

Exhibit No.: _____
Issues: (1) OPC's Complaints
(2) History of QS-2006-0003
Witness Name: Dale W. Johansen
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: MO PSC Staff
Case No.: WC-2007-0038, et al.
Date Testimony Prepared: January 31, 2007

Missouri Public Service Commission

Utility Operations Division

**Rebuttal Testimony
of
Dale W. Johansen**

**Office of the Public Counsel
v.
Central Jefferson County Utilities, Inc.**

Case No. WC-2007-0038, et al.

**Jefferson City, Missouri
January 2007**


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

Office of the Public Counsel,)	
)	
Complainant)	
)	
v.)	<u>Case No. WC-2007-0038, et al.</u>
)	
Central Jefferson County Utilities, Inc.,)	
)	
Respondent)	

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)
) SS
COUNTY OF COLE)

COMES NOW Dale W. Johansen, being of lawful age, and on his oath states the following: (1) that he has participated in the preparation of the following Rebuttal Testimony, presented in question and answer form, consisting of seven pages and including one schedule; (2) that the answers in the following Rebuttal Testimony were given by him; (3) that he has knowledge of the matters set forth in such answers; and (4) that the answers given are true and correct to the best of his knowledge, information and belief.



Dale W. Johansen

Subscribed and sworn to before me this 31st day of January 2007.



Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

My Commission Expires: 9-21-10

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OF DALE W. JOHANSEN**

**Office of the Public Counsel
v.
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REBUTTAL TESTIMONY
OF
DALE W. JOHANSEN
Office of the Public Counsel
v.
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Case No. WC-2007-0038, et al.

1 **INTRODUCTION**

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

3 A. Dale W. Johansen, P.O. Box 360, Jefferson City, MO 65102.

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

5 A. I work for the Missouri Public Service Commission ("Commission"). My
6 position at the Commission is Manager of the Water & Sewer Department ("W/S Dept") in
7 the Utility Operations Division.

8 **Q. Please briefly describe your job responsibilities.**

9 A. My responsibilities include administrative and supervisory duties related to
10 the operation of the W/S Dept, general oversight of the W/S Dept's facilities inspection
11 program, participation in rulemaking activities involving existing or proposed Commission
12 rules applicable to water and sewer utilities, participation in the review of utility tariffs,
13 participation in small company rate increase requests, and participation in water and sewer
14 utility cases before the Commission regarding both technical and policy matters. In addition
15 to small company rate increase requests, I regularly participate in general rate increase cases,
16 applications for certificates of convenience and necessity, rulemakings, water service area
17 territorial agreements and formal complaints.

1 **Q. What are your education and work experience backgrounds?**

2 A. Please refer to Schedule DWJ – 1 attached to this testimony for a summary of
3 my education and work experience backgrounds.

4 **Q. Have you previously testified in cases before this Commission?**

5 A. Yes, I have, on numerous occasions.

6 **EXECUTIVE SUMMARY**

7 **Q. What has been the nature of your involvement in this consolidated case?**

8 A. I am the Staff's "case coordinator" and have thus been involved in all aspects
9 of the Staff's work on this consolidated case. Additionally, I have participated in another
10 matter involving Central Jefferson County Utilities, Inc. ("CJCU" or "Company") in my
11 capacity as Manager of the W/S Dept, which is directly related to the complaints that are the
12 subject of this consolidated case.

13 **Q. What is the other related matter involving the Company in which you**
14 **have participated?**

15 A. The matter I am referring to is CJCU's request to implement a new sewer
16 service connection fee that it submitted to the Commission in late 2005, which has been
17 treated as a small company rate increase request and was assigned Tracking File No.
18 QS-2006-0003.

19 **Q. Are you familiar with the testimony that the Office of the Public Counsel**
20 **("OPC") has filed in this case?**

21 A. Yes, I am.

1 **Q. Are you familiar with the "history" of how the matters being considered**
2 **in Tracking File No. QS-2006-0003 are related to the OPC's complaints that are the**
3 **subject of this consolidated case?**

4 A. Yes, I am.

5 **Q. Please summarize the Rebuttal Testimony you are presenting.**

6 A. I am presenting testimony in response to the Direct Testimony of OPC witness
7 Ted Robertson, which will also include information regarding QS-2006-0003. In particular, I
8 will be presenting testimony regarding certain aspects of the OPC's complaints and the
9 history of QS-2006-0003.

10 **Q. What will your testimony on the above-noted matters show?**

11 A. My testimony will show that the OPC's complaints are based upon the *Staff's*
12 work product produced as a result of the Company's request that is being considered in
13 QS-2006-0003. It will also show that the Staff's work product relied upon by the OPC was
14 based upon an audit period of the twelve months ended December 31, 2005, and that the
15 Staff's work product relied upon by the OPC was not, and is not, yet a "completed" work
16 product.

17 **THE OPC'S COMPLAINTS**

18 **Q. Please provide a brief summary of the OPC's complaints that are the**
19 **subject of this consolidated case.**

20 A. Generally, the complaints allege that CJCUC is in a position of "overearning"
21 with regard to both its water system and sewer system operations, in that the earnings result
22 in a rate of return "in excess of that authorized and allowed by the Commission." As a result,

1 the OPC further alleges that CJCU's rates are unjust and unreasonable. Additionally, the
2 OPC notes in the complaints that it "has reviewed Staff's Rate Design Schedule and
3 ratemaking income statement as well as the related work papers and analysis."

4 **Q. What is the basis for OPC witness Ted Robertson's statement that the**
5 **Company is "overearning," as is alleged in the complaints?**

6 A. On page 3, lines 7 through 11, of his Direct Testimony, Mr. Robertson states
7 that he relied on the "accounting schedules and workpapers developed by the MPSC Staff
8 during their audit of the utility in Tracking File Case No. QS-2006-0003" for his analysis of
9 the Company's overearnings. And, in fact, the only workpapers attached to Mr. Robertson's
10 testimony are those Staff workpapers.

11 **Q. Does Mr. Robertson indicate what time period the referenced Staff**
12 **workpapers cover?**

13 A. Yes, he does. On page 5, lines 2 and 3, he states "It is my understanding that
14 the test year for the audit consisted of the twelve months ending December 31, 2005."

15 **Q. Is the twelve months ended December 31, 2005 the "test year" the Staff**
16 **used in the audit it conducted for QS-2006-0003?**

17 A. Yes, it is.

18 **HISTORY OF QS-2006-0003**

19 **Q. Please provide a brief description and history of the Company's request**
20 **in Tracking File No. QS-2006-0003.**

21 A. On October 31, 2005, a letter from the Company purporting to be a small
22 company rate increase request was entered into the Commission's electronic filing and

1 information system ("EFIS") and assigned the referenced tracking file number. In this letter,
2 the Company requested the approval of a \$4,000 sewer service connection fee applicable to
3 new customers. As stated in its request letter, the Company intended to use the funds
4 generated by the proposed sewer service connection fee to provide support for funding the
5 construction of a new sewage treatment plant. The Company did not request an increase in
6 its rate-related operating revenues for either its water service or its sewer service.

7 Because the request letter did not meet the standard requirements for a small
8 company rate increase request, the Staff sent CJCUC representatives a letter on December 5,
9 2005 in which the Staff set out the conditions under which it would proceed with a review of
10 the Company's request. The most significant of these conditions was that the Company
11 would agree that the Staff's review of its request would include a rate case-type audit of the
12 Company's water and sewer operations. The Company responded with its agreement to the
13 Staff's conditions on December 13, 2005. Copies of these letters, and other documents
14 related to the Company's request, can be found in the EFIS Tracking File for the request.

15 Subsequent to receiving the Company's consent to the Staff's conditions for
16 proceeding with a review of the Company's request, the Staff conducted an audit of the
17 Company's books and records and its water and system operations. As the basis for its audit,
18 the Staff used a "test year" of the twelve months ended December 31, 2005. The Staff
19 provided the results of its audit to representatives of the Company on April 12, 2006, and
20 provided the same information to representatives of the OPC on April 13, 2006.
21 Additionally, on April 27, 2006, the Staff provided representatives of the Company with a
22 ten-year "forward-looking" analysis of the Company's operations, which was based on the

1 assumption that the Company would complete the planned expansion of its sewage treatment
2 facility.

3 **Q. Were any discussions or meetings regarding the Staff's audit findings or**
4 **its ten-year forward-looking analysis held?**

5 A. Yes. A teleconference was held on April 28, 2006; however, the majority of
6 the time was spent discussing the Staff's ten-year forward-looking analysis rather the Staff's
7 audit findings.

8 **Q. What transpired after the April 28, 2006 conference call?**

9 A. On May 18, 2006, the Staff and the Company executed an agreement for an
10 extension of time related to consideration of the request in QS-2006-0003. That agreement
11 extended the "end-date" for consideration of the request from May 12, 2006 to July 14, 2006.
12 (A copy of this extension agreement can be found in the EFIS Tracking file for the request.)
13 Subsequently, on July 20, 2006, a Company representative sent me an e-mail message noting
14 that an agreement for the sale of the Company's water and sewer systems had been signed,
15 and that an application for the Commission's approval of the sale was forthcoming. As a
16 result of this, the Staff and the Company agreed that consideration of the Company's request
17 to implement a new sewer service connection fee, and the related Staff audit of the
18 Company's overall operations, would be "suspended" pending the resolution of the
19 forthcoming application.

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

1 A. No, it did not. And as a result of this, it is my opinion that the audit findings
2 that the Staff provided to the Company and the OPC should be considered preliminary and
3 "incomplete."

4 **Q. Does that conclude your prepared Rebuttal Testimony?**

5 A. Yes, it does.

**SCHEDULES FOR THE REBUTTAL
TESTIMONY OF DALE W. JOHANSEN**

Case No. WC-2007-0038, et al.

Listing and Description of Schedules

Schedule DWJ – 1: Education & Work Experience Summary

DALE W. JOHANSEN
EDUCATION & WORK EXPERIENCE SUMMARY

COLLEGE EDUCATION

Associate of Arts in Pre-Engineering Studies
State Fair Community College – Sedalia, Missouri

Bachelor of Science in Agricultural Engineering
School of Engineering – University of Missouri @ Columbia

REGULATORY/UTILITY WORK EXPERIENCE

Missouri Public Service Commission

Manager – Water & Sewer Department
Utility Operations Division
June 1995 to Present

Johansen Consulting Services

Utility & Regulatory Consultant
February 1994 to June 1995

Missouri One Call System, Inc.

Executive Director
January 1992 to February 1994

Missouri Public Service Commission

(service prior to current position)

Director – Utility Services Division
November 1990 to January 1992

Case Coordinator – Utility Division
November 1987 to November 1990

Assistant Manager – Engineering
Gas Department – Utility Division
October 1980 to November 1987

Gas Safety Engineer
Gas Department – Utility Division
May 1979 to October 1980