

EXHIBIT No.:	
ISSUE(S):	Overearnings
WITNESS:	Ted Robertson
Type of Exhibit:	Surrebuttal
SPONSORING PARTY:	Public Counsel
CASE NUMBER:	WC-2007-0038
DATE TESTIMONY PREPARED:	March 30, 2007

SURREBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of
the Office of the Public Counsel

CENTRAL JEFFERSON COUNTY UTILITIES, INC.,

CASE No. WC-2007-0038

March 30, 2007

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

Office of the Public Counsel,
an agency of the State of Missouri,
COMPLAINANT

v.

Central Jefferson County Utilities, Inc.,
RESPONDENT

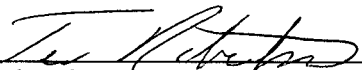
Case No. WC-2007-0038

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




Ted Robertson, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 30th day of March 2007.



JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #05754036



Jerene A. Buckman
Notary Public

My commission expires August 10, 2009.

**SURREBUTTAL TESTIMONY
OF
TED ROBERTSON**

**CENTRAL JEFFERSON COUNTY UTILITIES, INC.
CASE NO. WC-2007-0038**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. ARE YOU THE SAME TED ROBERTSON THAT PREVIOUSLY FILED
TESTIMONY IN THIS CASE?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to address comments presented in the rebuttal
testimony of Missouri Public Service Commission ("MPSC" or "Commission")
Staff witness, Mr. Dale W. Johansen, on the issue of Public Counsel's complaint
that Central Jefferson County Utilities, Inc., is in a position of overearning with
regard to its Commission authorized return.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE ESSENCE OF
MR. JOHANSEN'S REBUTTAL TESTIMONY.

A. Mr. Johansen's rebuttal testimony states that Public Counsel's complaint is based
on Staff's audit results from Tracking File Case No. QS-2006-0003 and that the

1 work product developed in the audit is not yet "completed." However, he did not
2 identify any portion of the audit or any entry, calculation, or other amount in the
3 audit findings that he believed was in error, mistaken, incorrect or in any other
4 way inaccurate. Furthermore, he did not identify any additional investigation or
5 analysis the Staff had planned or that must be conducted before he considers the
6 audit to be "completed." In fact, the only information he provides to support his
7 contention that the audit is "incomplete" is that the Company has not formally
8 responded to the audit results Staff provided to it in April, 2006.

9
10 Q. IS IT YOUR UNDERSTANDING THAT THE STAFF'S AUDIT OF THE
11 COMPANY'S FINANCIAL COST STRUCTURE HAS BEEN COMPLETED?

12 A. Yes. I have had discussions with the Staff auditors that were actually responsible
13 for conducting the audit and in no instance did they indicate to me that they
14 expected to do any further work on the case.

15
16 Q. HAS STAFF SUBSEQUENTLY UPDATED OR MODIFIED ITS AUDIT
17 RESULTS TO SHOW THAT THE OVEREARINGS IDENTIFIED IN PUBLIC
18 COUNSEL'S COMPLAINT ARE NOT OCCURRING?

19 A. No. The audit results supporting Public Counsel's complaint were provided to
20 Company and Public Counsel in mid-April 2006 (page five, lines 19-20 of Mr.
21 Johansen's rebuttal testimony). Since that date, to my knowledge, the Staff
22 auditors have not modified or updated the audit results. Further, it is my

1 understanding, that as far as the Staff auditors are concerned the audit results
2 presented to the Company and Public Counsel in April, 2006 were final.

3
4 Q. WAS MR. JOHANSEN ASSIGNED AS AN AUDITOR TO THE CASE?

5 A. No. It is my understanding that Mr. Johansen is not an auditor and that he did not
6 perform any significant audit services in that capacity during the investigation. In
7 fact, my review of the Staff's audit workpapers failed to identify a single
8 workpaper or adjustment in the audit results that he prepared or for which he was
9 responsible in an auditor capacity.

10
11 Q. WHY DOES MR. JOHANSEN ALLEGE THAT THE STAFF AUDIT
12 RESULTS ON WHICH YOU RELIED ARE "INCOMPETE?"

13 A. The reasons Mr. Johansen provides to support his allegation that the audit results
14 are incomplete are stated in his rebuttal testimony beginning on page 6, line 8, as:

15
16 Q. What transpired after the April 28, 2006 conference call?

17
18 A. **On May 18, 2006, the Staff and the Company executed**
19 **an agreement for an extension of time related to consideration**
20 **of the request in QS-2006-0003. That agreement extended the**
21 **"end-date" for consideration of the request from May 12, 2006**
22 **to July 14, 2006. (A copy of this extension agreement can be**
23 **found in the EFIS Tracking file for the request.) Subsequently, on**
24 **July 20, 2006, a Company representative sent me an e-mail**
25 **message noting that an agreement for the sale of the**
26 **Company's water and sewer systems had been signed, and that**
27 **an application for the Commission's approval of the sale was**
28 **forthcoming. As a result of this, the Staff and the Company**
29 **agreed that consideration of the Company's request to**

1 **implement a new sewer service connection fee, and the related**
2 **Staff audit of the Company's overall operations, would be**
3 **"suspended" pending the resolution of the forthcoming**
4 **application.**

5
6 Q. Did CJCUC ever formally respond to the Staff's audit
7 findings during the time between April 28, 2006 and July 20,
8 2006?

9
10 A. **No, it did not. And as a result of this, it is my opinion**
11 **that the audit findings that the Staff provided to the Company**
12 **and the OPC should be considered preliminary and**
13 **"incomplete."**

14
15 (Emphasis added by Public Counsel.)
16
17

18 Q. IN YOUR OPINION, IS THE COMPANY'S LACK OF A FORMAL
19 RESPONSE TO THE STAFF'S AUDIT FINDINGS A VALID REASON FOR
20 MR. JOHANSEN TO DECLARE THE AUDIT AND ITS ASSOCIATED
21 WORK PRODUCT INCOMPLETE?

22 A. No. Mr. Johansen has not presented any evidence that the audit results
23 themselves, as developed and prepared by Staff auditors, are not accurate or valid.
24 In fact, his testimony says absolutely nothing that would indicate that any specific
25 cost, or group of costs, analyzed in the actual audit are inappropriately included in
26 the Staff's audit results. Since identify any errors, inaccuracies, or other matter
27 that would materially change the audit results, I can only conclude that the audit
28 results accurately reflect the Company's financial condition.
29

1 Furthermore, Mr. Johansen apparently did not have any reservations or concerns
2 about any specific portion of the audit that he felt was significant enough to cause
3 the Staff not to distribute the audit to the Company and Public Counsel. His sole
4 support for claiming that the audit results are incomplete is that the Company did
5 not formally respond to the overearnings identified by the Staff auditors.

6 Whereas, Public Counsel believes that the Company's refusal, or failure, to
7 formally respond to audit results does not change the results of the audit or render
8 it incomplete, inaccurate, or invalid. If that were true, a utility could "game" the
9 audit process by not formally responding to any adverse audit result, thereby
10 making the audit "incomplete."

11
12 Lastly, Public Counsel found the Staff's reluctance to file a complaint against the
13 Company, once its audit identified the overearnings situation, disturbing. I
14 believe Staff's action, or inaction, probably had more to do with events that would
15 occur after a possible future sale of the Company rather than the current fair
16 treatment of overcharged ratepayers.

17
18 Q. HAS MR. JOHANSEN IDENTIFIED ANY PORTION OF THE COSTS
19 ASSOCIATED WITH STAFF'S AUDIT THAT REMAINS TO BE
20 FINALIZED?

21 A. No. Mr. Johansen has not challenged the validity or accuracy of the Staff's actual
22 audit results or identified any further audit tasks that the Staff left unfinished or

1 required further work to be completed. His sole support to claim the audit is
2 “incomplete” is that the Company has not formally responded to the Staff
3 auditors’ finding of overearnings in both the water and sewer operations.
4

5 Q. DID STAFF AND THE COMPANY HAVE THE OPPORTUNITY TO
6 PRESENT EVIDENCE TO REBUT PUBLIC COUNSEL'S OVEREARNINGS
7 COMPLAINT?

8 A. Yes. As is often the case, audit results can theoretically never be truly determined
9 complete until the Commission authorizes a change in rates. Minor
10 modifications, or even an entire change in position, often occur prior to the
11 Commission's final authorization. However, the procedural schedule in this case
12 allowed both the Company and Mr. Johansen several months lead time before the
13 filing due date of rebuttal testimony to identify for the Commission any errors,
14 corrections, or omissions in the audit results. Either or both could have provided
15 corrected and/or new financial evidence concerning the level of earnings being
16 experienced by the Company, had they actually chosen to rebut the evidence of
17 overearnings contained in Public Counsel's complaint.
18

19 Q. DID THE COMPANY OR STAFF PRESENT ANY EVIDENCE THAT THE
20 AUDIT RESULTS THEMSELVES ARE INCOMPLETE OR INACCURATE?

21 A. No. The Company chose not to file any rebuttal testimony. As a result, the
22 Company did not rebut Public Counsel’s overearnings allegation thus, even if it

denies and disputes Public Counsel's complaint, it has not presented any evidence to refute the overearnings or the underlying facts that support the complaint.

As for the MPSC Staff, it did not present any evidence that the audit results themselves are incomplete or inaccurate. Instead, Staff filed one piece of rebuttal testimony (i.e., Mr. Johansen's) which states that the work product relied on by Public Counsel was "incomplete." Although he calls the work product "incomplete," Mr. Johansen appears not to address the actual audit findings since his only support for the "incomplete" allegation is that the Company did not formally respond to the audit findings. However, Company's failure to file rebuttal testimony to refute the overearnings complaint indicates to me a response of acquiescence. Thus, Mr. Johansen's allegation of no formal response from the Company is an invalid and inadequate reason for not reducing rates as requested in Public Counsel's complaint.

Q. DID THE COMPANY AND STAFF HAVE AN ADEQUATE PERIOD OF TIME TO REFUTE THE OVEREARNING AMOUNTS IDENTIFIED IN PUBLIC COUNSEL'S COMPLAINT?

A. Yes. Clearly, the nine month interlude between the time when Staff first presented its audit results to the parties and when Mr. Johansen filed his rebuttal testimony should have been adequate for the parties (i.e., both Staff and the Company) to make any corrections or modifications they deemed necessary if

1 they believed the Staff's audit results were incomplete. Yet, the Company filed no
2 rebuttal testimony and Mr. Johansen presented no new financial information that
3 would refute the Staff auditors' original results. Mr. Johansen did not file any
4 updates or modifications to the audit findings, nor did he provide any evidence
5 that those actual financial results, on which I relied, were inaccurate or invalid in
6 any way. Since neither Company nor Mr. Johansen has provided the Commission
7 with any evidence, financial or otherwise, that would refute the Staff auditors'
8 audit findings, I submit that those audit findings, upon which I relied, are valid
9 and reasonable.

10
11 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S POSITION.

12 A. It is my belief that Mr. Johansen is merely attempting to stall a determination of
13 the overearnings issue until such time as the Company's proposed sale can be
14 finalized. If the work product associated with audit results were truly incomplete,
15 as alleged by Mr. Johansen, it would have benefited this Commission to have had
16 its own staff advise it of where those errors lie. The Commission should be made
17 aware of any overearnings; however, Staff did not follow up with a complaint
18 case based on its own audit findings. Instead, Staff chose to ignore the
19 overearnings found in its audit by deciding to rely on a potential, but not certain,
20 sale of the water and sewer operations. After Public Counsel became aware of the
21 situation it filed the current complaint case. Since then no errors in the actual
22 audit results have been identified or supported by Mr. Johansen or the Company.

1
2 As I stated in my direct testimony, I relied on the Exhibit Manipulation System
3 ("EMS") accounting schedules and workpapers developed by the MPSC Staff
4 during their audit of the utility in Tracking File Case No. QS-2006-0003 to
5 determine that the Company is overearning its authorized return. Those
6 documents (attached as schedules to my direct testimony) show that the annual
7 level of overearnings the utility operations are currently experiencing is \$51,500
8 for the sewer operation and \$16,900 for the water operation. Since neither
9 Company nor Mr. Johansen has presented any evidence in this case that would
10 refute the overearnings, Public Counsel recommends that the rates of the utility
11 operations be reduced so that the overearnings are eliminated on a going forward
12 basis.

13
14 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

15 A. Yes, it does.