

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

\_\_\_\_\_  
Safe and Adequate Service

Roth/Direct

Public Counsel

WC-2016-0252

**DIRECT TESTIMONY**

**OF**

**KERI ROTH**

Submitted on Behalf of the Office of the Public Counsel

**MOORE BEND WATER UTILITY, LLC**

**CASE NO. WC-2016-0252**

October 21, 2016

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

The Office of Public Counsel	)	
	)	
Complainant,	)	
	)	
vs.	)	<u>Case No. WC-2016-0252</u>
	)	
Moore Bend Water Utility, LLC,	)	
Respondent.	)	

**AFFIDAVIT OF KERI ROTH**

STATE OF MISSOURI    )  
  )    ss  
COUNTY OF COLE    )

Keri Roth, of lawful age and being first duly sworn, deposes and states:

1. My name is Keri Roth. I am a Public Utility Accountant III for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct 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.

  
\_\_\_\_\_  
Keri Roth  
Public Utility Accountant III

Subscribed and sworn to me this 21<sup>st</sup> day of October 2016.



JERENE A. BUCKMAN  
My Commission Expires  
August 23, 2017  
Cole County  
Commission #13754037

  
\_\_\_\_\_  
Jerene A. Buckman  
Notary Public

My Commission expires August 23, 2017.

**DIRECT TESTIMONY**  
**OF**  
**KERI ROTH**  
**MOORE BEND WATER UTILITY, LLC**  
**CASE NO. WC-2016-0252**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility  
6 Accountant.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the OPC.

9 **Q. What is the nature of your duties at the OPC?**

10 A. My duties include performing audits and examinations of the books and records of public  
11 utilities operating within the state of Missouri.

12 **Q. Please describe your educational background.**

13 A. I graduated in May 2011 from Lincoln University in Jefferson City with a BS in  
14 Accounting.

15 **Q. Have you received specialized training related to public utility accounting?**

16 A. Yes. In addition to being employed by the OPC since September 2012, I have also attended  
17 the NARUC Utility Rate School held by Michigan State University.

1 **Q. Have you previously filed testimony before the Missouri Public Service Commission**  
2 **(“Commission” or “PSC”)?**

3 A. Yes. Please refer to Schedule KNR-1, attached to this testimony, for a listing of cases in  
4 which I have submitted testimony.

5 **Q. Please provide an overview of Moore Bend Water Utility, LLC (“Moore Bend” or**  
6 **“Company”) and the services they provide.**

7 A. Moore Bend is a regulated public utility that provides water service to approximately 90  
8 customers in Moore Bend Subdivision located in Taney County, Missouri. Moore Bend is a  
9 wholly-owned subsidiary of Ozark International, Inc. (“Ozark”) which also owns several  
10 other regulated water utilities, one sewer utility, and conducts other unregulated business  
11 enterprises. The Commission granted a Certificate of Convenience and Necessity to the  
12 Company on October 9, 2013, in Case No. WM-2012-0335, authorizing the Company to  
13 operate the water system assets and facilities it had acquired from Moore Bend Water  
14 Company, Inc.

15 **II. Safe and Adequate Service**

16 **Q. What concerns does OPC have regarding Moore Bend’s operations as a public water**  
17 **utility?**

18 A. As stated in OPC’s *Complaint – Amended* filed with the Missouri Public Service  
19 Commission (“Commission”) on September 6, 2016, Moore Bend has failed to properly test  
20 the water supply to its customers, has failed to provide adequate documentation concerning  
21 chlorination, has failed to properly notify its customers of a boil water order (“BWO”), and  
22 has failed to retain a water supply operator in accordance with Missouri Department of  
23 Natural Resources (“DNR”) regulations.

24 **Q. How long has Moore Bend had a BWO placed on the water system?**

1 A. Moore Bend has been under a BWO since February 5, 2013. DNR issued the BWO due to  
2 the presence of *E. coli* in two of the wells providing water to the systems customers. There  
3 have also been issues in the past where chloroform was detected. While our office has been  
4 advised recent tests have shown the water quality improved, the infrequency of testing as  
5 well as the methods used to test are the primary concerns of OPC as well as DNR.

6 **Q. How long has it been since Moore Bend has filed a general rate case with the**  
7 **Commission?**

8 A. Moore Bend filed a request to increase rates on February 5, 2015 in Case No. WR-2015-  
9 0194, which was consolidated into Case No. WR-2015-0192. The Company requested to  
10 increase its annual operating revenues by \$22,000. In the Company's request letter, specific  
11 reasons are stated for the need of additional revenues:

12 The specific reasons for the requested increases in the Company's annual  
13 operating revenues for water service include: increases in utility plant  
14 investment; increases in operation and maintenance expenses; cost of DNR  
15 mandated improvements; cost of (PSC) required well and property  
16 purchases; and (PSC)'s desire for additional staffing.  
17

18 **Q. Did Moore Bend receive an increase in annual revenues as a result of this rate case?**

19 A. Yes. On September 8, 2015, the Staff of the Missouri Public Service Commission ("Staff")  
20 filed a *Notice of Disposition – Company/Staff Disposition Agreement* ("Agreement")  
21 indicating agreement between Staff and Ozark for an increase in revenues of \$21,882 or  
22 approximately 143%.

23 **Q. Was OPC a signatory of this agreement?**

24 A. No. OPC was not a signatory to this agreement because the Agreement included: additional  
25 salaries for three employees who have not yet been hired, increased customer charges, and  
26 use of a hypothetical capital structure when determining the return on equity.

1 **Q. Has Ozark since hired the three additional employees since the rate case?**

2 A. OPC is certain that two of the positions are not currently filled. These two positions were  
3 intended for certified operators of the system to help provide safe and adequate service.  
4 These two positions account for approximately \$65,686 built into Ozark's total cost of  
5 service of all its regulated utilities and approximately \$6,479 just for Moore Bend. Since  
6 these positions are not currently filled, it is possible that the Company is over-earning. OPC  
7 has sent additional data requests to the Moore Bend and will be able to supplement this  
8 matter at a later time.

9 OPC explained in its *Public Counsel's Position Statement* filed on December 7, 2015 in  
10 Case No. WR-2015-0192 that the Agreement filed between Staff and Moore Bend departs  
11 from traditional cost-of-service ratemaking by including costs for new employees that have  
12 not yet been hired. The appropriate solution would have been for Moore Bend to hire the  
13 employees and then file a rate case wherein the costs would fall within the historical test  
14 year and OPC and Staff could ensure that the dollars assigned to these positions are in fact  
15 being used.

16 **Q. Are the customers of Moore Bend receiving safe and adequate service as a result of the**  
17 **increase in customer charges and the new employees?**

18 A. No. As a result of its most recent rate case numbered WR-2015-0192, Ozark's regulated  
19 utility companies received a total revenue increase of \$51,373. From this amount, Moore  
20 Bend received an increase in revenues of \$21,882. The full-time operator position and the  
21 full-time assistant operator positions are currently vacant. The owner of the systems, Mr.  
22 Hollis H. Brower, is no longer a certified operator according to our expanded  
23 communication with DNR. Therefore, there is no operator currently running these systems  
24 to ensure safe and adequate service. Also, as mentioned above, OPC was not a signatory to  
25 the Agreement between Staff and the Company due to increased customer charges. OPC  
26 does not believe customers should be paying more in rates for water that they cannot drink

1           due to a BWO that has been in effect for almost four years. Moore Bend has received an  
2           increase in revenues to help provide safe and adequate service and it has failed to do so.

3   **Q.    Does this conclude your direct testimony?**

4   A.    Yes.

**CASE PARTICIPATION  
OF  
KERI ROTH**

<b><u>Company Name</u></b>	<b><u>Case No.</u></b>
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Summit Natural Gas of Missouri, Inc.	GR-2014-0086
Hickory Hills Water & Sewer Company, Inc.	WR-2014-0167/SR-2014-0166
Empire District Electric Company	ER-2014-0351
Laclede Gas Company	GO-2015-0178
Missouri Gas Energy	GO-2015-0179
Missouri American Water Company	WR-2015-0301
Empire District Electric Company	ER-2016-0023
Hillcrest Utility Operating Company, Inc.	WR-2016-0064
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202