

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

In the Matter of the Rate Increase Requests of the)
Regulated Water and Sewer Utilities Owned and) **File No. WR-2015-0192**
Operated by Ozark International, Inc.)

PUBLIC COUNSEL’S POSITION STATEMENT

COMES NOW the Office of the Public Counsel (“OPC” of “Public Counsel”) and pursuant to Commission Rule 4 CSR 240-3.050(19) states:

1. On February 9, 2015, Ozark International, Inc. (“Ozark”) initiated small company rate increase proceedings with the Missouri Public Service Commission (“Commission”), requesting a total water and sewer revenue increase of \$111,900 for its six regulated utilities: Bilyeu Ridge Water Company, LLC; Midland Water Company, Inc.; Moore Bend Water Utility, LLC; Riverfork Water Company; Taney County Water, LLC; and Valley Woods Utility, LLC (Doc. No. 1).
2. On September 8, 2015, the Staff of the Missouri Public Service Commission (“Staff”) filed a Notice of Disposition (“Company/Staff Agreement”) indicating agreement between Staff and Ozark for a total water and sewer revenue increase of \$51,373 annually (Doc. No. 9).
3. Public Counsel did not join the Company/Staff Agreement because it includes: additional salaries for three employees who have not yet been hired, increases customer charges, and uses a hypothetical capital structure when determining the return on equity. When setting rates the Commission should examine the company’s known and measurable cost of service based on an historical test year. Setting rates in this way helps ensure that customers are benefitting from the costs incurred to provide service.

4. The Company/Staff Agreement departs from cost-of-service ratemaking by including costs for potential new employees that will be hired outside of the historical test period. The Company may be required to hire these employees in order to provide safe and adequate service, but costs from outside the test period should not be included in rates. The appropriate remedy is for the company to hire the employees and then file a rate case wherein these costs fall within the historical test period. Filing a rate case, especially under the small utility procedures, is not unduly burdensome.

5. Using a hypothetical capital structure is another departure from relying on known and measurable costs. The company should be required to provide an accurate capital structure for each regulated entity so that the appropriate return on equity can be determined for each.

6. The increases to the customer charges included in the Company/Staff Agreement will require customers to pay more money each month for service that is inadequate. At the local public hearings, members of the public offered testimony relating to poor customer service, low water quality, and repeated service outages. In this case, increased customer charges will provide the company revenue stability for offering inferior service. Customers testified that they would likely use more water if it had better quality and pressure. If the company wishes to have greater revenue stability it must improve its water quality so that customers can use the service to meet their basic needs.

7. For these reasons, Public Counsel does not join the Company/Staff Agreement. However, Public Counsel does not request an evidentiary hearing in this case.

WHEREFORE Public Counsel submits its position statement.

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 7th day of December 2015:

/s/ Tim Opitz
