

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

In the Matter of TUK LLC for Certificates of )  
Convenience and Necessity Authorizing it to )  
Install, Own, Acquire, Construct, Operate, ) File No. WA-2015-0169  
Control, Manage and Maintain Water and Sewer )  
Systems in Jefferson County, Missouri. )

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

1. On January 20, 2015, TUK LLC filed applications with the Missouri Public Service Commission (Commission) requesting that the Commission grant it a Certificate of Convenience and Necessity (CCN) to install, own, acquire, construct, operate, control, manage and maintain water and sewer systems in Jefferson County, Missouri.
2. On May 22, 2015, the Staff of the Commission (Staff) filed a recommendation to approve the CCN applications subject to several conditions and impose interim rates.
3. Public Counsel has reviewed Staff's recommendation and now states that while it does not oppose Staff's recommendation that the Commission grant TUK LLC CCNs subject to several conditions, Public Counsel has concerns regarding the interim rates as proposed by Staff.
4. Appendix A to Staff's Recommendation states the following on page 6 regarding the proposed interim rates:

Staff has included in its cost of service the costs associated with all capital improvements that were in-service as of April 30, 2015 and supported by adequate documentation. **In addition, Staff has also included in its cost of service the estimated costs associated with several capital projects that are currently under construction and are expected to be completed by July 31, 2015. Because the Staff has included the estimated costs of projects in the cost of service calculation, Staff is at this time recommending interim quarterly rates be established that will be subject to a true-up audit that will be performed during August 2015.** During August 2015 Staff will perform an on-site visit of the TUK water and sewer systems to verify whether or not each

individual capital project is in fact completed and is providing service to TUK's customers. In addition Staff will review supporting documentation to determine the actual cost of each capital project and prepare updated accounting schedules and provide an updated permanent rate recommendation to the Commission for its approval. As part of the true-up, if the cost of any one project is less than what was included as an estimate for that project in the interim rate determination, the actual lower cost will be reflected in the Staff's permanent rate recommendation to be provided to the Commission for approval during September 2015. Furthermore, TUK will be required to refund to its customers, with interest, any and all amounts collected in interim rates that are associated with any such project or projects that are not completed and in service by the time the true-up audit is conducted. Interest for this purpose shall be calculated using the prime rate as reported by the Wall Street Journal for April 30, 2015 plus 1%. Staff recommends using a 4.25% annual short term interest rate calculated in this manner for all amounts subject to refund. Amounts subject to refund include all amounts collected in rates for depreciation and return for any specific project that is not completed and in service. If the actual cost of any particular project exceeds the estimated cost of the project then the estimate amount will be retained in rates and the excess will be eligible for recovery as part of the Company's next rate proceeding. In no circumstance will the overall permanent rate recommendation be higher than the interim rate recommendation. [Emphasis added.]

5. Page 6 of Appendix A also states:

Staff will conduct a rate review within 12 to 18 months after the effective date of a CCN to examine the Company's actual revenues, expenses and investment, to determine if rates are set appropriately for the Company to recover its costs.

6. Public Counsel's concern is that the interim rates calculated by Staff, and even those rates contemplated after Staff's true-up audit, 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 hypothetical capital structure, 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 add an additional requirement for TUK LLC to come back for a rate case within 18 months of the effective date of the order setting permanent (post true-up audit) rates in this case 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

*/s/ Christina L. Baker*

By: \_\_\_\_\_

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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 2<sup>nd</sup> day of June, 2015.

**Missouri Public Service Commission**

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