  
17 they should be, Staff or OPC?

18 MS. PAYNE: I think to the extent  
19 that the company is okay with it, we could see that  
20 those, too, are filed in the record.

21 COMMISSIONER STOLL: I think that  
22 would be good. I'd like to see that.

23 Is the -- the source of your cost of  
24 debt, is it the same source as we saw in the  
25 Hillcrest?

1 MR. COX: Yes, sir.

2 COMMISSIONER STOLL: My -- my only  
3 issue with this is that traditionally the cost of  
4 debt should be lower than equity. And I understand  
5 this is kind of a different relationship because  
6 you have the equity owner also loaning for the  
7 debt, but it just seems that 14 percent is a pretty  
8 high interest rate. Could you explain why it's  
9 that high?

10 MR. COX: Yes, sir. These systems  
11 are extremely dilapidated, have a number of  
12 environmental issues going into them. They're all  
13 loss-making from a cash basis. So there is almost  
14 no net rate base left in the system. We need to  
15 put professional management in place. They're all  
16 negative cash flow situation, and there's these  
17 contingent environmental liabilities associated  
18 with them.

19 And, you know, I completely  
20 understand why the ratemaking process is the way it  
21 is. It's a serious -- it's a serious deal with  
22 real impacts on residents. So this is -- I  
23 understand why the process is the way it is, but it  
24 is a very complicated and long process.

25 So a great example, for Raccoon

1 Creek, we applied in -- we applied in, I think,  
2 April/May of 2014, and I won't receive rates in  
3 place to support improvements until January of '17.  
4 So those are really complicating factors when it  
5 comes to try and tap traditional debt capital  
6 markets. Those are the challenges that we're  
7 facing for taking over these small distressed  
8 systems.

9 COMMISSIONER STOLL: Yeah. Again, I  
10 think you laid out the -- that argument, as did  
11 Mr. Kain in his testimony. That was my main  
12 question about that cost of debt. It just --  
13 it's -- well, I might ask at this time -- well,  
14 maybe I'll wait and ask OPC later. I will --  
15 that's my only question, and I'll let the Chairman  
16 take over there.

17 JUDGE DIPPELL: Commissioner Coleman,  
18 did you have questions about the improvements or  
19 the investments in the system? I know the Chairman  
20 had some more questions about the cost of debt.

21 COMMISSIONER COLEMAN: I do have a  
22 question regarding improvements. I think I want to  
23 wait until I hear a little bit. More maybe before  
24 Mr. Cox leaves the stand, I can ask that question.

25 JUDGE DIPPELL: All right.

1 Mr. Chairman, did you have some more questions?

2 CHAIRMAN HALL: Yeah. So continuing  
3 on the cost of debt line of inquiry, you indicated  
4 in your written testimony, as you did in your  
5 testimony in the Hillcrest case, that you're  
6 continuing to reach out to banks and other lenders  
7 to reduce that cost of debt. Can you -- can you  
8 explain what your approach is and why if you've  
9 been to -- if you've struck out 50 times, why it's  
10 going to change in the future?

11 MR. COX: So can I repeat your  
12 question, make sure? What is my approach and why  
13 do I think it's going to change in the future; is  
14 that correct?

15 CHAIRMAN HALL: Sure.

16 MR. COX: So my approach is to show  
17 that over time, through multiple acquisitions and  
18 rate increases, that this is a stable regulatory  
19 market. And since it's a stable regulatory market,  
20 even though there are unique challenges being in  
21 utilities, there is a method to which traditional  
22 capital markets would make loans into these  
23 systems.

24 So obviously you go through the  
25 process more than once, you know, banks or other

1 debt sources can look and see, hey, look, if you  
2 do -- if you do the process correctly, if you work  
3 with the regulators correctly, there is a stable  
4 return here, and thus it opens capital markets. So  
5 that's the approach.

6 And I continue -- I mean, I've met  
7 with five banks this week. So I am continuing to  
8 approach banks and even private equity groups, that  
9 kind of thing, to try and see if I can lower the  
10 cost of capital, which is ultimately the goal.

11 CHAIRMAN HALL: So does your  
12 particular financing allow -- allow for a  
13 refinance?

14 MR. COX: I have not explored  
15 refinance yet. It does allow, that's true.

16 CHAIRMAN HALL: So this is -- so then  
17 when you talk about reaching out to other possible  
18 lenders, it's for new loans, it's not for existing  
19 loans?

20 MR. COX: Both. Both.

21 CHAIRMAN HALL: So you are talking  
22 about existing loans?

23 MR. COX: I am trying to -- I will  
24 take whatever capital -- lower capital costs I can  
25 get and try and work it into the stack for the



1     entire company.

2                   CHAIRMAN HALL:   Maybe my terminology  
3     is wrong, but isn't that essentially a refinance?  
4     If you are trying to reach out to lenders  
5     concerning existing loans, is that not a refinance?

6                   MR. COX:    So I'm sorry.   It's a  
7     terminology difference.   As I look --

8                   CHAIRMAN HALL:   I'm sure yours is  
9     probably correct and mine is not.

10                  MR. COX:    So I'm -- you know, so I  
11     guess I am looking -- obviously you are correct,  
12     I'm looking for new money, so new loans for new  
13     acquisitions.   Yes, that is true.   And also I'm  
14     approaching other capital groups if they would come  
15     into the company and bring money in at a lower  
16     rate, so across the board and for new acquisitions  
17     all at once.   So as I talk to non-bank entities,  
18     that's what I'm doing.

19                  CHAIRMAN HALL:   So when you talk  
20     about bringing -- what was the second one again?

21                  MR. COX:    Non-bank entities.   So  
22     maybe --

23                  CHAIRMAN HALL:   Let's put aside all  
24     discussion of seeking financing for new  
25     acquisitions.   Let's talk about current --

1 currently owned systems and the current debt that  
2 you are paying to remedy violations concerning  
3 those systems. Talking about the 1.5 million spent  
4 on these three systems that you're currently paying  
5 14 percent for that -- for that debt. Are you  
6 talking to investors about refinancing that debt?

7 MR. COX: I am not talking to  
8 investors about refinancing that debt yet because I  
9 haven't had stabilized revenues to talk about that  
10 with.

11 CHAIRMAN HALL: So at some point in  
12 time, you might be able to refinance that debt if  
13 the -- if investors view this as a stable market?

14 MR. COX: That's possible. And it's  
15 also possible I could get new investors and a lower  
16 cost of capital as well.

17 CHAIRMAN HALL: For the current debt?

18 MR. COX: Right.

19 CHAIRMAN HALL: So that is something  
20 that we might see in the next rate case?

21 MR. COX: That is correct. That's  
22 very possible.

23 JUDGE DIPPELL: Mr. Chairman,  
24 Commissioner Stoll has a --

25 COMMISSIONER STOLL: I think on that

1 line of questioning my question would be, what  
2 incentive is there for you to do that when you're  
3 getting 14 percent interest on these loans?

4 MR. COX: Well, I am not getting  
5 that. So the company doesn't get any part of that.  
6 So I represent the company here, and obviously my  
7 cost of capital matters for my customers. It also  
8 matters for my future ability to do deals. So I'm  
9 continually looking for a lower cost of capital.

10 COMMISSIONER STOLL: So I guess we  
11 can talk about your source of capital currently.  
12 What is your current source of capital?

13 MR. COX: It's -- it's a loan  
14 company, First Star Ventures, that is wholly owned  
15 outside of my -- outside of our company.

16 COMMISSIONER STOLL: But do you have  
17 some relationship to them?

18 MR. COX: I do not. So the loan  
19 company is owned by investors in my company. So  
20 that's the relationship, but, you know, the company  
21 is separate, you know, and I am -- I represent the  
22 company and working, you know, as the utility  
23 company. This is kind of a lender of last resort  
24 in these situations.

25 COMMISSIONER STOLL: I mean, to

1 answer your question, Mr. Chairman, I'm not sure  
2 what the incentive would be to ever want to  
3 refinance these actually, but maybe we'll see in  
4 the future.

5 MR. COOPER: I think the stability,  
6 and I think this is what -- or the incentive, and  
7 this is that Mr. Cox was saying, is that I think  
8 the long-term viability of this company and the  
9 process and to continue for years and years into  
10 the future I think counts on at some point making  
11 that turn. Just my way of saying it, but I think  
12 that's the incentive.

13 CHAIRMAN HALL: Yeah. And I think  
14 that's 100 percent accurate, because we approved a  
15 14 percent cost of debt the last time this company  
16 was here. There's a Stipulation that is approving  
17 a 14 percent cost of debt this time, and maybe the  
18 next time this company comes we may approve a  
19 14 percent cost of debt. But I'll tell you, two,  
20 three, four, five times, we ain't going to approve  
21 it.

22 So I think your counsel is  
23 100 percent accurate, and I think that does address  
24 your concerns, Commissioner Stoll, that the company  
25 understands that it has an interest to find lower

1 cost of debt.

2 COMMISSIONER STOLL: Yeah. Not to  
3 prejudge a future case, but the -- I just again  
4 fail to see the incentive because I question the  
5 arm's length lack of -- maybe lack of arm's length  
6 relationship out there, but I'll leave it at that.  
7 But I agree with you. I'm -- I'll stop there.

8 JUDGE DIPPELL: Commissioner Coleman,  
9 you had a --

10 COMMISSIONER COLEMAN: I can  
11 appreciate where Commissioner Stoll is coming from  
12 because when Mr. Cox describes that it's a  
13 different company yet there are investors, people  
14 involved in your company that are involved in the  
15 other company, it's -- it seems like it's not arm's  
16 length to me. It seems that it's kind of hard to  
17 explain to people how it isn't the same.

18 And so Commissioner Hall's --  
19 Chairman Hall's statement about coming back over  
20 and over and over again with these types of  
21 requests, I think we should all be concerned about  
22 any -- about where we're going here because it's --  
23 we're talking real money that affects real people.

24 And it seems that you certainly are  
25 always going to have these types of disagreements

1 and concerns when it comes to asking people to dig  
2 deeper in their pockets. So we need you to dig  
3 deeper and find some real significant financing.

4 MR. COX: Yes, ma'am. I understand.

5 COMMISSIONER COLEMAN: Thank you.

6 Thank you, Judge.

7 JUDGE DIPPELL: Mr. Chairman?

8 CHAIRMAN HALL: I don't think I have  
9 any other questions for Mr. Cox at this time. I do  
10 have some other questions for counsel that may  
11 involve bringing other witnesses to the stand.

12 COMMISSIONER STOLL: I don't think I  
13 do either. My questions would be to Office of the  
14 Public Counsel and a couple questions maybe for  
15 Staff regarding issues in the Stipulation.

16 JUDGE DIPPELL: Okay. Before Mr. Cox  
17 steps down, did OPC want to -- I thought you wanted  
18 to respond to his statement regarding objections of  
19 imprudence in the investments.

20 MS. MAYFIELD: First off, I would  
21 like to respond that since this is a black box  
22 settlement, I would like to make clear, because I  
23 think Chairman Hall made the statement and I  
24 believe it to be incorrect, OPC does not agree with  
25 the cost of debt here. This is a black box

1 settlement, so the cost of debt is not specifically  
2 outline. It is included in the overall total  
3 revenue requirement that we settled on.

4 In terms of imprudence, I would  
5 probably ask either Keri Roth or Jim Russo to bring  
6 this up because I know at one point in time at  
7 least prior to the settlement, I believe OPC did  
8 have some concerns related to the imprudence of the  
9 investments in the system.

10 But again, in the spirit of trying to  
11 get this settled and to resolve this, sometimes  
12 those concerns are moved off because, you know,  
13 it's a settlement. It's a give and take. So  
14 originally those questions were on the table, but  
15 they have been subsequently removed.

16 COMMISSIONER STOLL: I might ask -- I  
17 might ask this question, then. I might ask this  
18 question, then. And that's what I wanted to know.  
19 What was it about the Stipulation that made OPC  
20 comfortable enough to enter into it? And you're  
21 saying there was a give and take on issues,  
22 probably things like coming back within 12 to 18  
23 months for the rate case and so on.

24 What made you comfortable enough to  
25 agree to the Stipulation, or do you want to say?

1 MS. MAYFIELD: Well, I mean, any time  
2 you enter into a settlement, obviously there are a  
3 lot of moving parts and pieces here. I believe  
4 this Commission is aware that the Office of Public  
5 Counsel has appealed the Hillcrest decision. And  
6 some of the questions that you're asking today I  
7 wish you would have been here in the Hillcrest  
8 hearing to ask.

9 So some of the issues we think may be  
10 resolved as a result of the appeal. And so knowing  
11 that that appeal is pending, and knowing how the  
12 Commission came out on the cost of debt in  
13 Hillcrest to us I think largely moved us that this  
14 was a good outcome potentially or a good outcome  
15 for the ratepayers in these particular systems  
16 given what we felt would have been a complete  
17 relitigation of Hillcrest and a likely similar  
18 result.

19 COMMISSIONER COLEMAN: Judge?

20 JUDGE DIPPELL: Yes.

21 COMMISSIONER COLEMAN: I'd just like  
22 for the record everybody here to know that even  
23 when we don't ask a question, it doesn't preclude  
24 anyone from providing us that information during  
25 these types of hearings. Thank you.



1 COMMISSIONER STOLL: One more.

2 JUDGE DIPPELL: Commissioner Stoll.

3 COMMISSIONER STOLL: So you're saying  
4 you wish I would have brought this up in the  
5 Hillcrest case?

6 MS. MAYFIELD: I think the questions  
7 that you're asking today related to the cost of  
8 debt and Commissioner Coleman's questions related  
9 to the arm's length transactions I believe would  
10 have been helpful for us in the Hillcrest maybe,  
11 maybe flesh that topic out further, yes,  
12 Commissioner Stoll.

13 JUDGE DIPPELL: Thank you. Are  
14 there -- Commissioner Coleman, you had something  
15 else? No? Okay. Mr. Chairman, were you --

16 CHAIRMAN HALL: I have some -- I have  
17 some questions for counsel.

18 JUDGE DIPPELL: Okay. Mr. Cox, you  
19 may step down.

20 MR. COX: Thank you.

21 CHAIRMAN HALL: To return to one of  
22 my favorite topics, and I put favorite in quotes,  
23 what was the rate case expense in this case?

24 MS. PAYNE: Chairman, there has been  
25 a small amount of rate case expense included for

1 the purposes of Staff's amount in its accounting  
2 schedule. Obviously with a black box settlement  
3 all of the pieces that go into that, but the amount  
4 that was included was for legal fees, and that is  
5 the only rate case expense that was included in  
6 Staff's proposed revenue requirement.

7 CHAIRMAN HALL: And that was how  
8 much?

9 MS. PAYNE: \$8,400.

10 CHAIRMAN HALL: And what was the  
11 company's position on that?

12 MR. COOPER: Chairman, we -- I'm  
13 trying to figure out exactly how to say this. But  
14 as Staff indicated, there's rate case expense,  
15 there's some legal expense in the cost of service  
16 or in the Staff's number that was developed for the  
17 case. And I think that number, I don't know how  
18 many years, but it would have -- a piece of that  
19 would actually be in the cost of service because  
20 that rate case expense number is normalized, so it  
21 gets spread over a certain number of years.

22 From the company's perspective, we  
23 felt we were able to settle this case at an  
24 acceptable number at a time before the full rate  
25 case expense was known. So it's a long way around

1 of saying there's some rate case expense in the  
2 number or in Staff's number, but I think each party  
3 may have a different view of how much is in there  
4 in the settlement?

5 CHAIRMAN HALL: And I'm just trying  
6 to get a sense as to how much. So there's nothing  
7 in the record indicating what the company's  
8 position was at any stage of the proceeding on rate  
9 case expense?

10 MR. COOPER: Not as to dollars. We  
11 had indicated that we thought that it should be  
12 collected through a week after the filing of reply  
13 briefs, which we never -- if approved, we will  
14 never get to, and that it should be normalized over  
15 three years. There's some other -- in rebuttal  
16 testimony some folks took the position that it  
17 should be normalized over five years, I believe.

18 But the settlement allows us to not,  
19 one, incur as much rate case expense as we would  
20 going through that process, and two, to reflect  
21 from our perspective a portion of the incurred  
22 expense in the rate and go from there.

23 CHAIRMAN HALL: Did OPC ever have a  
24 position on rate case expense?

25 MS. MAYFIELD: No, we did not.

1                   CHAIRMAN HALL: All right. Who on  
2   behalf of OPC would be able to explain what  
3   concerns Public Counsel may have had at some point  
4   in time about the reasonableness and prudence of  
5   the capital expenditures?

6                   MS. MAYFIELD: Chairman,  
7   unfortunately, probably the best witness would be  
8   Jim Russo. We did not have an engineer in this  
9   case, and so -- and I don't even know generally if  
10  Russo can as well. Again, these were questions  
11  that were formulated early on.

12                  I mean, some of the questions just  
13  came about as a result of just looking at some of  
14  the DR responses and whether or not the systems  
15  were truly as out of compliance as stated. And  
16  that was based on looking at some of the DNR  
17  inspections on these systems prior to their  
18  transfer, so --

19                  CHAIRMAN HALL: Let me frame it this  
20  way. Is there anything in the record that supports  
21  a contention that any of those expenditures were  
22  unreasonable or otherwise imprudent?

23                  MS. MAYFIELD: Not in the record, no,  
24  your Honor -- Chairman.

25                  CHAIRMAN HALL: Would Staff agree

1 with that, that there is no evidence whatsoever in  
2 the record indicating that any of those  
3 expenditures related to the 1.5 spent on remedying  
4 the system in response to the violations cited by  
5 DNR were unreasonable or otherwise imprudent?

6 MS. PAYNE: Staff would agree with  
7 that. To the extent that you had specific  
8 questions, we could call our witness Curtis Gateley  
9 to the stand.

10 CHAIRMAN HALL: I think I'm fine with  
11 the record as it stands then.

12 All right. So then who on behalf of  
13 OPC would be able to explain to me why this  
14 Stipulation supports just and reasonable rates?  
15 And if you don't have someone, counsel, and you  
16 just want to make the statement on behalf, I can  
17 live with that, but I prefer to have a live  
18 witness.

19 Ms. MAYFIELD: I think Chuck Hyneman  
20 will be grudgingly coming up. I can make the  
21 statement that, I mean, we feel that this results  
22 in just and reasonable rates. But to the extent  
23 that Mr. Hyneman can answer any more specific  
24 questions, I would pass this to Chuck, to  
25 Mr. Hyneman.

1 (Witness sworn.)

2 JUDGE DIPPELL: Thank you. If you  
3 could again state your name and give your position  
4 at OPC.

5 MR. HYNEMAN: Charles R. Hyneman.  
6 I'm the chief accountant, chief public utility  
7 accountant with the Office of Public Counsel.

8 JUDGE DIPPELL: Thank you.

9 MR. HYNEMAN: Chairman.

10 CHAIRMAN HALL: Good morning.

11 MR. HYNEMAN: Good morning.

12 CHAIRMAN HALL: So let's just start  
13 with -- and maybe we'll end here, but let's start  
14 with the question, do you believe that the  
15 Stipulation sets forth rates that are just and  
16 reasonable?

17 MR. HYNEMAN: I can say that the  
18 Stipulation provides OPC with some consideration  
19 that the rates that will be in effect have an  
20 opportunity to be changed in the not too distant  
21 future. And given all the considerations that OPC  
22 had, that it was satisfied with this Stipulation &  
23 Agreement.

24 CHAIRMAN HALL: Okay. So in other  
25 words, what makes this Stipulation acceptable to

1     you on behalf of OPC is the provisions that set  
2     forth procedures for a new rate case, for the next  
3     rate case for an apartment class and other  
4     provisions in there concerning rates down the line?

5                   MR. HYNEMAN:  And I -- the  
6     negotiations of this is done by OPC counsel and OPC  
7     Mr. James Owen.  I'm reflecting my understanding of  
8     that and in discussions that the consideration that  
9     rates will be reviewed in 18 months to two years  
10    was critical.  The fact that we had, you know,  
11    current litigation with the Hillcrest case was  
12    critical to that.

13                   So I know those two components are  
14    what was the primary drivers behind OPC in this  
15    Stipulation.  That's my understanding.

16                   CHAIRMAN HALL:  Okay.  I have nothing  
17    further.

18                   JUDGE DIPPELL:  Commissioner Stoll?

19                   COMMISSIONER STOLL:  I have no  
20    questions of this witness.  I just have one more  
21    question for Staff then.

22                   JUDGE DIPPELL:  Okay.  Mr. Hyneman,  
23    you may step down.

24                   COMMISSIONER STOLL:  In the  
25    Stipulation & Agreement under -- on page 3 under

1 customer deposits, it says that the tariff -- okay.  
2 Raccoon Creek will process a tariff that shall  
3 comply with the Commission rules found in  
4 Chapter 13 regarding the use of collecting customer  
5 deposits to address its bad debt.

6 Could you explain what that process  
7 is? How will they deal with that? Because I know  
8 in some of the direct testimony it was stated that  
9 that is an issue.

10 MS. PAYNE: Absolutely. So  
11 Chapter 13, CSR 240-13.030 actually outlines a  
12 process for a utility to permissively use customer  
13 deposits, and that is for incoming customers and  
14 existing customers under the situation where there  
15 has been nonpayment of bills in the past. And the  
16 way the process would work is that, given a certain  
17 amount of time or certain number of unpaid bills, a  
18 deposit may be required, or given a history of  
19 unpaid bills, a deposit may be required.

20 In such a situation, the company  
21 would hold that deposit for the future use of  
22 unpaid bills, but given a period of time of 12  
23 months of properly paid bills, then that amount  
24 would need to be refunded with interest.

25 COMMISSIONER STOLL: Is there



1 currently a deposit?

2 MR. COOPER: No, Commissioner,  
3 there's no --

4 COMMISSIONER STOLL: No deposit?

5 MR. COOPER: -- no deposit currently  
6 in the tariff, or no provision to require a deposit  
7 that's in the tariff. I would point out that I  
8 think the testimony reflected that this was  
9 primarily an issue as to the Villages. And in the  
10 company's rebuttal testimony it outlines some steps  
11 that it has taken already to try to deal with that  
12 issue, one of which is a shutoff agreement with the  
13 water district that provides the water service  
14 which is permitted by the utility statutes, some  
15 additional communication that comes out of that  
16 process, and as well as some working with the Air  
17 Force personnel as well to deal with that.

18 COMMISSIONER STOLL: Okay. I  
19 understand. That sounds good. It's -- I know it's  
20 an issue with a variety of utilities, and it's --  
21 it's best, I think, if we are able to do something  
22 like that other than other means. So I think  
23 you're on the right track. Thank you.

24 JUDGE DIPPELL: Mr. Chairman?

25 CHAIRMAN HALL: I have a general

1 question. Would it not be possible to set rates  
2 based on water usage?

3 MR. COOPER: It's more difficult in  
4 this situation because the company's not the water  
5 provider.

6 CHAIRMAN HALL: But clearly it has  
7 access to water usage. I mean, I've got a binder  
8 full of information about water usage.

9 MS. PAYNE: Chairman, our experience  
10 is that the -- and Staff witness Curtis Gateley  
11 could explain this better than I can, but water  
12 usage alone is not always a clear -- a clear  
13 determining factor of how the sewer usage would  
14 actually be reflected. It's difficult to tell.

15 CHAIRMAN HALL: It's fairly common in  
16 the industry. I mean, I don't know if it's the  
17 most common. I see Mr. Busch shaking his head.

18 MR. COOPER: Chairman, I think the  
19 biggest issue is continued access. I think the  
20 information that you've seen, the information maybe  
21 that Mr. Russo is looking at was for the Villages,  
22 which is provided by one water provider. It's  
23 different water providers for -- or provider for  
24 the WPC and the West 16th Street systems.

25 And it's just -- there's just not a

1 confidence of continued provision of that data in a  
2 form that the company can count on for regular  
3 billing.

4 CHAIRMAN HALL: Well, it's not  
5 relevant at the end of the day to this Stipulation  
6 and to this rate case, but I would suggest that at  
7 the next rate case that issue be explored because  
8 it seems to me that there is some logic between --  
9 there's some logic that the amount of sewage is  
10 related to the amount of water coming into the  
11 house.

12 And I in general support rate  
13 structures that reflect people getting billed for  
14 what they're using. So at the next rate case, I  
15 would just encourage the parties to look at that  
16 issue as a possibility.

17 MR. COOPER: We certainly will,  
18 Chairman. I think the initial response on the -- I  
19 think it's the City of Sedalia that's actually the  
20 provider for WPC and West 16th Street, and their  
21 initial response was refusal to provide that data.  
22 But we can -- certainly we understand your point.

23 CHAIRMAN HALL: All right. And I  
24 understand yours. I don't think I have any other  
25 questions. I will say again what I said in agenda

1 yesterday. I really do appreciate the parties  
2 coming together, resolving -- resolving this case  
3 as set forth in the Stipulation.

4 I'm very interested in ways to  
5 facilitate those types of agreements earlier in the  
6 process, saving everybody time, energy and  
7 resources. And that is something that we are  
8 currently looking at in terms of our small water  
9 and sewer rule, trying to develop ways to  
10 facilitate an earlier resolution of these types of  
11 disputes.

12 Thank you.

13 JUDGE DIPPELL: Commissioner Stoll?

14 COMMISSIONER STOLL: No, I have  
15 nothing else. Thank you.

16 JUDGE DIPPELL: Did any of the  
17 parties have anything further that they wanted to  
18 put on the record?

19 MR. COOPER: No, your Honor.

20 JUDGE DIPPELL: All right, then. I  
21 believe, then, that that will conclude this  
22 hearing. And I, too, appreciate your cooperation  
23 and your attendance, and we can go off the record.

24 (WHEREUPON, the on-the-record  
25 presentation concluded at 9:36 a.m.)

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C E R T I F I C A T E

STATE OF MISSOURI)

) SS.

COUNTY OF COLE )

I, Kellene K. Feddersen, Certified Shorthand Reporter with the firm of Midwest Litigation Services, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

Given at my office in the City of  
Jefferson, County of Cole, State of Missouri.

Kalle Gadd

KELLENE K. FEDDERSEN, RPR, CSR, CCR #838

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