

Exhibit No.: _____

Issue(s): Certificate of Convenience and Necessity

Witness // Type of Exhibit:

Bolin/Rebuttal

Sponsoring Party:

Public Counsel

Case No.:

WA-2002-65

FILED²

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Missouri Public
Service Commission

REBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN


Submitted on Behalf of the Office of the Public Counsel

ENVIRONMENTAL UTILITIES, LLC

Case No. WA-2002-65

November 21, 2001

In the matter of the Application of Environmental Utilities, LLC for permission, approval, and a Certificate of Convenience and Necessity Authorizing it to construct, install, own, operate, control, manage and maintain a water system for the public located in unincorporated portions of Camden County, Missouri (Golden Glade Subdivision).


Bonnie S. Howard, Notary Public

REBUTALL TESTIMONY

OF

KIMBERLY K. BOLIN

ENVIRONMENTAL UTILITIES, LLC

CASE NO. WA-2002-65

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. Kimberly K. Bolin, P.O. Box 7800, Jefferson City, Missouri 65102.

3 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

4 A. I am employed by the Office of the Public Counsel of the State of Missouri (OPC or Public
5 Counsel) as a Public Utility Accountant I.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

7 A. I graduated from Central Missouri State University in Warrensburg, Missouri, with a Bachelor of
8 Science in Business Administration, major in Accounting, in May, 1993.

9 **Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES WITH THE OFFICE OF**
10 **THE PUBLIC COUNSEL?**

11 A. Under the direction of the Chief Public Utility Accountant, I am responsible for performing audits
12 and examinations of the books and records of public utilities operating within the state of Missouri.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC**
14 **SERVICE COMMISSION?**

15 A. Yes. Please refer to Schedule KKB-1, attached to this direct testimony, for a listing of cases in
16 which I have previously submitted testimony.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my direct testimony is to express the Public Counsel's position regarding
3 Environmental Utilities, LLC's (Environmental or Company) application for permission, approval,
4 and a certificate of public convenience and necessity to install, own, acquire, construct, operate,
5 control, manage and maintain a water system for the public area of unincorporated Camden County,
6 Missouri known as Golden Glade Subdivision (Golden Glade).

7 **Q. DOES PUBLIC COUNSEL HAVE CONCERNS ABOUT WHETHER THE MISSOURI**
8 **PUBLIC SERVICE COMMISSION (COMMISSION) SHOULD GRANT A**
9 **CERTIFICATE IN THIS CASE?**

10 A. Yes.

11 **Q. WHAT ARE THOSE CONCERNS?**

12 A. One of the owners of Environmental Utilities, LLC is Greg Williams who is also part owner of
13 Osage Water Company (Osage Water). In recent years, Public Counsel and the Missouri Public
14 Service Commission Staff (Staff) have experienced difficulties in monitoring the business operation
15 of Osage Water. In addition, Osage Water's manner of operation has generated many customer
16 complaints. Therefore, Public Counsel recommends proceeding with caution in considering this
17 application.

1 **Q. DO THE CURRENT RESIDENTS OF THE PROPOSED GOLDEN GLADE SERVICE**
2 **AREA HAVE WATER SERVICE PROVIDED TO THEM?**

3 A. Yes, the houses are either served by the central water system currently or are served by single-
4 family wells. With these residents already having water service the imposing of the pre-conditions
5 should not adversely effect the water customers.

6 **Q. DOES PUBLIC COUNSEL BELIEVE THE COMMISSION SHOULD IMPOSE**
7 **CONDITIONS ON ENVIRONMENTAL UTILITIES, LLC THAT SHOULD BE**
8 **PERFORMED BEFORE THE COMPANY IS GRANTED A CERTIFICATE TO**
9 **SERVE THE GOLDEN GLADE SUBDIVISION?**

10 A. Yes. Public Counsel has a list of conditions that the Company should be required to comply with
11 before obtaining the certificate to serve. This list is attached as Schedule KKB-2. These conditions
12 will ensure proper record keeping by the Company, thus making auditing of the Company's books
13 more efficient when the Company's seeks to increase rates. This will assist in achieving effective
14 and prompt regulation.

15 **Q. IS THE PUBLIC COUNSEL RECOMMENDING ANY OPERATING CONDITIONS**
16 **THE COMPANY MUST COMPLY WITH IF COMMISSION GRANTS THE**
17 **CERTIFICATE?**

18 A. Yes, Public Counsel believes the Company should continue to utilize the pre-certificate conditions
19 listed on Schedule KKB-2 and also comply with the operating conditions listed on Schedule KKB-
20 3.

1 Q. IF THE COMMISSION DOES NOT GRANT A CERTIFICATE TO
2 ENVIRONMENTAL WHAT WILL HAPPEN TO THE CENTRAL WATER SYSTEM?

3 A. Greg and Debra Williams, as the developers of Golden Glade, will continue to own the water
4 system and lease it to Golden Glade Land Owners Association. Currently, both Greg Williams and
5 Debra Williams are the only directors of the land owners association. In effect, denying the
6 application for a certificate could result in the owners of Environmental Utilities, LLC operating a
7 public water system without the over-sight of the Commission.

8 Q. DOES PUBLIC COUNSEL HAVE CONCERNS ABOUT WHETHER OTHER
9 BUSINESS VENTURES INVOLVING THE OWNERS OF ENVIRONMENTAL
10 UTILITES MAY AFFECT THE OPERATION OF THE NEW UTILITY?

11 A. Yes. Greg Williams has an ownership interest in a number of related businesses.

12 Q. PLEASE EXPLAIN HOW THE MANY AFFILIATED ENTITIES THAT GREG
13 WILLIAMS, THE CO-OWNER OF ENVIRONMENTAL UTILITES, ARE
14 INTERMINGLED WITH THE COMPANY.

15 A. Mr. Williams, the co-owner of Environmental Utilities, LLC is representing Environmental Utilities
16 as legal counsel in the application case. He is also the developer of the subdivision in which
17 Environmental is requesting to provide water service to in this Application. The Company has
18 stated in Debra Williams's testimony that Environmental Utilities may serve the Eagle Woods
19 subdivision, which is currently being served by Osage Water Company. Mr. Williams is a co-
20 owner of Osage Water Company. Also, as a previously discussed Mr. Williams is currently serving
21 as a director of the Golden Glade Land Owners Association, which will lease the water system from

1 Mr. Williams if this certificate of convenience and necessity is not granted. Public Counsel believes
2 the Commission should take steps to prevent transactions between these business entities from
3 unfairly increasing customer rates.

4 **Q. IS PUBLIC COUNSEL CONCERNED OVER THE AFFILATED TRANSACTIONS**
5 **THAT ARE OCCURING AND THAT WILL OCCUR BETWEEN THE COMPANY AND**
6 **THE OTHER ENTITIES MR. WILLIAMS OWNS?**

7 A. Yes. Public Counsel believes the Company needs to provide very detailed documentation for all of
8 the affiliated transactions. This documentation should detail what services were performed, the
9 exact dates when these services were performed, and if appropriate, the allocation of the cost
10 between business entities.

11 **Q. DOES PUBLIC COUNSEL HAVE A CONCERN WITH THE PROPOSED TARIFF**
12 **SHEET NO. 31?**

13 A. Yes, specifically rule 16 (see attached Schedule KKB-4). Public Counsel believes if Environmental
14 Utilities wants to serve an area outside of the Golden Glade Service territory and believes serving
15 another customer or group of customers is beneficial to the Company, then the Company should
16 bear the financial risk of applying for a certificate of convenience and necessity. The potential
17 customer(s) should not have to underwrite the Company's cost of obtaining a certificate. Rule 16
18 should not be allowed in the Company's tariffs.

1 Q. ARE YOU AWARE OF ANY OTHER WATER UTILITIES REGULATED BY THE
2 MISSOURI PUBLIC SERVICE COMMISSION THAT HAVE THIS TYPE OF
3 RULE IN THEIR TARIFFS?

4 A No.

5 Q AFTER THE COMPANY HAS OBTAINED A CERTIFICATE WILL THE COMPANY
6 BE ABLE TO HAVE THE OPPORTUNITY TO EARN A RETURN ON THE
7 CERTIFICATE COSTS?

8 A. Yes. All reasonable organization and certificate costs will be included in the Company's rate base
9 in the next rate case. The Company will then earn a return on this investment.

10 Q. PLEASE DESCRIBE THE LETTER YOU HAVE ATTACHED AS SCHEDULE KKB-
11 5.

12 A. In lieu of a local public hearing, Public Counsel requests that the Company send this letter to each of
13 the current residents in Golden Glade Subdivision informing the residents of Environmental's
14 application. Public Counsel requests that the Commission give the residents ample time to express
15 their views concerning this application before the certificate of convenience and necessity is
16 granted. Public Counsel is not requesting a local public hearing because approximately a dozen
17 current customers will be affected by the Commission's decision.

18 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

19 A. Yes.

CASE PARTICIPATION
OF
KIMBERLY K. BOLIN

<u>Company Name</u>	<u>Case Number</u>
St. Louis County Water Company	WR-95-145
Missouri-American Water Company	WR-95-205
Steelville Telephone Company	TR-96-123
St. Louis Water Company	WR-96-263
Imperial Utility Corporation	SR-96-427
Missouri-American Water Company	WA-97-45
Associated Natural Gas Company	GR-97-272
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Gascony Water Company, Inc.	WA-97-510
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
St. Joseph Light & Power	ER-99-247
	GR-99-246
	HR-99-245
Laclede Gas Company	GR-99-315
Missouri-American Water Company	WR-2000-281
St. Louis County Water Company	WR-2000-844
Osage Water Company	SR-2000-556
	WR-2000-557
Empire District Electric Company	ER-2001-299
Gateway Pipeline Company	GM-2001-585
Warren County Water & Sewer	WC-2002-155
	SC-2002-160
Laclede Gas Company	GR-2001-629

PRE-CERTIFICATE CONDITIONS

Create a separate customer advances account.

Create a separate contributions in aid of construction (CIAC) account.

Record plant on balance sheet at original cost based on MPSC approved USOA guidelines

Record accumulated depreciation reserve associated with MPSC original cost plant balances on balance sheet.

Create a plant held for future use account.

Create separate revenue sub-accounts within the income water billing account for each class of water customer (i.e., wholesale, residential and commercial,).

Create separate revenue account to record miscellaneous or other revenues.

Develop a continuing property records system to control and monitor tangible properties.

Develop a cost allocation system based on reasonable standards to distribute shared or common costs among the William's various businesses and/or companies.

Develop a log sheet to track, charge, and record personal use of company owned equipment by employees and owners and use of company owned equipment by other entities.

Develop a log to track, charge and record time spent working for Environmental Utilities, Osage Water Company, and any other entity.

Balances for Account 301, Organization and Account 302, Franchises and Consents must be reviewed by Staff and Public Counsel before the certificate can be granted.

OPERATING CONDITIONS

Track all costs for every capital project. This recommendation inherently includes the premise that Environmental Utilities should develop criteria (threshold dollar levels and/or qualitative job standards) in accordance with the Uniform System of Accounts to determine whether a cost is to be recorded as an expense item or whether it requires capitalization.

Record each journal entry entered in the financial records with a full description of the service and service provider, invoice number, payment check number, and amount. If an item is an allocation of paid by an entity other than the utility include a descriptive notation identifying as such.

The Company will ensure that service to condominium developments in the future will be predicated upon the installation of meters for each individual condominium unit in such developments.

Bills for services that the Company provides under contract management agreements in systems not regulated by the Commission will not be rendered under the name 'Environmental Utilities.'

Environmental Utilities, LLC
Name of Issuing Company

For: Certificated Water Service Areas in Camden County
Certificated Service Area

Rules and Regulations Governing
the Rendering of Water Service

RULE 16 SERVICE REQUESTS REQUIRING COMMISSION APPROVAL

- (a) This rule shall apply to requests for service from the owners of properties located outside the area(s) for which the Company has been granted a certificate of convenience and necessity by the Missouri Public Service Commission.
- (b) In addition to complying with Rule 14 with respect to main extensions and Rule 15 with respect to plant capacity expansions, the Applicant Requesting service for a property located outside the Company's service area shall also tender, in advance, a sum representing the Company's estimate of the cost, including a reasonable attorney's fee and the Company's administrative expenses and engineering fees, of obtaining the approval of the Missouri Public Service Commission of a certificate of convenience and necessity to provide the service requested to an area including the property for which service is requested.
- (c) A written contract shall be executed by the Applicant and the Company under the terms and conditions of which the Applicant shall bear all costs and risks associated with obtaining a certificate of convenience and necessity.
- (d) If an application for a certificate is opposed by the Staff of the Missouri Public Service Commission, the Office of Public Counsel, or any Intervenor, the Company may, at its option, dismiss the Application without further obligation to the Applicant, or may request that the Applicant deposit additional funds to cover the anticipated costs of a contested certificate case before the Commission. The Applicant may, at its option, elect to withdraw its request for service in lieu of depositing said additional funds.
- (e) If an application is granted an a certificate of convenience and necessity is issued by the Missouri Public Service Commission, the Company shall reimburse to the Applicant the portion of the cost of obtaining said certificate which is approved by the Missouri Public Service Commission for addition to the Company's rate base within one (1) year after the date of the Commission's Order approving said addition to rate base.

* Indicates new rate or text
+ Indicates change

Date of Issue _____
Month Day Year

Date Effective _____
Month Day Year

Issued By: Debra J. Williams, Manager
Name and Title of Issuing Officer

P.O. Box 650, Sunrise Beach, MO 65079
Company Address

Schedule KKB-4

Direct Testimony of
Kimberly K. Bolin
Case No. WA-2002-65

Dear Golden Glade Homeowner:

I am writing to advise you that, as the developer of Golden Glade, I am in the process of establishing a central water system to serve this development. Environmental Utilities, LLC, has applied to the Missouri Public Service Commission (PSC) for approval to establish Environmental Utilities as a privately owned and operated water utility with an initial service area of the Golden Glade subdivision. If successful, Environmental Utilities will receive a certificate from the Commission, making the company your sole water service provider. Environmental Utilities, LLC, is owned by Gregory and Debra Williams.

I believe that Environmental Utilities will be able to provide safe and adequate water service to the customers in this subdivision at just and reasonable rates, and that implementing this central water system will benefit all homeowners in Golden Glade.

According to the subdivision restrictions, when the central system is in place you will be required to disconnect from your present source of water and hook up to the central system. According to the application, as presently proposed to the PSC, your charge to hook up will be \$ _____. This is for [what service or ciac] _____ and does not include rerouting your service line to your house.

If you have questions or comments about this you may call our office at:
[insert business address and telephone number]

Or, you may contact either the PSC or the Office of Public Counsel at:

Office of the Public Counsel
Attn: Ruth O'Neill
P.O. Box 7800
Jefferson City, MO 65102
(573)751-1304

Missouri Public Service Commission
Water and Sewer Department
P.O. Box 360
Jefferson City, MO 65102
(573)751-3234

Signed,

[name]
[title]
Environmental Utilities, LLC