

**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, Control, Manage and Maintain Water and Sewer Systems in Jefferson County, Missouri)
)
) **File No. WA-2015-0169 et al.**
)

STAFF’S RESPONSE TO OPC’S AND TUK’S FILINGS

COMES NOW the Staff of the Missouri Public Service Commission, and in response to the Office of the Public Counsel’s (OPC) and TUK LLC’s (TUK) June 2, 2015 filings, states as follows to the Commission:

1. On January 20, 2015 and January 21, 2015, TUK filed applications requesting certificates of convenience and necessity for TUK to provide water and sewer services to a portion of Jefferson County, Missouri. Those applications were consolidated under File No. WA-2015-0169 on February 3, 2015.

2. On May 22, 2015, Staff filed Staff’s Recommendation, in which Staff recommended approval of TUK’s applications, subject to certain conditions.

3. On June 2, 2015, TUK filed its response to Staff’s Recommendation. In its response, TUK expressed no objection to Staff’s conditions, provided that tap fees and other miscellaneous fees are addressed in the creation and approval of the water and sewer tariffs.

4. Staff plans to include fees in the tariffs with input from the parties. Staff believes this should adequately address TUK’s concern.

5. On June 2, 2015, OPC filed its response to Staff’s Recommendation. In its response, OPC expressed concern that Staff’s recommendation was based on

estimated costs, and it requested that the Commission order TUK to file a rate case within 18 months of the effective date of the order setting permanent rates in this case.

6. Staff does not believe that an ordered rate case is necessary in this CCN case. As is routinely done in CCN cases where new rates are set, Staff recommended a rate review in this case to check for overearnings. This rate review, as proposed by Staff, would be conducted within 12-18 months after the Commission order. In the event Staff determines that the utility is overearning, the situation could be addressed either by an agreement with the Company to file a rate case, or by Staff filing a formal complaint if deemed appropriate. On the other hand, if the utility believes its rates are less than adequate at the time of the rate review, or at any time before or after the rate review, it has the option to file a rate case. A third possible outcome could be that rates are determined to be adequate at that time and that no rate case or complaint case would be necessary. Staff would provide the results of the rate review to OPC if OPC so desires. Alternatively, OPC can choose to conduct its own rate review at the time of Staff's rate review.

7. Regarding OPC's concern about the use of estimates to set rates, Staff points out that rates that are set in the many CCN cases that come before the Commission routinely involve estimates for capital costs, expenses, and water usage. This case is not unusual in that regard.

8. Further, in order to help ensure that reasonable and adequate rates are set, Staff addressed some of the uncertainties regarding certain capital expenses in this

case by formulating a timeline and roadmap to determine actual capital cost values, outlined in Staff's Recommendation.¹

9. Rate cases are expensive and time consuming for utilities, and in this situation requiring a future rate case may be unnecessary. A company like TUK, with low revenues, should not be required to file a rate case unless it wishes to do so, or it is determined that the Company is overearning. While Staff agrees with the concept of setting rates as accurately as possible, the rate review that Staff recommends will accomplish this goal while potentially avoiding the extensive costs and time that would otherwise be spent by this small utility in filing a rate case.

WHEREFORE, Staff respectfully submits its Response and requests the Commission grant TUK, LLC Certificates of Convenience and Necessity, with conditions, to be followed by a rate review within 12-18 months of the Commission's order.

Respectfully submitted,

/s/ Marcella L Mueth

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¹ Pages 3-4, 6 of Staff's Memorandum.

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this **10th day of June, 2015**.

/s/ Marcella L. Mueth