

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

In the Matter of the Application of Ridge Creek)	
Water Company, LLC for a Certificate of)	
Convenience and Necessity Authorizing it to)	
Construct, Install, Own, Operate, Control,)	<u>File No. WA-2015-0182</u>
Manage, and Maintain a Water System for the)	
Public Located in an Unincorporated Area in)	
Pulaski County, Missouri.)	

**THE OFFICE OF THE PUBLIC COUNSEL’S RESPONSE
TO STAFF RECOMMENDATION**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Response to Staff Recommendation, states as follows:

1. On February 4, 2015, Ridge Creek Water Company, LLC (Ridge Creek) filed an application with the Missouri Public Service Commission (Commission) requesting that the Commission grant it a Certificate of Convenience and Necessity (CCN) to construct, install, own, operate, control, manage and maintain a water system in an unincorporated area in Pulaski County, Missouri.
2. On May 22, 2015, the Staff of the Missouri Public Service Commission (Staff) filed a recommendation to approve the CCN application subject to several conditions and to impose new rates for water service.
3. Public Counsel has reviewed Staff’s recommendation and now states that while it does not oppose Staff’s recommendation that the Commission grant Ridge Creek a CCN subject to several conditions, Public Counsel has concerns regarding the new rates as proposed by Staff.
4. Appendix A to Staff’s Recommendation states the following on pages 5 and 6 regarding the proposed new rates:

The Auditing Unit reviewed plant-in-service and operations expenses of the Company to the extent they existed, as previously mentioned. These expenses, and Staff's recommended rate base level, depreciation reserve, Contribution In Aid of Construction ("CIAC"), and CIAC amortization balances as of March 31, 2015 is \$49,856 for the water system.

Based upon Staff's discussions with Company employees and examination of Ridge Creek's books and records, Staff recommends a revenue requirement calculation for Ridge Creek through March 31, 2015, using a return on equity ("ROE") of 8.090%, to be \$40,862. Staff concludes that this revenue requirement amount will allow Ridge Creek an opportunity to recover its costs to provide service to its ratepayers. Attached to this Memorandum are Staff's Accounting Schedules included as Attachment E, and incorporated herein by reference.

Staff recommends the Commission approve monthly residential rates of \$10.71 customer charge, and a commodity charge of 2.62 per 1,000 gallons, which would result in a monthly bill of \$24.84 for a customer using 5,400 gallons per month (if meters were to be read to the 100-gallon digit). Staff is also recommending a flat rate of \$24.00 per month, a rate to be temporarily used for up to three months for any existing customers unknown to Staff that do not presently have working meters.

However, throughout Appendix A, Staff frequently notes where estimations were made due to the fact that no documentation could be provided by Ridge Creek.

5. Page 5 of Appendix A also states:

Staff asks the Commission to order a rate review within 12 to 18 months after the effective date of a CCN to examine the Company's actual revenues and expenses based on metered water service, and to determine if rates are set appropriately for the Company to recover its costs.

6. Public Counsel's concern is that the rates calculated by Staff are based merely on estimated costs developed by Staff with no requirement that the utility come back to the Commission for a rate case within a reasonable amount of time. Public Counsel is also concerned with the reasonableness of the return and other items utilized in Staff's calculations.

7. While Staff proposes a "rate review" this does not seem to be in the context of a rate case before the Commission. It is unknown whether Public Counsel would be included in Staff's "rate review" or what would occur if Staff discovers that rates were not set appropriately – for

example, if it is discovered that rates were set too high. This is unreasonable and not sufficiently protective of the customers.

8. Therefore, Public Counsel asks that the Commission not merely order a “rate review” as suggested by Staff, but instead to order Ridge Creek to come back for a rate case within 12 to 18 months after the effective date of a CCN to allow rates to be properly set on cost of service for this utility.

WHEREFORE, Public Counsel respectfully submits its Response.

Respectfully Submitted

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing were mailed, electronically mailed, or hand-delivered to all counsel of record this 11th day of June, 2015.

Missouri Public Service Commission

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