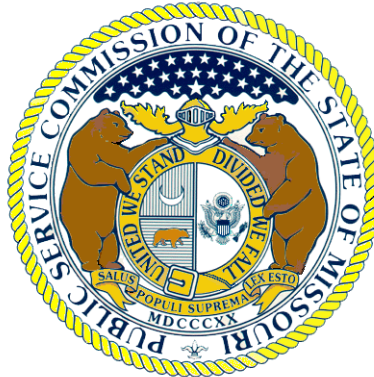


BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI



In the Matter of the Request for an)
Increase in Annual Water System)
Operating Revenues for Gascony Water)
Company, Inc.)

File No. WR-2017-0343

REPORT AND ORDER

Issue Date: May 9, 2018

Effective Date: May 19, 2018

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

In the Matter of the Request for an)
Increase in Annual Water System) **File No. WR-2017-0343**
Operating Revenues for Gascony Water)
Company, Inc.)

REPORT AND ORDER

TABLE OF CONTENTS

APPEARANCES	2
I. Procedural History	3
A. Case Filing.....	3
B. Partial Disposition Agreement	3
C. Evidentiary Hearing	4
D. Case Submission.....	4
II. General Findings of Fact	4
A. Parties	4
B. Witnesses	5
C. Stipulated Facts	6
D. Gascony Water Company's System	7
E. Test Period	7
III. General Conclusions of Law	8
A. Jurisdiction	8
B. Burden of Proof	8
C. Law and Policy	9
IV. Disputed Issues	11
A. President's Compensation	11
B. Office Rents	14
C. Mileage	16
D. Rate Case Expense.....	17
E. Depreciation for Trencher and UTV	19
F. Rate Base for Trencher and UTV	19
G. Lot 27 and Storage Building Lot	22
H. Customer Equivalency Factors	23
I. Customer Applications	27
ORDERED PARAGRAPHS	28

APPEARANCES

GASCONY WATER COMPANY, INC.:

Diana C. Carter, Brydon, Swearingen & England, P.C., 312 East Capitol Avenue, P.O. Box 456, Jefferson City, Missouri 65102-0456.

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION:

Jacob Westen, Deputy Counsel, **Lexi Kraus**, Legal Counsel, Post Office Box 360, Governor Office Building, 200 Madison Street, Jefferson City, Missouri 65102.

OFFICE OF THE PUBLIC COUNSEL:

Lera L. Shemwell, Senior Counsel, **Curtis Shube**, Senior Counsel, PO Box 2230, Jefferson City, Missouri, 65102.

REGULATORY LAW JUDGE: John T. Clark

REPORT AND ORDER

I. Procedural History

A. Case Filing

On June 19, 2017, Gascony Water Company, Inc. (“Gascony”) filed a letter with the Missouri Public Service Commission (“Commission”) requesting that the Commission approve increases in its annual water operating revenues, which resulted in the Commission opening a case, File Nos. WR-2017-0343. The case was initiated under Commission Rule 4 CSR 240-3.050, the Small Utility Rate Case Procedure, which describes the procedures by which small utilities may request increases in their overall annual operating revenues.

The Commission’s Staff and the Office of the Public Counsel (“OPC”) conducted an investigation and audit of Gascony’s water operations.

B. Partial Disposition Agreement

On November 17, 2017, the Commission’s Staff filed *Partial Disposition Agreement and Request for Evidentiary Hearing*, including related attachments (collectively, the “Agreement”). The Agreement was a partial resolution of Gascony’s water rate requests but also listed disputed issues for which Staff and Gascony requested an evidentiary hearing. The Office of the Public Counsel submitted a late-filed response to the Agreement asking that mileage be added to the list of disputed issues, but did not object of the remaining list of disputed issues or the remainder of the Agreement. The request for an evidentiary hearing under Commission Rule 4 CSR 240-3.050(21) asked that the disputed issues be resolved with contested case procedures.

C. Evidentiary Hearing

The Commission issued a procedural schedule with an evidentiary hearing starting February 22, 2018. On February 15, 2018, Gascony filed a *Motion to Continue* asking that the Commission continue the evidentiary hearing and other related filing deadlines because Gascony's owner and president was hospitalized. The request to continue the evidentiary hearing and other filing deadlines was granted, and the Commission reset the evidentiary hearing. The evidentiary hearing was held on March 19, 2018.¹ During the hearing, the parties presented evidence relating to the disputed issues previously identified by the parties.

D. Case Submission

During the evidentiary hearing held at the Commission's offices in Jefferson City, Missouri, the Commission admitted the testimony of nine witnesses and received 32 exhibits into evidence. Post-hearing briefs were filed according to the amended post-hearing procedural schedule. The final post-hearing briefs were filed on April 13, 2018, and the case was deemed submitted for the Commission's decision on that date.² No parties requested additional time to present additional evidence on any issue.

II. General Findings of Fact

A. Parties

1. Gascony Water Company, Inc. is a corporation in good standing organized under the laws of the state of Missouri.³ Gascony possesses a certificate of convenience

¹ Transcript, Vol. 2.

² "The record of a case shall stand submitted for consideration by the commission after the recording of all evidence or, if applicable, after the filing of briefs or the presentation of oral argument." Commission Rule 4 CSR 240-2.150(1).

³ EFIS No. 8 (November 17, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing, Appendix A, Preliminary Observations of Water and Sewer Department.*

and necessity (“CCN”) to provide water service that was issued in File No. WA-97-510. That CCN went into effect in April 1999.⁴ Gascony provides water service to approximately 26 full time customers and 151 part-time customers, and three commercial customers located in Gasconade County, Missouri.⁵

2. The Office of the Public Counsel (“Public Counsel”) is a party to this case pursuant to Section 386.710(2), RSMo⁶, and by Commission Rule 4 CSR 240-2.010(10).

3. The Staff of the Missouri Public Service Commission (“Staff”) is a party to this case pursuant to Section 386.071, RSMo, and Commission Rule 4 CSR 240-2.010(10).

B. Witnesses

4. The Commission finds that any given witness’ qualifications and overall credibility are not dispositive as to each and every portion of that witness’ testimony. The Commission gives each item or portion of a witness’ testimony individual weight based upon the detail, depth, knowledge, expertise, and credibility demonstrated with regard to that specific testimony. Consequently, the Commission will make additional specific weight and credibility decisions throughout this order as to specific items of testimony as is necessary.⁷

5. Any finding of fact reflecting that the Commission has made a determination between conflicting evidence is indicative that the Commission attributed greater weight to

⁴ EFIS No. 8 (November 17, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing, Appendix A, Preliminary Observations of Water and Sewer Department.*

⁵ EFIS No. 8 (November 17, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing, Appendix A, Preliminary Observations of Water and Sewer Department.*

⁶ Unless otherwise stated, all statutory citations are to the Revised Statutes of Missouri, as codified in the year 2000 and subsequently revised or supplemented.

⁷ Witness credibility is solely a matter for the fact-finder, “which is free to believe none, part, or all of the testimony”. *State ex rel. Public Counsel v. Missouri Public Service Comm’n*, 289 S.W.3d 240, 247 (Mo. App. 2009).

that evidence and found the source of that evidence more credible and more persuasive than that of the conflicting evidence.⁸

C. Stipulated Facts

6. On November 17, 2017, the Commission's Staff filed *Partial Disposition Agreement and Request for Evidentiary Hearing*,⁹ including related attachments. The Agreement was a partial resolution of Gascony's water rate requests but also listed disputed issues for which Staff and Gascony requested an evidentiary hearing. The Office of the Public Counsel submitted a late-filed response to the Agreement asking that mileage be added to the list of disputed issues, but did not object of the remaining list of disputed issues or the remainder of the Agreement.¹⁰ The Agreement is attached hereto as Attachment A and incorporated herein by reference as if fully set forth.

7. The issues resolved in the partial disposition agreement include depreciation rates for the plant, capital structure (equity, return on equity, and rate of return), and adopting recommendations relating to maintaining timesheets, documenting improvement costs, and rights and responsibilities of customers.¹¹

8. The unresolved issues in the partial disposition agreement include rate base, rate design, customer applications, land ownership, depreciation rates (for certain equipment), office rent, salaries, rate case expense, and mileage (added by OPC).¹²

⁸ An administrative agency, as fact finder, also receives deference when choosing between conflicting evidence. *State ex rel. Missouri Office of Public Counsel v. Public Service Comm'n of State*, 293 S.W.3d 63, 80 (Mo. App. 2009).

⁹ EFIS No. 8 (November 17, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing*

¹⁰ EFIS No. 11 (November 29, 2017) *Motion for Leave to Accept Late-Filed Response to Partial Disposition Agreement and Request for Evidentiary Hearing*; Regulation 4 CSR 240-3.050(20) required OPC's response to "include a specified list of issues that [OPC] believes should be the subject of the hearing."

¹¹ EFIS No. 8 (November 17, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing*, Appendix A.

¹² *Id.* and EFIS No. 11 (November 29, 2017) *Motion for Leave to Accept Late-Filed Response to Partial Disposition Agreement and Request for Evidentiary Hearing*.

9. The Commission took official notice of File No. WA-97-510, the case in which the Commission granted Gascony its certificate of convenience and necessity (“CCN”).¹³

D. Gascony Water Company’s System

10. Gascony Water Company provides service to three commercial customers, approximately 26 full-time customers, and 151 part-time customers in a fishing resort area known as Gascony Village, in Gasconade County, Missouri.¹⁴

11. Gascony’s system consists of a well, a 1000 gallon storage tank, a well house, and approximately six and a half miles of supply mains composed of two and two and a half inch PVC piping.¹⁵

12. The Gascony water systems have not had a rate increase since the certificate of convenience and necessity was granted in 1999, and water usage has increased dramatically since that time.¹⁶

13. In its original rate request letter, Gascony set forth its request for an increase of \$15,000 in its total annual water service operating revenues.¹⁷

E. Test Period

14. Staff used a test period in this case of the four months ending December 31, 2016, with an update period through June 30, 2017,¹⁸ to annualize the available Gascony revenue and expense information and develop its revenue requirement recommendation.

¹³ Transcript, Vol. 2, p. 17.

¹⁴ EFIS No. 8 (November 17, 2017) *Partial Disposition Agreement and Request for Evidentiary Hearing*, Appendix A.

¹⁵ Gascony Ex. 1, Russo Direct, p. 3; Transcript, Vol. 2, p. 21.

¹⁶ Transcript, Vol. 2, p. 83.

¹⁷ EFIS No. 1 (June 19, 2017) Rate Increase Request.

¹⁸ Staff Ex. 100, Young Rebuttal, p. 2, 30.

III. General Conclusions of Law

A. Jurisdiction

Gascony is a “water corporation”, and a “public utility” as defined in Sections 386.020(59), 386.020(49), and 386.020(43), RSMo, respectively, and as such is subject to the personal jurisdiction, supervision, control and regulation of the Commission under Chapters 386 and 393 of the Missouri Revised Statutes. The Commission’s subject matter jurisdiction over Gascony’s rate increase request is established under Section 393.150, RSMo.

B. Burden of Proof

Section 393.150.2, RSMo, makes clear that at any hearing involving a requested rate increase the burden of proof to show the proposed increase is just and reasonable rests on the corporation seeking the rate increase. As the party requesting the rate increase, Gascony bears the burden of proving that its proposed rate increase is just and reasonable. In order to carry its burden of proof, Gascony must meet the preponderance of the evidence standard.¹⁹ In order to meet this standard, Gascony must convince the Commission it is “more likely than not” that Gascony’s proposed rate increase is just and reasonable.²⁰

¹⁹ *Bonney v. Environmental Engineering, Inc.*, 224 S.W.3d 109, 120 (Mo. App. 2007); *State ex rel. Amrine v. Roper*, 102 S.W.3d 541, 548 (Mo. banc 2003); *Rodriguez v. Suzuki Motor Corp.*, 936 S.W.2d 104, 110 (Mo. banc 1996), citing to, *Addington v. Texas*, 441 U.S. 418, 423, 99 S.Ct. 1804, 1808, 60 L.Ed.2d 323, 329 (1979).

²⁰ *Holt v. Director of Revenue, State of Mo.*, 3 S.W.3d 427, 430 (Mo. App. 1999); *McNear v. Rhoades*, 992 S.W.2d 877, 885 (Mo. App. 1999); *Rodriguez v. Suzuki Motor Corp.*, 936 S.W.2d 104, 109 -111 (Mo. banc 1996); *Wollen v. DePaul Health Center*, 828 S.W.2d 681, 685 (Mo. banc 1992).

C. Law and Policy

Sections 393.130 and 393.140, RSMo, mandate that the Commission ensure all utilities are providing safe and adequate service and that all rates set by the Commission are just and reasonable. In determining whether the rates proposed by Gascony are just and reasonable, the Commission must balance the interests of the investor and the consumer.²¹ In discussing the need for a regulatory body to institute just and reasonable rates, the United States Supreme Court has held as follows:

Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the services are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.²²

In the same case, the Supreme Court provided the following guidance on what is a just and reasonable rate:

What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.²³

²¹ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603, (1944).

²² *Bluefield Water Works & Improvement Co. v. Public Service Commission of the State of West Virginia*, 262 U.S. 679, 690 (1923).

²³ *Bluefield*, at 692-93.

The Supreme Court has further indicated:

‘[R]egulation does not insure that the business shall produce net revenues.’ But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.²⁴

In undertaking the balancing required by the Constitution, the Commission is not bound to apply any particular formula or combination of formulas. Instead, the Supreme Court has said:

Agencies to whom this legislative power has been delegated are free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances.²⁵

Furthermore, in quoting the United States Supreme Court in *Hope Natural Gas*, the Missouri Court of Appeals said:

[T]he Commission [is] not bound to the use of any single formula or combination of formulae in determining rates. Its rate-making function, moreover, involves the making of ‘pragmatic adjustments.’ ... Under the statutory standard of ‘just and reasonable’ it is the result reached, not the method employed which is controlling. It is not theory but the impact of the rate order which counts.²⁶

Gascony and Staff signed and filed the Agreement, in which those parties reached agreement on most of the issues related to Gascony’s rate increase requests. Public Counsel requested that mileage be added to the list of disputed issues, but otherwise did not object to the partial disposition agreement or the remaining list of disputed issues

²⁴ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (citations omitted).

²⁵ *Federal Power Commission v. Natural Gas Pipeline Co.* 315 U.S. 575, 586 (1942).

²⁶ *State ex rel. Associated Natural Gas Co. v. Public Service Commission*, 706 S.W. 2d 870, 873 (Mo. App. W.D. 1985).

addressed at the evidentiary hearing. Based on the evidence in this case, the Commission concludes that acceptance of the provisions of the Agreement on the issues contained therein is a fair and reasonable resolution of those issues. The Commission will adopt the provisions of the Agreement as set forth in Attachment A to this Report and Order.

IV. Disputed Issues

A. What amount of Gascony's President's compensation should be included in Gascony's cost of service?

Findings of Fact

1. Mr. Hoesch, Gascony's president, was permitted a \$15,000 salary included in Gascony's cost of service in the certificate of convenience and necessity case, File No. WA-97-510.²⁷

2. Mr. Hoesch has both operational as well as managerial duties.²⁸

3. Gascony's expert reviewed information from the Missouri Economic Research and Information Center to arrive at an hourly salary for Mr. Hoesch for both operational and managerial duties.²⁹

4. Gascony's expert determined Mr. Hoesch's operational hours based on a two year average of his timesheets. Gascony's expert calculated that Mr. Hoesch worked 493.25 operational hours.³⁰

5. Gascony's expert determined Mr. Hoesch's managerial hours based upon discussions with Mr. Hoesch regarding his management activities. Gascony's expert calculated that Mr. Hoesch spent 467.2 hours on management activities.³¹

²⁷ Staff Ex. 102, Taylor Rebuttal, p. 10.

²⁸ Gascony Ex. 1, Russo Direct, p. 3-5.

²⁹ Gascony Ex. 1, Russo Direct, p. 3-5.

³⁰ Gascony Ex. 1, Russo Direct, p. 3-5.

6. Gascony's expert determined that Mr. Hoesch's salary for operational duties should be \$10,107, and should be \$17,777 for management duties for a total salary of \$27,884.³²

7. Mr. Hoesch provided no time sheets for his time spent on operations prior to 2015.³³

8. Mr. Hoesch provided no time sheets for his time spent on managerial activities prior to November 2017.³⁴

9. Staff's expert determined what Mr. Hoesch's salary should be based upon Mr. Hoesch's submitted time sheets,³⁵ and an additional 129 management hours added to reach its \$15,000 recommendation.³⁶ Staff's comparison of ten small water and sewer companies' average total compensation was also used to justify this amount.³⁷

10. Staff determined that Mr. Hoesch's salary for operational duties should be \$10,107 and, for management duties, should be \$4,893, for a total salary of \$15,000.³⁸

11. Staff's comparison of small water and sewer companies included four water companies and six sewer companies. The number of customers per utility ranged from 49 customers to 245 customers. The total annual cost per customer ranged from \$61.20 to \$213.53.³⁹

³¹ Gascony Ex. 1, Russo Direct, p. 3-5.

³² Gascony Ex. 1, Russo Direct, p. 3-5.

³³ Transcript Vol. 2, p. 44.

³⁴ Transcript Vol. 2, p. 44.

³⁵ Staff Ex. 102, Taylor Rebuttal, p. 5.

³⁶ Staff Ex. 102, Taylor Rebuttal, p. 13.

³⁷ Staff Ex. 102, Taylor Rebuttal, p. 23, and Schedule MJT-r7.

³⁸ Staff Ex. 102, Taylor Rebuttal, p. 4.

³⁹ Staff Ex. 102, Taylor Rebuttal, Schedule MJT-r7.

12. Staff's position, based upon its comparison of ten water and sewer companies, is that Mr. Hoesch's total compensation plus travel expenses should be \$20,840.⁴⁰

13. The average annual cost per customer for total compensation using only the water companies in Staff's comparison is \$156.53.⁴¹

Conclusions of Law and Decision

The Commission concludes Gascony's computation of Mr. Hoesch's salary is too high as it is based upon insufficient evidence. Mr. Hoesch failed to maintain accurate ongoing records of his time for operational and managerial duties performed. Staff's analysis combines Mr. Hoesch's known operational hours with assumed managerial hours to reach the \$15,000 amount equal to his allotted salary amount included in WA-97-510. Staff's position is also insufficiently supported by the submitted evidence. No allowance was made for any increase in the nearly 20 years since the company was granted a CCN in File No. WA-97-510.

The most persuasive evidence offered is the chart provided by Staff that shows a comparison of recent small water and sewer companies. However, Gascony is not a sewer company and any comparison with sewer companies is inappropriate. Rather, the appropriate comparison for the Commission to use is a comparison of Gascony's compensation to that of other similar small water companies. The average annual cost per customer for total compensation using the water companies in Staff's chart is \$156.53. When the annual cost per customer is multiplied by the 177 Gascony customers, the resulting compensation plus travel amount is \$27,705.81. Mr. Hoesch's salary as president

⁴⁰ Staff Ex. 102, Taylor Rebuttal, Schedule MJT-r7.

⁴¹ Staff Ex. 102, Taylor Rebuttal, Schedule MJT-r7.

does not include travel, which is addressed later in this order as mileage rates. After subtracting the travel amount of \$5,840 ($\$20,840 - \$15,000 = \$5,840$) presumed in Staff's chart, the salary amount for Mr. Hoesch's managerial and operational duties is \$21,865.81 per year ($\$27,705.81 - \$5,840 = \$21,865.81$). The Commission finds that the appropriate level of president's compensation to include in the Gascony's cost of service is \$21,865.81.

B. What amount of rents should be included in Gascony's cost of service?

- **What is the appropriate amount of rent for the Gascony Village office?**
- **What is the appropriate amount of rent for the St. Louis office?**

Findings of Fact

1. Gascony is asking for annual rent amounts of \$2,159 for the St. Louis office, and \$2,210 for the Gascony Village office to be included in Gascony's cost of service.⁴²

2. File No. WA-97-510 allowed Gascony to include rent of \$1,500 in its cost of service for use of a trailer located in Gascony Village.⁴³

3. Mr. Hoesch found the single-wide trailer in which Gascony's office was located to be inadequate, and moved the office to his current residence in Gascony Village.⁴⁴ A majority of the operational activities performed by Mr. Hoesch occur on weekends.⁴⁵

4. Mr. Hoesch also conducts Gascony company business from his residence in St. Louis. He does so because the company CPA and other businesses work traditional hours⁴⁶ (weekdays).

⁴² Gascony Ex. 1, Russo Direct, p. 6-7.

⁴³ Staff Ex. 102, Taylor Rebuttal, p. 24.

⁴⁴ Gascony Ex. 4, Hoesch Surrebuttal, p. 10.

⁴⁵ Gascony Ex. 1, Russo Direct, p. 5.

⁴⁶ Id. p. 10-11 and Staff Ex. 102, Taylor Rebuttal, p. 23-28.

5. Gascony responded to Staff's Data Request No. 1, requesting a description of facilities shared for regulated and non-regulated purposes, by providing only the owner's residence in Gascony Village.⁴⁷ Staff's Data Request No. 1 also asked the Gascony to provide documents, to which Gascony responded that the items were available for review at the company's office in Hermann, Missouri.⁴⁸

6. Gascony was unable to obtain Commercial real estate rental information for the Gascony Village area.⁴⁹

7. Gascony's expert computed a rent increase for the Gascony Village office by applying the consumer price index ("CPI") increase of 47.3088% from 1999 to 2016. Applying the CPI increase to the \$1,500 rent amount allotted in WA-97-510 yielded a rent amount of \$2,210 annually.⁵⁰

8. Staff supports \$1,500 for office rent for the Gascony office, and opposes inclusion of rent for the St. Louis office, in Gascony's cost of service.⁵¹

Conclusions of Law and Decision

Gascony has proposed annual rent of \$2,159 for the St. Louis office and \$2,210 for the Gascony Village office to be included in Gascony's cost of service. The Commission concludes that office rent of \$2,210 is reasonable and is supported by an increase in the consumer price index, as comparable commercial real estate rental information was unavailable. The Commission also concludes that moving Gascony's office from a single-wide trailer to Mr. Hoesch's current Gascony residence for the purpose of having more adequate space to conduct company business is reasonable and supportive of an increase

⁴⁷ Staff Ex. 102, Taylor Rebuttal, p. 2-25.

⁴⁸ Staff Ex. 102, Taylor Rebuttal, p. 25

⁴⁹ Gascony Ex. 1, Russo Direct, p. 7.

⁵⁰ Gascony Ex. 1, Russo Direct, p. 7.

⁵¹ Staff Ex. 102, Taylor Rebuttal, p. 24-28.

in rental expense. Staff is opposed to using the CPI, but offers no alternative methodology by which to calculate rent for the Gascony Village office other than as a percentage of Mr. Hoesch's residential costs.

There is a lack of evidence that the St. Louis office is actually used. The fact that the company's documents were located at the Gascony Village office demonstrates that the St. Louis office was not often used for company business. While it may be convenient for Mr. Hoesch to conduct some of Gascony's business from his St. Louis residence, Gascony has failed to meet its burden of proof to demonstrate that use of a second office in St. Louis is necessary or reasonable. The Commission concludes that no rent should be included for Mr. Hoesch's St. Louis residence in Gascony's cost of service.

The Commission finds that the appropriate amount of office rent to be included in Gascony's cost of service is \$2,210.

C. What mileage rate should be used in computing the president's travel expenses to include in Gascony's cost of service?

Findings of Fact

1. Gascony requests to recover travel costs related to the president's travels for Gascony business at the Federal IRS mileage rate.⁵²
2. OPC supports using the State of Missouri mileage allowance of 0.37 cents per mile.⁵³
3. Beginning in 2010, the state mileage allowance was modified to 0.37 cents per mile due to state budgetary constraints.⁵⁴

⁵² Gascony Ex. 1, Russo Direct, p. 8, indicating that Gascony is supportive of Staff's position.

⁵³ OPC Ex. 202, Roth Rebuttal, p. 3.

⁵⁴ OPC Ex. 204, Mileage printout.

4. Staff supports using the Federal IRS mileage rate of 53.5 cents per mile because Gascony is not a state agency.⁵⁵

Conclusions of Law and Decision

The Commission concludes that Staff's approach of using the Federal IRS mileage rate is the most reasonable. Gascony is not a state agency, and therefore the state mileage allowance rate should not apply. Additionally, the state mileage was modified to 37 cents in 2010 for state budgetary constraints, which has no relation to utility cost of service. The Commission finds the appropriate rate to use for calculating the president's mileage to be included in Gascony's cost of service is the Federal IRS mileage rate of 53.5 cents per mile.

D. Rate case expense

Findings of Fact

1. Gascony wishes to recover all prudently incurred costs of resolving this case. Gascony included a total rate case expense of \$18,000, normalized over a six-year period at \$3,000 a year. Gascony would also consider an eight year recovery period in the alternative, provided it can continue to recover any unrecovered amount from this rate case should it come back to the Commission for a rate case before eight years have lapsed.⁵⁶

2. Gascony does not believe that \$18,000 will be the final level of rate case expense incurred.⁵⁷

⁵⁵ Staff Ex. 103, Taylor Surrebuttal, p. 2.

⁵⁶ Gascony Ex. 1, Russo Direct, p. 7-8.

⁵⁷ Gascony Ex. 1, Russo Direct, p. 7-8.

3. Gascony's proposed \$3,000 per year recovery would result in costs of approximately \$16.30 per customer yearly.⁵⁸

4. Staff supports actual rate case expense normalized over ten years.⁵⁹

5. Staff opines that the Commission could disallow 50% of rate case expense due to Mr. Hoesch failing to transfer assets as he testified he would in WA-97-510.⁶⁰

6. OPC agrees with Gascony regarding recovery of actual, prudently incurred, rate case expense. OPC also agrees with normalizing the costs over a six year period.⁶¹

Conclusions of Law and Decision

The Commission concludes that of the proposals for addressing rate case expense, actual rate case expense as proposed by Gascony, Staff, and OPC represents the correct amount of rate case expense to allow Gascony to recover in rates. The Commission does not agree that a 50% disallowance is appropriate, as there is not sufficient evidence to show wrongdoing by Gascony, or inflexibility such as would warrant a disallowance.

The Commission finds Staff's proposal for rate case expense recovered over a ten year period to be the most reasonable and to have the least rate impact on Gascony's small number of customers. Given Gascony's apparent over recovery of startup expenses in WA-97-510, the Commission is concerned that Gascony may over recover rate case expense. The parties propose normalizing rate case expense over time. Testimony indicates Gascony would over-recover if they came in after the normalization period, and amortizing with conditions would lessen the chance of over-recovery.⁶² The Commission finds that actual rate case expenses should be amortized over ten years, and Gascony

⁵⁸ Staff Ex. 102, Taylor Rebuttal, p. 29-30.

⁵⁹ Staff Ex. 102, Taylor Rebuttal, p. 31.

⁶⁰ Staff Ex. 102, Taylor Rebuttal, p. 31.

⁶¹ OPC Ex. 202, Roth Rebuttal, p. 3-4.

should contact the Commission's Staff no later than ten years from the effective date of this order to determine if it would be prudent to file a rate case.

E. What amount of depreciation expense for a trencher and a utility transport vehicle should be included in Gascony's cost of service, and what depreciation mechanism is applied?

F. What is the allowed rate base value for the trencher and the UTV?

Findings of Fact

1. The trencher is a 1984 Ditch Witch model 4010 and was purchased in 1995 by Gasc-Osage, Mr. Hoesch's realty company.⁶³

2. Gasc-Osage sold the trencher to Gascony in 2015 for \$8,000.⁶⁴ Gascony placed the trencher in service in July 2015.⁶⁵ The \$8,000 value was derived from current market prices on websites.⁶⁶

3. Gascony purchased a John Deere Gator ("UTV") in 2007 for \$4,200.⁶⁷

4. In a 2013 rate case filed and then withdrawn by Gascony, Mr. Hoesch was informed that Staff would recommend disallowing the asset if it was also being used by his realty company.⁶⁸

5. Mr. Hoesch purchased another UTV to be used solely by Gascony.⁶⁹ This second UTV was purchased in 2015 for \$3,500 and was placed into service in September 2015.⁷⁰

⁶² Transcript Vol. 2, p. 152

⁶³ Staff Ex. 100, Young Rebuttal, p. 21-22.

⁶⁴ Staff Ex. 100, Young Rebuttal, p. 20.

⁶⁵ Gascony Ex. 1, Russo Direct, p. 9.

⁶⁶ Staff Ex. 100, Young Rebuttal, p. 21.

⁶⁷ Staff Ex. 100, Young Rebuttal, p. 27.

⁶⁸ Gascony Ex. 4, Hoesch Surrebuttal, p. 5.

⁶⁹ Gascony Ex. 4, Hoesch Surrebuttal, p. 5.

6. Staff assumed a useful life of 30 years for the trencher and 15 years for the UTV in recognition that the trencher and UTV still had economic value as of the June 30, 2017 update period.⁷¹

7. OPC supports using the depreciation rates ordered in WA-97-510.⁷²

8. OPC and Staff agree that the original cost of the trencher is \$10,800, and \$4,200 for the UTV.⁷³

9. OPC supports an in-service date for the trencher of 1999, and 2007 for the UTV.⁷⁴

10. Staff supports an in-service date for the trencher of 1995, and 2007 for the UTV.⁷⁵

Conclusions of Law and Decision

The Commission finds Gascony's proposal for how to address depreciation and rate base value for the trencher and UTV to be the most reasonable. While Mr. Hoesch purchased the trencher in 1995 for his realty company, it was not transferred to Gascony until 2015. 2015 is the appropriate in-service date to start depreciation for the trencher.

While Staff and OPC both agree that the in-service date for the UTV is 2007, Mr. Hoesch credibly testified that he purchased a second UTV for Gascony's exclusive use. The appropriate in-service date for the UTV to start depreciation is when it was placed into Gascony's service in 2015.

⁷⁰ Gascony Ex. 1, Russo Direct, p. 10.

⁷¹ Staff Ex. 100, Young Rebuttal, p. 30-31.

⁷² OPC Ex. 200, Robinett Rebuttal, p. 1.

⁷³ OPC Ex. 201, Robinett Surrebuttal, p. 2.

⁷⁴ OPC Ex. 201, Robinett Surrebuttal, p. 1-2.

⁷⁵ Staff Ex. 100, Young Rebuttal, p. 30.

Both of these transactions involve transfers between companies owned by Mr. Hoesch. Staff and OPC argue that these transactions are affiliate transactions. While there is no affiliate transaction rule for water cases in Missouri, the Commission can protect customers from the detrimental effects of transactions that are not arm's length with or without a rule.

In this case, concerns about affiliate transactions are unwarranted since the Commission concludes that 30 year and 15 year depreciation periods for the trencher and UTV, as proposed by Staff, are reasonable due to the equipment still being used and having economic value. Using straight line depreciation, the 30 year depreciation rate is 3.3%, and the 15 year depreciation rate is 6.7%.

The Commission finds that the appropriate rate base values for the trencher and UTV are \$8,000 and \$3,500, respectively. The Commission additionally finds that the trencher shall be depreciated over 30 years at a rate of 3.3% a year starting 2015, and the UTV shall be depreciated over 15 years at a rate of 6.7% a year starting 2015.

G. Should Gascony be allowed to include in its rate base values real property identified as Lot 27 and real property identified as the Storage Building Lot? If so, what is a reasonable amount?

Findings of Fact

1. Gascony has requested that the Commission include in rate base Lot 27, which includes the well, storage tank and pump house. Gascony is also requesting to include in rate base the Storage Building Lot.⁷⁶

⁷⁶ Gascony Ex. 1, Russo Direct, p. 8.

2. Gascony values Lot 27 at \$10,000, and the Storage Building Lot at \$7,500.⁷⁷
3. Gasc-Osage deeded Lot 27 to Mr. Hoesch's children in the late 1980s.⁷⁸
4. Mr. Hoesch testified in WA-97-510,

The Company's predecessor [Gasc-Osage] recorded a seventy thousand dollar (\$70,000) reserve for completion of a water system. A portion of this reserve is allocated to the cost of each lot to recover capital costs on the water plant. This reserve is the only mechanism that the Company's predecessor had in place to recover the costs of the water plant. The price of the lots does not include any other amounts, beyond this reserve, which are intended to provide costs associated with the water plant.⁷⁹

This testimony demonstrates that Gasc-Osage had already recovered all existing tangible plant through the sale of lots.

5. Gascony's expert, when he worked for the Commission's Staff testified in WA-97-510:

Q. What did you discover in your review?

A. Based on the information provided by the Company it appears that all of the identified Plant in Service costs were expensed in the year occurred as a development cost.

Q. How does this affect the proposed rate base of the Company?

A. Items that have been previously expensed should not be included in rate base for ratemaking purposes. If companies were allowed to include previously expensed items in future rates they would in effect be receiving the benefit of that item twice. Based on our review of the Company's records, the Staff is recommending \$0 for rate base.⁸⁰

6. Gasc-Osage deeded the property to Gascony on July 1, 2017.⁸¹
7. Staff and OPC support including Lot 27 and the Storage Building Lot in rate base, but believe the rate base value should be \$0 as there is no unrecovered investment.⁸²

⁷⁷ Gascony Ex. 1, Russo Direct, p. 9.

⁷⁸ Staff Ex. 100, Young Rebuttal, p. 5, 10, and also Gascony Ex. 1, Russo Direct, p. 5.

⁷⁹ Staff Ex. 100, Young Rebuttal, p 8-9, quoting Hoesch's testimony from WA-97-510.

⁸⁰ Staff Ex. 100, Young Rebuttal, p. 7-8, quoting Russo's testimony from WA-97-510.

⁸¹ Staff Ex. 100, Young Rebuttal, p. 18.

Conclusions of Law and Decision

Gascony requested to have Lot 27 and the Storage Building Lot included in rate base. The Commission agrees with Staff and OPC that while the properties should be included in the rate base, there is no unrecovered investment. At the time Gascony was created, Gasc-Osage had already recovered its investment in plant through the sale of Gascony Village lots.

Lot 27 existed at the time Gascony applied for its CCN, at which time it already had a well and storage tank and was existing plant. Likewise, the Storage Building Lot also existed at the time and would have been presumably used to house utility equipment and parts. While the properties should be included in rate base, they are offset by any Contribution in Aid of Construction. Because the developer has recovered his investment, the property is deemed “contributed” at no cost.

The burden is on Gascony to show that there was an unrecovered investment, and Gascony has not met that burden. The Commission finds that Lot 27 and the Storage Building Lot are included in rate base with a value of \$0 as offset by Contribution in Aid of Construction.

H. What are the appropriate Customer Equivalency Factors that will be used to determine rates for the various customer classes?

Findings of Fact

1. The current water rate design for Gascony is a flat quarterly charge for each customer classification. Customer classifications are based upon customer equivalency

⁸² Staff Ex. 100, Young Rebuttal, p. 7, 20, and OPC Ex. 201, Robinett Surrebuttal, p. 1.

factors with full time customers equaling one customer equivalent, and part-time customers equaling .35 of a full-time customer.⁸³

2. Gascony's proposed customer equivalency factors as compared to current customer equivalency factors are as follows:

	Current	Proposed
Full-time	1.00	1.00
Part-time	0.35	0.50
Pool/Bathhouse	3.56	6.00
Kitchen	0.56	2.00
Dump Station	1.65	2.50

84

3. An increase in part-time customer equivalent is appropriate because the usage of the facilities at Gascony Village by part-time customers has changed. Part-time customers are visiting more frequently and bringing a higher number of guests, which results in higher water consumption for part-time customers.⁸⁵

4. The swimming pool house that existed when Gascony was originally certificated was replaced with a new swimming pool house. The number of showers was doubled from four to eight, the number of toilets was increased from two to six, and the number of urinals was increased from one to two.⁸⁶

5. The kitchen that existed when Gascony was originally certificated has been replaced with a new kitchen. The new kitchen includes restrooms that did not exist in the old kitchen. The new kitchen has seating for approximately 100 people where the old kitchen had limited seating.⁸⁷

⁸³ Gascony Ex. 1, Russo Direct, p. 12.

⁸⁴ Gascony Ex. 1, Russo Direct, p. 13.

⁸⁵ Gascony Ex. 1, Russo Direct, p. 13-14.

⁸⁶ Gascony Ex. 1, Russo Direct, p. 14.

⁸⁷ Gascony Ex. 1, Russo Direct, p. 15.

6. When rates were initially developed for Gascony, water usage was around 2.1 million gallons, and presently it is in excess of 6 million gallons.⁸⁸

7. Staff's proposed customer equivalency factors as compared to current customer equivalency factors are as follows:

	Current	Proposed
Full-time	1.00	1.00
Part-time	0.35	0.35
Pool/Bathhouse	3.56	6.00
Kitchen	0.56	2.00
Dump Station	1.65	1.65

⁸⁹

8. Staff supports leaving the dump station equivalency factor at 1.65, as no infrastructure upgrades occurred at the dump station.⁹⁰ However, Staff does propose increasing the equivalent factor for the dump station if the part-time customer equivalency factor is increased since an increase in part-time customers would also mean an increase in usage of the dump station.⁹¹

Conclusions of Law and Decision

Gascony bills for its services quarterly on a flat rate structure based upon the customer's classification, rather than by meter readings. Part-time customers are billed at a fractional rate of full time customers due to lower water usage, with full time customers having a customer equivalency factor of 1.0. Gascony requests to increase those amounts based upon an increase in water usage, and an increase in the frequency of part-time residents visiting the resort. Staff is not opposed to increasing the equivalency factor for

⁸⁸ Transcript Vol. 2, p. 83.

⁸⁹ Staff Ex. 104, Robertson Rebuttal, p. 5.

⁹⁰ Staff Ex. 104, Robertson Rebuttal, p. 4.

⁹¹ Staff Ex. 104, Robertson Rebuttal, p. 6.

the kitchen and pool bathhouse because both of these have undergone significant upgrades since Gascony received a CCN.

Staff is opposed to increasing the equivalency factor for part-time customers because the evidence supporting this increase is primarily observational. OPC is supportive of Staff's position.

The Commission concludes that Gascony's position is the most reasonable and supported by the evidence. Testimony indicates that the amount of water used has increased dramatically since Gascony was certificated. Gascony states that more part-time customers visit with greater frequency and bring additional guests. These are not merely unsupported observations, but are supported by the upgrades made to the kitchen and pool bathhouse - upgrades that were undoubtedly made to accommodate an increased number of people at the resort.

The Commission finds that the customer equivalency factors Gascony should use for billing are as follows:

Full-time	1.00
Part-time	0.50
Pool/Bathhouse	6.00
Kitchen	2.00
Dump Station	2.50

I. Should Gascony ensure that new customers complete an application for service, and should the availability of these applications be completed within 30 days of the resolution of the case?

Findings of Fact

1. Gascony agrees that all new customers need to complete an application for service.⁹²
2. Gascony disagrees with having to complete the applications within 30 days because it may not have any new customers during that time.⁹³
3. The application requirement does not require that Gascony require new customers to complete the application within 30 days of the Report and Order.⁹⁴

Conclusions of Law and Decision

Gascony's resistance to having an application available for new customers within 30 days appears to be a misunderstanding. What is being proposed, and what Gascony agrees with, is that Gascony have applications available for new customers within thirty days of the Report and Order, and that any new Gascony customers be required to fill out an application for service. As such the Commission finds that Gascony shall make applications for service available within 30 days of this Report and Order and shall require that all new customers complete that application.

⁹² Gascony Ex. 1, Russo Direct, p. 17-18.

⁹³ Gascony Ex. 1, Russo Direct, p. 17-18.

⁹⁴ Staff Ex. 106, Kiesling Rebuttal, p. 3.

Decision Summary

In making this decision as described above, the Commission has considered the positions and arguments of all of the parties. Failure to specifically address a piece of evidence, position or argument of any party does not indicate that the Commission has failed to consider relevant evidence but indicates rather that the material was not dispositive of this decision.

Gascony provides safe and adequate service, and the Commission concludes, based upon its independent review of the whole record, that the rates approved as a result of this order are just and reasonable and support the provision of safe and adequate service. The revenue increase approved by the Commission is no more than what is sufficient to keep Gascony's utility plant in proper repair for effective public service and provide to Gascony's investors an opportunity to earn a reasonable return upon funds invested.

THE COMMISSION ORDERS THAT:

1. The Commission adopts the provisions, other than those issues disputed at the evidentiary hearing, of the *Partial Disposition Agreement of Small Water Company Revenue Increase Request* including attachments, filed as Appendix A to, *Partial Disposition Agreement and Request for Evidentiary Hearing* filed on November 17, 2017. The signatories are ordered to comply with the terms of these partial disposition agreements, which are attached hereto as Attachment A and incorporated herein by reference as if fully set forth.
2. Gascony Water Company, Inc. is authorized to file tariff sheets sufficient to recover revenues approved in compliance with this order.

3. Gascony Water Company, Inc. shall file the information required by Section 393.275.1, RSMo 2000, and Commission Rule 4 CSR 240-10.060 no later than May 29, 2018.

4. This Report and Order shall become effective on May 19, 2018.

BY THE COMMISSION



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Kenney, Rupp, Coleman, and
Silvey, CC., concur.

Clark, Regulatory Law Judge

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

In the Matter of the Request for)
an Increase in Annual Water)
System Operating Revenues for)
Gascony Water Company, Inc.)

Case No. WR-2017-0343

**PARTIAL DISPOSITION AGREEMENT AND
REQUEST FOR EVIDENTIARY HEARING**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for the *Partial Disposition Agreement* in these matters hereby state:

1. On June 19, 2017, Gascony Water Company, Inc. (“Gascony”) filed a letter with the Missouri Public Service Commission (“Commission”) requesting that the Commission approve increases in its annual water operating revenues. On June 21, 2017, Staff filed its Small Utility Rate Case Timeline, outlying several dates for events, both informal and formally required by regulations.

2. In accordance with Gascony’s request for rate increase, Staff has conducted a full investigation of Gascony, met with the company and the Office of the Public Counsel (OPC) and provided both parties the results of its Day 90 review. On Day 120, Staff also provided the parties with a proposed settlement of this matter. Staff and Gascony have reached a partial agreement or disposition (“Disposition”) regarding the resolution of some issues in Gascony’s water rate increase request, a copy of which is attached hereto as Appendix A. Appendix A also includes various attachments related to the dispositions. Appendix A outlines the details of Staff and Gascony’s partial agreement.

3. The issues left unresolved between Staff and Gascony include:
a) Rate Base; b) Rate Design; c) Customer Applications; d) Land Ownership;
e) Depreciation Rates; f) Rent; g) Salaries; and h) Rate Case Expense.

4. Because Staff and Gascony have not reached an agreement on the remaining issues listed in paragraph 3, Staff hereby requests those issues be resolved through an evidentiary hearing, in accordance with standard contested case procedures, pursuant to 4 CSR 240-3.050(21), which states:

If at any time after a case is opened it becomes clear to the utility or the staff that agreements cannot be reached on even a portion of the issues related to the utility's request, even through the use of mediation or arbitration, either may file a motion asking that the utility's request be resolved through contested case procedures conducted in the time remaining in the rate case process. . . .

5. Gascony is current on its annual report filings and has no other actions pending before the Commission at this time.

WHEREFORE, Staff prays that the Commission will approve these partial dispositions, grant this request for an evidentiary hearing; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

/s/ Nicole Mers

Nicole Mers

Associate Counsel

Missouri Bar No. 66766

P.O. Box 360

Jefferson City, MO 65012

(573) 751-6651 (Telephone)

(573) 751-9285 (Fax)

nicole.mers@psc.mo.gov

**Attorney for the Staff of the
Missouri Public Service Commission**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 17th day of November 2017, to all counsel of record.

/s/ Nicole Mers

PARTIAL DISPOSITION AGREEMENT
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST

GASCONY WATER COMPANY, INC.
MO PSC FILE NO. WR-2017-0343

BACKGROUND

Gascony Water Company, Inc. ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on June 19, 2017, the Company set forth its request for an increase of \$15,000.00 in its total annual water service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to three commercial customers, approximately 26 full-time customers and 151 part-time customers in a fishing resort area known as Gascony Village, outside of Hermann, MO in Gasconade County.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (These activities are collectively referred to hereinafter as "Staff's investigation of the Company's Request" or "Staff's investigation.")

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") with information regarding Staff's investigation and the results of the investigation, including Staff's initial recommendations for the resolution of the Company's Request.

ISSUES RESOLVED

Pursuant to negotiations held subsequent to the Company's and Public Counsel's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and the Company hereby state the following agreements:

- (1) The Auditing Department conducted a full and complete audit of the Company's books and records, and Staff utilized a test year of the twelve months ending December 31, 2016, updating known and measureable investment through June 30, 2017 in this case. The Auditing Department findings can be found in Staff's Auditing Memorandum, **Attachment I**, and Accounting Schedules, **Attachment B**, and with the exception of the remaining disputed issues listed later in this agreement, are incorporated by reference herein;
- (2) The Schedule of Depreciation Rates is included in **Attachment D**, incorporated by reference herein, includes the depreciation rates developed by Staff and shall be the prescribed schedule of water plant depreciation rates for the Company;
- (3) Included in **Attachment B** is the agreed upon capital structure which includes 100% equity, a 8.02% return on equity, and a rate of return of 8.02% for the Company;
- (4) The Company shall implement the following recommendations contained in the Auditing Department Memorandum, attached hereto as **Attachment I**, and provide proof of implementing the recommendations to the Manager of the Commission's Auditing Department:
 - (a) Gascony Water will continue to maintain timesheets and travel logs to support compensation paid to individuals performing services for Gascony Water. These individuals include certified operators, billing clerks, and "as needed" casual labor;
 - (b) Gascony Water, as a Class D Water Company, is required by Commission regulations 4 CSR 240-50.020 and 50.030 to maintain documentation of costs that relate to improvements to the utility's water system. Gascony Water will maintain documentation that is sufficient to support additions to plant-in-service in future cases. Documentation that is sufficient to meet 4 CSR 240-50.020 includes, but is not limited to: invoices, receipts, general ledgers, check registers, copies of checks, contracts, lease or rental agreements, any other written documents demonstrating financial or service obligation(s) of or to the Company, etc., that are in accordance with NARUC USOA requirements;
- (5) Within thirty (30) days of the effective date of an order approving this Company/Staff Partial Disposition Agreement, the Company shall implement the

following recommendation contained in the CMAU Report, attached hereto as **Attachment H**, and provide proof of implementation to the Manager of the Commission's Consumer & Management Analysis Unit:

- (a) Update and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This requirement of 4 CSR 240-13.040(3) should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No.WR-2017-0343;
- (6) The Water and Sewer Department Report is attached as **Attachment G**;
- (7) Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Partial Disposition Agreement;
- (8) Staff may file a formal complaint against the Company if the Company does not comply with the provisions of this Partial Disposition Agreement; and
- (9) The Company and Staff agree that they have read the foregoing Partial Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Partial Disposition Agreement.

REQUEST FOR EVIDENTIARY HEARING

Staff and the Company were unable to reach a final disposition agreement for this case. This partial disposition resolves only the items listed in the section above. The remaining issues of rate base, rate design, customer applications, land ownership, depreciation rates, rent, salaries, and rate case expense will be further defined and filed separately in EFIS.

The parties acknowledge that Staff will be filing this Partial Disposition Agreement and the attachments hereto. The parties also acknowledge that Staff and the Company may make other filings in this case.

Additionally, the Company agrees that subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff shall have the right to provide an oral explanation to support its entering into this Partial Disposition Agreement, if the Commission requests an oral explanation at any agenda meeting, on-the-record, or any other setting at which this case is noticed to be considered by

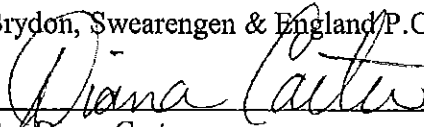
the Commission. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such setting so that they may have the opportunity to be present and/or represented.

SIGNATURES


Agreement Signed and Dated:

Counsel for Gascony Water Company:

Brydon, Swearingen & England P.C.


By: Diana Carter

11-17-2017
Date


James Busch
Manager
Water & Sewer Unit
Missouri Public Service Commission Staff

11/17/17
Date

List of Attachments

- Attachment B – EMS Run
- Attachment D – Schedule of Depreciation Rates
- Attachment G – Water & Sewer Unit Memorandum
- Attachment H – CMAU Report
- Attachment I – Auditing Unit Recommendation Memorandum

Exhibit No.: 12345667
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2017-0343
Date Prepared: 11/17/2017



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

Revised

STAFF ACCOUNTING SCHEDULES

GASCONY WATER COMPANY

Case No. WR-2017-0343

Test Year Ended December 31, 2016

Update Period June 30, 2017

CASE NO. WR-2017-0343

Jefferson City, Missouri

November 2017

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Revenue Requirement

Line Number	<u>A</u> Description	<u>B</u> 8.02% Return	<u>C</u> 8.02% Return	<u>D</u> 8.02% Return
1	Net Orig Cost Rate Base	\$28,634	\$28,634	\$28,634
2	Rate of Return	8.02%	8.02%	8.02%
3	Net Operating Income Requirement	\$2,296	\$2,296	\$2,296
4	Net Income Available	\$1,297	\$1,297	\$1,297
5	Additional Net Income Required	\$999	\$999	\$999
6	Income Tax Requirement			
7	Required Current Income Tax	\$572	\$572	\$572
8	Current Income Tax Available	\$323	\$323	\$323
9	Additional Current Tax Required	\$249	\$249	\$249
10	Revenue Requirement	\$1,248	\$1,248	\$1,248
11	Allowance for Known and Measureable Changes/True-Up Estimate	\$0	\$0	\$0
12	Gross Revenue Requirement	\$1,248	\$1,248	\$1,248

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
RATE BASE SCHEDULE

Line Number	<u>A</u> Rate Base Description	<u>B</u> Percentage Rate	<u>C</u> Dollar Amount
1	Plant In Service		\$53,666
2	Less Accumulated Depreciation Reserve		\$25,961
3	Net Plant In Service		\$27,705
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	Materials & Supplies		\$677
7	Fuel Inventory		\$252
8	Meter Rerouting Project		\$0
9	TOTAL ADD TO NET PLANT IN SERVICE		\$929
10	SUBTRACT FROM NET PLANT		
11	Federal Tax Offset	0.0000%	\$0
12	State Tax Offset	0.0000%	\$0
13	City Tax Offset	0.0000%	\$0
14	Interest Expense Offset	0.0000%	\$0
15	Customer Advances		\$0
16	Customer Deposits		\$0
17	Deferred Income Taxes		\$0
18	Deferred Income Taxes		\$0
19	Accrued Pension Liability		\$0
20	TOTAL SUBTRACT FROM NET PLANT		\$0
21	Total Rate Base		\$28,634

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjust. Number	E Adjustments	F As Adjusted Plant	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$0	P-2	\$0	\$0	100.00%	\$0	\$0
3		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
4		SOURCE OF SUPPLY PLANT							
5	310.000	Land and Land Rights - SSP	\$0	P-5	\$0	\$0	100.00%	\$0	\$0
6	311.000	Structures and Improvements - SSP	\$0	P-6	\$0	\$0	100.00%	\$0	\$0
7	314.000	Well and Springs	\$0	P-7	\$0	\$0	100.00%	\$0	\$0
8		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0	\$0		\$0	\$0
9		PUMPING PLANT							
10	320.000	Land and Land Rights - PP	\$0	P-10	\$0	\$0	100.00%	\$0	\$0
11	321.000	Structures and Improvements - PP	\$0	P-11	\$0	\$0	100.00%	\$0	\$0
12	325.000	Electric Pumping Equipment	\$0	P-12	\$23,219	\$23,219	100.00%	\$0	\$23,219
13	327.000	Hydraulic Pumping Equipment	\$11,761	P-13	-\$11,761	\$0	100.00%	\$0	\$0
14		TOTAL PUMPING PLANT	\$11,761		\$11,458	\$23,219		\$0	\$23,219
15		WATER TREATMENT PLANT							
16	330.000	Land and Land Rights - WTP	\$0	P-16	\$0	\$0	100.00%	\$0	\$0
17	331.000	Structures and Improvements - WTP	\$0	P-17	\$0	\$0	100.00%	\$0	\$0
18	332.000	Water Treatment Equipment	\$0	P-18	\$0	\$0	100.00%	\$0	\$0
19		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
20		TRANSMISSION & DIST. PLANT							
21	340.000	Land and Land Rights - TDP	\$0	P-21	\$0	\$0	100.00%	\$0	\$0
22	341.000	Structures and Improvements - TDP	\$0	P-22	\$0	\$0	100.00%	\$0	\$0
23	342.000	Distribution Reservoirs and Standpipes	\$0	P-23	\$0	\$0	100.00%	\$0	\$0
24	343.000	Transmission and Distribution Mains	\$0	P-24	\$0	\$0	100.00%	\$0	\$0
25	345.000	Customer Services	\$0	P-25	\$139	\$139	100.00%	\$0	\$139
26	346.000	Meters	\$0	P-26	\$0	\$0	100.00%	\$0	\$0
27	346.300	Meter Installations	\$0	P-27	\$0	\$0	100.00%	\$0	\$0
28	347.000	Meter and Meter Pit Installations	\$0	P-28	\$3,177	\$3,177	100.00%	\$0	\$3,177
29	348.000	Hydrants	\$0	P-29	\$1,055	\$1,055	100.00%	\$0	\$1,055
30		TOTAL TRANSMISSION & DIST. PLANT	\$0		\$4,371	\$4,371		\$0	\$4,371
31		GENERAL PLANT							
32	371.000	Structures and Improvements	\$0	P-32	\$9,747	\$9,747	100.00%	\$0	\$9,747
33	372.000	Office Furniture and Equipment	\$0	P-33	\$0	\$0	100.00%	\$0	\$0
34	372.100	Office Computer Equipment	\$1,185	P-34	\$144	\$1,329	100.00%	\$0	\$1,329
35	373.000	Transportation Equipment	\$0	P-35	\$4,200	\$4,200	100.00%	\$0	\$4,200
36	379.000	Other General Equipment	\$0	P-36	\$10,800	\$10,800	100.00%	\$0	\$10,800
37	391.000	Office Furniture and Equipment	\$918	P-37	-\$918	\$0	100.00%	\$0	\$0
38	391.100	Office Computer Equipment	\$0	P-38	\$0	\$0	100.00%	\$0	\$0
39	392.000	Transportation Equipment	\$0	P-39	\$0	\$0	100.00%	\$0	\$0
40	394.000	Tools, Shop and Garage Equipment	\$2,805	P-40	-\$2,805	\$0	100.00%	\$0	\$0
41	396.000	Power-Operated Equipment	\$15,200	P-41	-\$15,200	\$0	100.00%	\$0	\$0
42	398.000	Miscellaneous Equipment	\$0	P-42	\$0	\$0	100.00%	\$0	\$0
43		TOTAL GENERAL PLANT	\$20,108		\$5,968	\$26,076		\$0	\$26,076
44		TOTAL PLANT IN SERVICE	\$31,869		\$21,797	\$53,666		\$0	\$53,666

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Adjustments to Plant in Service

A Plant Adj. Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount	F Jurisdictional Adjustments	G Total Jurisdictional Adjustments
P-12	Electric Pumping Equipment	325.000		\$23,219		\$0
	1. To adjust for Electric Pumping Equipment		\$23,219		\$0	
P-13	Hydraulic Pumping Equipment	327.000		-\$11,761		\$0
	1. To adjust for Hydraulic Pumping Equipment		-\$11,761		\$0	
P-25	Customer Services	345.000		\$139		\$0
	1. To adjust for services		\$139		\$0	
P-28	Meter and Meter Pit Installations	347.000		\$3,177		\$0
	1. To adjust for Meter Pit Installations		\$3,177		\$0	
P-29	Hydrants	348.000		\$1,055		\$0
	1. To adjust for Hydrants		\$1,055		\$0	
P-32	Structures and Improvements	371.000		\$9,747		\$0
	1. To adjust for Structures and Improvements		\$9,747		\$0	
P-34	Office Computer Equipment	372.100		\$144		\$0
	1. To adjust for Office Computer Equipment		\$144		\$0	
P-35	Transportation Equipment	373.000		\$4,200		\$0
	1. To adjust for Transportation Equipment		\$4,200		\$0	
P-36	Other General Equipment	379.000		\$10,800		\$0
	1. To adjust for Other General Equipment		\$10,800		\$0	
P-37	Office Furniture and Equipment	391.000		-\$918		\$0

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Adjustments to Plant in Service

A Plant Adj. Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount	F Jurisdictional Adjustments	G Total Jurisdictional Adjustments
	1. To adjust for Office Furniture and Equipment		-\$918		\$0	
P-40	Tools, Shop and Garage Equipment	394.000		-\$2,805		\$0
	1. To adjust for Tools, Shop and Garage Equipment		-\$2,805		\$0	
P-41	Power-Operated Equipment	396.000		-\$15,200		\$0
	1. To adjust for Power-Operated Equipment		-\$15,200		\$0	
Total Plant Adjustments				\$21,797		\$0

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	301.000	Organization	\$0	0.00%	\$0
3		TOTAL PLANT INTANGIBLE	\$0		\$0
4		SOURCE OF SUPPLY PLANT			
5	310.000	Land and Land Rights - SSP	\$0	0.00%	\$0
6	311.000	Structures and Improvements - SSP	\$0	2.50%	\$0
7	314.000	Well and Springs	\$0	2.00%	\$0
8		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0
9		PUMPING PLANT			
10	320.000	Land and Land Rights - PP	\$0	0.00%	\$0
11	321.000	Structures and Improvements - PP	\$0	2.50%	\$0
12	325.000	Electric Pumping Equipment	\$23,219	10.00%	\$2,322
13	327.000	Hydraulic Pumping Equipment	\$0	0.00%	\$0
14		TOTAL PUMPING PLANT	\$23,219		\$2,322
15		WATER TREATMENT PLANT			
16	330.000	Land and Land Rights - WTP	\$0	0.00%	\$0
17	331.000	Structures and Improvements - WTP	\$0	2.50%	\$0
18	332.000	Water Treatment Equipment	\$0	2.90%	\$0
19		TOTAL WATER TREATMENT PLANT	\$0		\$0
20		TRANSMISSION & DIST. PLANT			
21	340.000	Land and Land Rights - TDP	\$0	0.00%	\$0
22	341.000	Structures and Improvements - TDP	\$0	2.50%	\$0
23	342.000	Distribution Reservoirs and Standpipes	\$0	2.50%	\$0
24	343.000	Transmission and Distribution Mains	\$0	2.00%	\$0
25	345.000	Customer Services	\$139	2.50%	\$3
26	346.000	Meters	\$0	10.00%	\$0
27	346.300	Meter Installations	\$0	0.00%	\$0
28	347.000	Meter and Meter Pit Installations	\$3,177	2.50%	\$79
29	348.000	Hydrants	\$1,055	2.00%	\$21
30		TOTAL TRANSMISSION & DIST. PLANT	\$4,371		\$103
31		GENERAL PLANT			
32	371.000	Structures and Improvements	\$9,747	2.50%	\$244
33	372.000	Office Furniture and Equipment	\$0	5.00%	\$0
34	372.100	Office Computer Equipment	\$1,329	0.00%	\$0
35	373.000	Transportation Equipment	\$4,200	6.70%	\$281
36	379.000	Other General Equipment	\$10,800	3.30%	\$356
37	391.000	Office Furniture and Equipment	\$0	0.00%	\$0
38	391.100	Office Computer Equipment	\$0	0.00%	\$0

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
39	392.000	Transporation Equipment	\$0	0.00%	\$0
40	394.000	Tools, Shop and Garage Equipment	\$0	0.00%	\$0
41	396.000	Power-Operated Equipment	\$0	0.00%	\$0
42	398.000	Miscellaneous Equipment	\$0	0.00%	\$0
43		TOTAL GENERAL PLANT	\$26,076		\$881
44		Total Depreciation	\$53,666		\$3,306

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjust. Number	E Adjustments	F As Adjusted Reserve	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$0	R-2	\$0	\$0	100.00%	\$0	\$0
3		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
4		SOURCE OF SUPPLY PLANT							
5	310.000	Land and Land Rights - SSP	\$0	R-5	\$0	\$0	100.00%	\$0	\$0
6	311.000	Structures and Improvements - SSP	\$0	R-6	\$0	\$0	100.00%	\$0	\$0
7	314.000	Well and Springs	\$0	R-7	\$0	\$0	100.00%	\$0	\$0
8		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0	\$0		\$0	\$0
9		PUMPING PLANT							
10	320.000	Land and Land Rights - PP	\$0	R-10	\$0	\$0	100.00%	\$0	\$0
11	321.000	Structures and Improvements - PP	\$0	R-11	\$0	\$0	100.00%	\$0	\$0
12	325.000	Electric Pumping Equipment	\$0	R-12	\$10,981	\$10,981	100.00%	\$0	\$10,981
13	327.000	Hydraulic Pumping Equipment	\$10,223	R-13	-\$10,223	\$0	100.00%	\$0	\$0
14		TOTAL PUMPING PLANT	\$10,223		\$758	\$10,981		\$0	\$10,981
15		WATER TREATMENT PLANT							
16	330.000	Land and Land Rights - WTP	\$0	R-16	\$0	\$0	100.00%	\$0	\$0
17	331.000	Structures and Improvements - WTP	\$0	R-17	\$0	\$0	100.00%	\$0	\$0
18	332.000	Water Treatment Equipment	\$0	R-18	\$0	\$0	100.00%	\$0	\$0
19		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
20		TRANSMISSION & DIST. PLANT							
21	340.000	Land and Land Rights - TDP	\$0	R-21	\$0	\$0	100.00%	\$0	\$0
22	341.000	Structures and Improvements - TDP	\$0	R-22	\$0	\$0	100.00%	\$0	\$0
23	342.000	Distribution Reservoirs and Standpipes	\$0	R-23	\$0	\$0	100.00%	\$0	\$0
24	343.000	Transmission and Distribution Mains	\$0	R-24	\$0	\$0	100.00%	\$0	\$0
25	345.000	Customer Services	\$0	R-25	\$8	\$8	100.00%	\$0	\$8
26	346.000	Meters	\$0	R-26	\$0	\$0	100.00%	\$0	\$0
27	346.300	Meter Installations	\$0	R-27	\$0	\$0	100.00%	\$0	\$0
28	347.000	Meter and Meter Pit Installations	\$0	R-28	\$552	\$552	100.00%	\$0	\$552
29	348.000	Hydrants	\$0	R-29	\$61	\$61	100.00%	\$0	\$61
30		TOTAL TRANSMISSION & DIST. PLANT	\$0		\$621	\$621		\$0	\$621
31		GENERAL PLANT							
32	371.000	Structures and Improvements	\$0	R-32	\$2,173	\$2,173	100.00%	\$0	\$2,173
33	372.000	Office Furniture and Equipment	\$0	R-33	\$0	\$0	100.00%	\$0	\$0
34	372.100	Office Computer Equipment	\$0	R-34	\$1,476	\$1,476	100.00%	\$0	\$1,476
35	373.000	Transportation Equipment	\$0	R-35	\$2,797	\$2,797	100.00%	\$0	\$2,797
36	379.000	Other General Equipment	\$0	R-36	\$7,913	\$7,913	100.00%	\$0	\$7,913
37	391.000	Office Furniture and Equipment	\$918	R-37	-\$918	\$0	100.00%	\$0	\$0
38	391.100	Office Computer Equipment	\$474	R-38	-\$474	\$0	100.00%	\$0	\$0
39	392.000	Transportation Equipment	\$0	R-39	\$0	\$0	100.00%	\$0	\$0
40	394.000	Tools, Shop and Garage Equipment	\$2,783	R-40	-\$2,783	\$0	100.00%	\$0	\$0
41	396.000	Power-Operated Equipment	\$3,521	R-41	-\$3,521	\$0	100.00%	\$0	\$0
42	398.000	Miscellaneous Equipment	\$0	R-42	\$0	\$0	100.00%	\$0	\$0
43		TOTAL GENERAL PLANT	\$7,696		\$6,663	\$14,359		\$0	\$14,359
44		TOTAL DEPRECIATION RESERVE	\$17,919		\$8,042	\$25,961		\$0	\$25,961

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Adjustments for Depreciation Reserve

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount	<u>F</u> Jurisdictional Adjustments	<u>G</u> Total Jurisdictional Adjustments
R-12	Electric Pumping Equipment	325.000		\$10,981		\$0
	1. To adjust for Electric Pumping Equipemt		\$10,981		\$0	
R-13	Hydraulic Pumping Equipment	327.000		-\$10,223		\$0
	1. To adjust for Hydraulic Pumping Equipment		-\$10,223		\$0	
R-25	Customer Services	345.000		\$8		\$0
	1. To adjust for Services		\$8		\$0	
R-28	Meter and Meter Pit Installations	347.000		\$552		\$0
	1. To adjust for Meter Installations		\$552		\$0	
R-29	Hydrants	348.000		\$61		\$0
	1. To adjust for Hydrants		\$61		\$0	
R-32	Structures and Improvements	371.000		\$2,173		\$0
	1. To adjust for Structures and Improvements		\$2,173		\$0	
R-34	Office Computer Equipment	372.100		\$1,476		\$0
	1. To adjust for Office Computer Equipment		\$1,476		\$0	
R-35	Transportation Equipment	373.000		\$2,797		\$0
	1. To adjust for Transporation Equipment		\$2,797		\$0	
R-36	Other General Equipment	379.000		\$7,913		\$0
	1. To adjust for Other General Equipment		\$7,913		\$0	
R-37	Office Furniture and Equipment	391.000		-\$918		\$0
	1. To Adjust for Office Furniture and Equipment		-\$918		\$0	

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Adjustments for Depreciation Reserve

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount	<u>F</u> Jurisdictional Adjustments	<u>G</u> Total Jurisdictional Adjustments
R-38	Office Computer Equipment	391.100		-\$474		\$0
	No adjustment		-\$474		\$0	
R-40	Tools, Shop and Garage Equipment	394.000		-\$2,783		\$0
	1. To adjust for Tools, Shop and Garage Equipment		-\$2,783		\$0	
R-41	Power-Operated Equipment	396.000		-\$3,521		\$0
	1. To adjust for Power-Operated Equipment		-\$3,521		\$0	
Total Reserve Adjustments				\$8,042		\$0

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Cash Working Capital

Line Number	A Description	B Test Year Adj. Expenses	C Revenue Lag	D Expense Lag	E Net Lag C - D	F Factor (Col E / 365)	G CWC Req B x F
1	OPERATION AND MAINT. EXPENSE						
2	Base Payroll	\$0	0.00	0.00	0.00	0.000000	\$0
3	Tax Withholding	\$0	0.00	0.00	0.00	0.000000	\$0
4	Pensions and Employee Benefits	\$0	0.00	0.00	0.00	0.000000	\$0
5	Electric	\$0	0.00	0.00	0.00	0.000000	\$0
6	Telephone	\$0	0.00	0.00	0.00	0.000000	\$0
7	Office Rents	\$0	0.00	0.00	0.00	0.000000	\$0
8	Intercompany Billing	\$0	0.00	0.00	0.00	0.000000	\$0
9	Uncollectible Accounts	\$0	0.00	0.00	0.00	0.000000	\$0
10	PSC Assessment	\$0	0.00	0.00	0.00	0.000000	\$0
11	Cash Vouchers	\$30,415	0.00	0.00	0.00	0.000000	\$0
12	TOTAL OPERATION AND MAINT. EXPENSE	\$30,415					\$0
13	TAXES						
14	FICA - Employer Portion	\$0	0.00	0.00	0.00	0.000000	\$0
15	Unemployment	\$0	0.00	0.00	0.00	0.000000	\$0
16	Property Tax	\$0	0.00	0.00	0.00	0.000000	\$0
17	Gross Receipts Tax	\$0	0.00	0.00	0.00	0.000000	\$0
18	Corporate Franchise	\$0	0.00	0.00	0.00	0.000000	\$0
19	Sales Tax	\$0	0.00	0.00	0.00	0.000000	\$0
20	Test Line	\$0	0.00	0.00	0.00	0.000000	\$0
21	TOTAL TAXES	\$0					\$0
22	CWC REQ'D BEFORE RATE BASE OFFSETS						\$0
23	TAX OFFSET FROM RATE BASE						
24	Federal Tax Offset	\$405	0.00	0.00	0.00	0.000000	\$0
25	State Tax Offset	\$167	0.00	0.00	0.00	0.000000	\$0
26	City Tax Offset	\$0	0.00	0.00	0.00	0.000000	\$0
27	Interest Expense Offset	\$0	0.00	0.00	0.00	0.000000	\$0
28	TOTAL OFFSET FROM RATE BASE	\$572					\$0
29	TOTAL CASH WORKING CAPITAL REQUIRED						\$0

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	F Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj Jurisdictional (H x I) + J	L MO Adj. Juris. Labor L + M = K	M MO Adj. Juris. Non Labor
Rev-1		OPERATING REVENUES											
Rev-2	480.000	Residential	\$35,669	See note (1)	See note (1)	Rev-2	See note (1)	\$35,669	100.00%	-\$258	\$35,411	See note (1)	See note (1)
Rev-3	481.100	Commercial	\$0			Rev-3		\$0	100.00%	\$0	\$0		
Rev-4	481.200	Industrial	\$0			Rev-4		\$0	100.00%	\$0	\$0		
Rev-5	483.000	Private Fire Protection	\$0			Rev-5		\$0	100.00%	\$0	\$0		
Rev-6	487.000	Public Fire Protection	\$0			Rev-6		\$0	100.00%	\$0	\$0		
Rev-7	488.000	Other Public Auth.	\$0			Rev-7		\$0	100.00%	\$0	\$0		
Rev-8	489.000	Sales for Resale	\$0			Rev-8		\$0	100.00%	\$0	\$0		
Rev-9	493.000	Other Water Revenue - Oper. Rev.	\$832			Rev-9		\$832	100.00%	-\$832	\$0		
Rev-10		TOTAL OPERATING REVENUES	\$36,501					\$36,501		-\$1,090	\$35,411		
1		SOURCE OF SUPPLY EXPENSES											
2	600.000	Casual Labor - Contracted	\$1,129	\$0	\$1,129	E-2	-\$220	\$909	100.00%	\$0	\$909	\$0	\$909
3	617.000	Maint. Of Misc. Water Source Plant	\$0	\$0	\$0	E-3	\$212	\$212	100.00%	\$0	\$212	\$0	\$212
4		TOTAL SOURCE OF SUPPLY EXPENSES	\$1,129	\$0	\$1,129		-\$8	\$1,121		\$0	\$1,121	\$0	\$1,121
5		PUMPING EXPENSES											
6	623.000	Fuel or Power Purchased for Pumping	\$0	\$0	\$0	E-6	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
7	0.000	Electric Expenses	\$0	\$0	\$0	E-7	\$1,628	\$1,628	100.00%	\$0	\$1,628	\$0	\$1,628
8	633.000	Maint. of Pumping Equipment	\$0	\$0	\$0	E-8	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
9		TOTAL PUMPING EXPENSES	\$0	\$0	\$0		\$1,628	\$1,628		\$0	\$1,628	\$0	\$1,628
10		WATER TREATMENT EXPENSES											
11	650.000	Repair and Maintenance Materials	\$0	\$0	\$0	E-11	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
12	652.000	Maint. of Water Treatment Equipment	\$0	\$0	\$0	E-12	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
13		TOTAL WATER TREATMENT EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
14		TRANSMISSION & DIST. EXPENSES											
15	660.000	Travel Expense	\$0	\$0	\$0	E-15	\$4,184	\$4,184	100.00%	\$0	\$4,184	\$0	\$4,184
16	678.000	Maint. of Miscellaneous Plant - TDE	\$0	\$0	\$0	E-16	\$244	\$244	100.00%	\$0	\$244	\$0	\$244
17		TOTAL TRANSMISSION & DIST. EXPENSES	\$0	\$0	\$0		\$4,428	\$4,428		\$0	\$4,428	\$0	\$4,428
18		CUSTOMER ACCOUNTS EXPENSE											
19	905.000	Misc. Customer Accounts Expense - CAE	\$0	\$0	\$0	E-19	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
20		TOTAL CUSTOMER ACCOUNTS EXPENSE	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
21		CUSTOMER SERVICE EXPENSES											
22		TOTAL CUSTOMER SERVICE EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
23		SALES PROMOTION EXPENSES											
24		TOTAL SALES PROMOTION EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
25		ADMIN. & GENERAL EXPENSES											
26	0.000	Purchased Water - C&M Water Company	\$12,363	\$0	\$12,363	E-26	-\$12,363	\$0	100.00%	\$0	\$0	\$0	\$0
27	920.100	Clerical Salaries	\$1,700	\$1,700	\$0	E-27	-\$44	\$1,656	100.00%	\$0	\$1,656	\$1,656	\$0
28	920.200	Management Salaries	\$10,000	\$10,000	\$0	E-28	\$5,000	\$15,000	100.00%	\$0	\$15,000	\$15,000	\$0
29	921.100	Communication Expense	\$0	\$0	\$0	E-29	\$1,181	\$1,181	100.00%	\$0	\$1,181	\$0	\$1,181
30	921.200	Billing Materials	\$0	\$0	\$0	E-30	\$534	\$534	100.00%	\$0	\$534	\$0	\$534
31	921.300	I.T. Expense	\$1,135	\$0	\$1,135	E-31	-\$873	\$262	100.00%	\$0	\$262	\$0	\$262
32	923.000	Outside Services Employed	\$0	\$0	\$0	E-32	\$602	\$602	100.00%	\$0	\$602	\$0	\$602

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	F Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj Jurisdictional (H x I) + J	L MO Adj. Juris. Labor L + M = K	M MO Adj. Juris. Non Labor
33	928.100	MO PSC Assessment	\$0	\$0	\$0	E-33	\$271	\$271	100.00%	\$0	\$271	\$0	\$271
34	928.200	Other Regulatory Expense	\$0	\$0	\$0	E-34	\$200	\$200	100.00%	\$0	\$200	\$0	\$200
35	0.000	Other Expenses	\$6,304	\$0	\$6,304	E-35	-\$6,304	\$0	100.00%	\$0	\$0	\$0	\$0
36	0.000	Interest Expense	\$2,070	\$0	\$2,070	E-36	-\$2,070	\$0	100.00%	\$0	\$0	\$0	\$0
37	930.200	Supplies and Expenses	\$1,722	\$0	\$1,722	E-37	-\$1,231	\$491	100.00%	\$0	\$491	\$0	\$491
38	0.000	Rents - Storage of Equipment	\$1,200	\$0	\$1,200	E-38	-\$1,200	\$0	100.00%	\$0	\$0	\$0	\$0
39	931.000	Rents - AGE	\$1,500	\$0	\$1,500	E-39	\$0	\$1,500	100.00%	\$0	\$1,500	\$0	\$1,500
40	0.000	Fuel Expense	\$0	\$0	\$0	E-40	\$506	\$506	100.00%	\$0	\$506	\$0	\$506
41	932.000	Maint. of General Plant - AGE	\$1,701	\$0	\$1,701	E-41	-\$1,501	\$200	100.00%	\$0	\$200	\$0	\$200
42	0.000	Rate Case Expense	\$0	\$0	\$0	E-42	\$100	\$100	100.00%	\$0	\$100	\$0	\$100
43	0.000	Gascony Association Expense	\$0	\$0	\$0	E-43	\$340	\$340	100.00%	\$0	\$340	\$0	\$340
44	0.000	Bank Fees	\$0	\$0	\$0	E-44	\$178	\$178	100.00%	\$0	\$178	\$0	\$178
45	0.000	Uncollectible Accounts Expense	\$0	\$0	\$0	E-45	\$217	\$217	100.00%	\$0	\$217	\$0	\$217
46		TOTAL ADMIN. & GENERAL EXPENSES	\$39,695	\$11,700	\$27,995		-\$16,457	\$23,238		\$0	\$23,238	\$16,656	\$6,582
47		DEPRECIATION EXPENSE											
48	0.000	Depreciation Expense, Dep. Exp.	\$2,313	See note (1)	See note (1)	E-48	See note (1)	\$2,313	100.00%	\$993	\$3,306	See note (1)	See note (1)
49		TOTAL DEPRECIATION EXPENSE	\$2,313	\$0	\$0		\$0	\$2,313		\$993	\$3,306	\$0	\$0
50		AMORTIZATION EXPENSE											
51		TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
52		OTHER OPERATING EXPENSES											
53	408.000	Property Taxes	\$435	\$0	\$435	E-53	-\$365	\$70	100.00%	\$0	\$70	\$0	\$70
54	408.000	Missouri Franchise Taxes	\$0	\$0	\$0	E-54	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
55		TOTAL OTHER OPERATING EXPENSE	\$435	\$0	\$435		-\$365	\$70		\$0	\$70	\$0	\$70
56		TOTAL OPERATING EXPENSE	\$43,572	\$11,700	\$29,559		-\$10,774	\$32,798		\$993	\$33,791	\$16,656	\$13,829
57		NET INCOME BEFORE TAXES	-\$7,071					\$3,703		-\$2,083	\$1,620		
58		INCOME TAXES											
59	0.000	Current Income Taxes	\$0	See note (1)	See note (1)	E-59	See note (1)	\$0	100.00%	\$323	\$323	See note (1)	See note (1)
60		TOTAL INCOME TAXES	\$0					\$0		\$323	\$323		
61		DEFERRED INCOME TAXES											
62	0.000	Deferred Income Taxes - Def. Inc. Tax.	\$0	See note (1)	See note (1)	E-62	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
63	0.000	Amortization of Deferred ITC	\$0			E-63		\$0	100.00%	\$0	\$0		
64	0.000	Deferred Income Tax - Test Line	\$0			E-64		\$0	100.00%	\$0	\$0		
65		TOTAL DEFERRED INCOME TAXES	\$0					\$0		\$0	\$0		
66		NET OPERATING INCOME	-\$7,071					\$3,703		-\$2,406	\$1,297		

(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
Rev-2	Residential	480.000	\$0	\$0	\$0	\$0	-\$258	-\$258
	1. To Annualize Residential Revenue		\$0	\$0		\$0	-\$258	
Rev-9	Other Water Revenue - Oper. Rev.	493.000	\$0	\$0	\$0	\$0	-\$832	-\$832
	1. To Annualize Other Water Revenue - Oper. Rev.		\$0	\$0		\$0	-\$832	
	2. No Adjustment		\$0	\$0		\$0	\$0	
E-2	Casual Labor - Contracted	600.000	\$0	-\$220	-\$220	\$0	\$0	\$0
	1. To Normalize Casual Labor		\$0	-\$220		\$0	\$0	
E-3	Maint. Of Misc. Water Source Plant	617.000	\$0	\$212	\$212	\$0	\$0	\$0
	1. To Normalize Rock Expense		\$0	\$212		\$0	\$0	
E-7	Electric Expenses		\$0	\$1,628	\$1,628	\$0	\$0	\$0
	1. To Annualize Electric Expense		\$0	\$1,628		\$0	\$0	
E-15	Travel Expense	660.000	\$0	\$4,184	\$4,184	\$0	\$0	\$0
	1. To normalize Travel Expense		\$0	\$4,184		\$0	\$0	
E-16	Maint. of Miscellaneous Plant - TDE	678.000	\$0	\$244	\$244	\$0	\$0	\$0
	1. To Normalize Maint of Miscellaneous Plant		\$0	\$244		\$0	\$0	
E-26	Purchased Water - C&M Water Company		\$0	-\$12,363	-\$12,363	\$0	\$0	\$0
	1. To Annualize Purchased Water - C&M Water Company		\$0	-\$12,363		\$0	\$0	
E-27	Clerical Salaries	920.100	-\$44	\$0	-\$44	\$0	\$0	\$0
	1. To Annualize Clerical Salaries		-\$44	\$0		\$0	\$0	
E-28	Management Salaries	920.200	\$5,000	\$0	\$5,000	\$0	\$0	\$0
	1. To Annualize Management Salaries		\$5,000	\$0		\$0	\$0	
E-29	Communication Expense	921.100	\$0	\$1,181	\$1,181	\$0	\$0	\$0
	1. To Normalize Communication Expense		\$0	\$1,181		\$0	\$0	
E-30	Billing Materials	921.200	\$0	\$534	\$534	\$0	\$0	\$0
	1. To normalize Billing Materials		\$0	\$534		\$0	\$0	
E-31	I.T. Expense	921.300	\$0	-\$873	-\$873	\$0	\$0	\$0
	1. To Normalize IT Expense		\$0	-\$873		\$0	\$0	
E-32	Outside Services Employed	923.000	\$0	\$602	\$602	\$0	\$0	\$0

Gascony Water Company
 Case No. WR-2017-0343
 Test Year Ended December 31, 2016
 Update Period June 30, 2017
 Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
	1. To Annualize Accounting		\$0	\$450		\$0	\$0	
	2. To Normalize Attorney Expense		\$0	\$152		\$0	\$0	
E-33	MO PSC Assessment	928.100	\$0	\$271	\$271	\$0	\$0	\$0
	1. To Annualize MO PSC Assessment		\$0	\$271		\$0	\$0	
E-34	Other Regulatory Expense	928.200	\$0	\$200	\$200	\$0	\$0	\$0
	1. To annualize Other Regulatory Expense		\$0	\$200		\$0	\$0	
E-35	Other Expenses		\$0	-\$6,304	-\$6,304	\$0	\$0	\$0
	1. To Remove Other Expenses		\$0	-\$6,304		\$0	\$0	
E-36	Interest Expense		\$0	-\$2,070	-\$2,070	\$0	\$0	\$0
	1. To Annualize Interest Expense		\$0	-\$2,070		\$0	\$0	
E-37	Supplies and Expenses	930.200	\$0	-\$1,231	-\$1,231	\$0	\$0	\$0
	1. To normalize Supplies and Expenses		\$0	-\$1,231		\$0	\$0	
E-38	Rents - Storage of Equipment		\$0	-\$1,200	-\$1,200	\$0	\$0	\$0
	1. To Annualize Rent - Storage of Equipment		\$0	-\$1,200		\$0	\$0	
E-40	Fuel Expense		\$0	\$506	\$506	\$0	\$0	\$0
	1. To Normalize Fuel Expense		\$0	\$506		\$0	\$0	
E-41	Maint. of General Plant - AGE	932.000	\$0	-\$1,501	-\$1,501	\$0	\$0	\$0
	1. To Normalize Maintenance Expense		\$0	-\$1,501		\$0	\$0	
E-42	Rate Case Expense		\$0	\$100	\$100	\$0	\$0	\$0
	1. To Normalize Rate Case Expense		\$0	\$100		\$0	\$0	
E-43	Gascony Association Expense		\$0	\$340	\$340	\$0	\$0	\$0
	1. To Annualize Gascony Association Expense		\$0	\$340		\$0	\$0	
E-44	Bank Fees		\$0	\$178	\$178	\$0	\$0	\$0
	1. To Normalize Bank Fees		\$0	\$178		\$0	\$0	
E-45	Uncollectible Accounts Expense		\$0	\$217	\$217	\$0	\$0	\$0
	1. To Normalize Uncollectibles Expense		\$0	\$217		\$0	\$0	
E-48	Depreciation Expense, Dep. Exp.		\$0	\$0	\$0	\$0	\$993	\$993
	To Annualize Depreciation Expense		\$0	\$0		\$0	\$993	
	1. No Adjustment		\$0	\$0		\$0	\$0	

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
E-53	Property Taxes	408.000	\$0	-\$365	-\$365	\$0	\$0	\$0
	1. To Annualize Property Taxes		\$0	-\$365		\$0	\$0	
E-59	Current Income Taxes		\$0	\$0	\$0	\$0	\$323	\$323
	1. To Annualize Current Income Taxes		\$0	\$0		\$0	\$323	
Total Operating Revenues			\$0	\$0	\$0	\$0	-\$1,090	-\$1,090
Total Operating & Maint. Expense			\$4,956	-\$15,730	-\$10,774	\$0	\$1,316	\$1,316

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 8.02% Return	E 8.02% Return	F 8.02% Return
1	TOTAL NET INCOME BEFORE TAXES		\$1,620	\$2,868	\$2,868	\$2,868
2	ADD TO NET INCOME BEFORE TAXES					
3	Book Depreciation Expense		\$3,306	\$3,306	\$3,306	\$3,306
4	Test		\$0	\$0	\$0	\$0
5	TOTAL ADD TO NET INCOME BEFORE TAXES		\$3,306	\$3,306	\$3,306	\$3,306
6	SUBT. FROM NET INC. BEFORE TAXES					
7	Interest Expense calculated at the Rate of	0.0000%	\$0	\$0	\$0	\$0
8	Tax Straight-Line Depreciation		\$3,306	\$3,306	\$3,306	\$3,306
9	Excess Tax Depreciation		\$0	\$0	\$0	\$0
10	TOTAL SUBT. FROM NET INC. BEFORE TAXES		\$3,306	\$3,306	\$3,306	\$3,306
11	NET TAXABLE INCOME		\$1,620	\$2,868	\$2,868	\$2,868
12	PROVISION FOR FED. INCOME TAX					
13	Net Taxable Inc. - Fed. Inc. Tax		\$1,620	\$2,868	\$2,868	\$2,868
14	Deduct Missouri Income Tax at the Rate of	100.000%	\$94	\$167	\$167	\$167
15	Deduct City Inc Tax - Fed. Inc. Tax		\$0	\$0	\$0	\$0
16	Federal Taxable Income - Fed. Inc. Tax		\$1,526	\$2,701	\$2,701	\$2,701
17	Federal Income Tax at the Rate of	See Tax Table	\$229	\$405	\$405	\$405
18	Subtract Federal Income Tax Credits					
19	Credits - Solar		\$0	\$0	\$0	\$0
20	Net Federal Income Tax		\$229	\$405	\$405	\$405
21	PROVISION FOR MO. INCOME TAX					
22	Net Taxable Income - MO. Inc. Tax		\$1,620	\$2,868	\$2,868	\$2,868
23	Deduct Federal Income Tax at the Rate of	50.000%	\$115	\$203	\$203	\$203
24	Deduct City Income Tax - MO. Inc. Tax		\$0	\$0	\$0	\$0
25	Missouri Taxable Income - MO. Inc. Tax		\$1,505	\$2,665	\$2,665	\$2,665
26	Missouri Income Tax at the Rate of	6.250%	\$94	\$167	\$167	\$167
27	PROVISION FOR CITY INCOME TAX					
28	Net Taxable Income - City Inc. Tax		\$1,620	\$2,868	\$2,868	\$2,868
29	Deduct Federal Income Tax - City Inc. Tax		\$229	\$405	\$405	\$405
30	Deduct Missouri Income Tax - City Inc. Tax		\$94	\$167	\$167	\$167
31	City Taxable Income		\$1,297	\$2,296	\$2,296	\$2,296
32	City Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
33	SUMMARY OF CURRENT INCOME TAX					
34	Federal Income Tax		\$229	\$405	\$405	\$405
35	State Income Tax		\$94	\$167	\$167	\$167
36	City Income Tax		\$0	\$0	\$0	\$0
37	TOTAL SUMMARY OF CURRENT INCOME TAX		\$323	\$572	\$572	\$572
38	DEFERRED INCOME TAXES					
39	Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0	\$0	\$0
40	Amortization of Deferred ITC		\$0	\$0	\$0	\$0
41	Deferred Income Tax - Test Line		\$0	\$0	\$0	\$0
42	TOTAL DEFERRED INCOME TAXES		\$0	\$0	\$0	\$0
43	TOTAL INCOME TAX		\$323	\$572	\$572	\$572

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Income Tax Calculation

Line Number	<u>A</u> Description	<u>B</u> Percentage Rate	<u>C</u> Test Year	<u>D</u> 8.02% Return	<u>E</u> 8.02% Return	<u>F</u> 8.02% Return
----------------	-------------------------	--------------------------------	--------------------------	-----------------------------	-----------------------------	-----------------------------

Federal Tax Table					
Federal Income Taxes		\$1,526		\$2,701	\$2,701
15% on first \$50,000		\$229		\$405	\$405
25% on next \$25,000		\$0		\$0	\$0
34% > \$75,000 < \$100,001		\$0		\$0	\$0
39% > \$100,000 < \$335,001		\$0		\$0	\$0
34% > \$335,000 < \$10,000,001		\$0		\$0	\$0
35% > \$10MM < \$15,000,001		\$0		\$0	\$0
38% > \$15MM < \$18,333,334		\$0		\$0	\$0
35% > \$18,333,333		\$0		\$0	\$0
Total Federal Income Taxes		\$229		\$405	\$405

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Capital Structure Schedule

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital 8.02%	F Weighted Cost of Capital 8.02%	G Weighted Cost of Capital 8.02%
1	Common Stock	\$1,500	100.00%		8.020%	8.020%	8.020%
2	Other Security Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
4	Long Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
6	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
7	TOTAL CAPITALIZATION	\$1,500	100.00%		8.020%	8.020%	8.020%
8	PreTax Cost of Capital				10.017%	10.017%	10.017%

Gascony Water Company
Case No. WR-2017-0343
Test Year Ended December 31, 2016
Update Period June 30, 2017
Executive Case Summary

	<u>A</u>	<u>B</u>
Line Number	Description	Amount
1	Annualized Missouri Retail Revenues	\$35,411
2	Annualized Customer Numbers	178
3	Annualized Customer Usage	0
4	Profit (Return on Equity)	\$2,296
5	Interest Expense	\$0
6	Annualized Payroll	\$16,656
7	Utility Employees	0
8	Depreciation	\$3,306
9	Net Investment Plant	\$27,705
10	Pensions	\$0

Gascony WATER COMPANY
SCHEDULE of DEPRECIATION RATES
(WATER CLASS D)
WR-2017-0343 Attachment D

NARUC USOA ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
Source of Supply				
311*	Structures & Improvements	2.5%	44	-10%
314	Wells & Springs	2.0%	55	-8%
Pumping Plant				
325	Electric Pumping Equipment	10.0%	12	-20%
Water Treatment Plant				
332	Water Treatment Equipment	2.9%	35	0%
Transmission and Distribution				
342	Distribution Reservoirs & Standpipes	2.5%	42	-5%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Customer Services	2.5%	40	0%
346	Meters, Plastic Chamber	10.0%	10	0%
347	Meter and Meter Pit Installation	2.5%	40	0%
348	Hydrants	2.0%	50	0%
General Plant CLASS D				
371	Structures & Improvements	2.5%	40	0%
372	Office Furniture & Equipment	5.0%	20	0%
372.1	Office Electronic & Computer Equip.	0.0%	0	0%
373	Transportation Equipment	6.7%	15	0%
379	Other General Equipment (tools, shop equip., backhoes, trenchers, etc.)	3.3%	30	0%

*Utility may apply this rate as needed to Account Numbers 321, 331, and 341.

PRELIMINARY OBSERVATIONS OF WATER AND SEWER DEPARTMENT
FIELD OPERATIONS AND TARIFF REVIEW

Case No. WR-2017-0343
Gascony Village Water Company
David Spratt / Jarrod Robertson

Introduction

Gascony Water Company, Inc. (Company) received its certificate of convenience and necessity from the Missouri Public Service Commission (Commission) on April 1, 1999, in case number WA-97-510. The Company provides service to three commercial customers, approximately 26 full-time customers and 151 part-time customers in a fishing resort area known as Gascony Village, outside of Hermann, MO in Gasconade County. The Commission's Water and Sewer Department Staff (Staff) performed an inspection of the water system on September 11, 2017. Observations and suggested improvements are listed below.

Facilities

The Company's source of supply is a deep groundwater well drilled in 1980 to a depth of 630 feet with a steel casing that extends 400 feet deep. According to information Staff has been told or has observed, CMC Water Company, LLC (CMC), a separate legal entity, owns the land where the well is located, and may also own the well. Mr. Hoesch, in a September 14, 2017 phone call, represented that CMC is owned by Christina Ziegler and Matthew Hoesch, the children of Mr. Hoesch. Staff has requested documentation related to CMC's ownership of property and assets and is still investigating this situation. The well pump is a five-horsepower submersible pump capable of producing 35 gallons per minute (gpm). The well pump was most recently replaced in October 2013. The well is on Lot 27, located at the southernmost part of the service area on Warrior Path Road.

The well house is in good condition. The roof on the well house was replaced in 2008. The well house contains the wellhead, piping, a 1,000 gallon hydro pneumatic tank, and all pump controls. These features were in good operating condition at the time of Staff's inspection. The tank and piping had recently been cleaned and painted to protect the integrity of the metal.

A 1,000-gallon hydro pneumatic tank sits inside the well house to maintain pressure in the water distribution system. A hydro pneumatic tank provides system pressure when water is pumped into the closed tank, compressing and pressurizing the air, such that approximately one-third of the total volume of the tank is usable water within a working

pressure range. The Company's hydro pneumatic tank cannot really be called a storage tank since its usable volume would only provide about two gallons of water per customer. The current Missouri Department of Natural Resources (DNR) *Minimum Design Standards for Missouri Community Water Systems*, referred to as the "Design Guide," recommends that a single-well water system should have storage capacity of at least one-day average use. Based on the historical master meter readings and peak day information provided by the Company, 30,000 gallons of usable storage would be required to meet the DNR Design Guide. The current storage volume is a previously identified deficiency that was noted by DNR during its 2014 inspection, although DNR did not take usage by part-time customers into consideration as Staff did in its determination.

DNR recommends water storage tanks should be inspected every two to five years. The Company stated that the interior of the hydro pneumatic tank has never been inspected. Staff recommends that the Company contract with an independent company to inspect the integrity of the interior of the hydro pneumatic tank.

The Company does not have emergency contact information posted at the well house, which is also a deficiency identified previously by DNR. Staff recommends that emergency contact information be posted outside the well house for customers to know whom to notify in case of an emergency, as well as inside the well house in the event a backup operator is visiting the well house and needs to contact the pump company, electrician, or other emergency contact.

The Company has a generator that is connected to the well house electrical system to provide power to the electric well pump in the event of a power outage. With effectively no storage capacity, a system-wide water outage could occur in a matter of minutes after a power failure. The generator ensures that water service will not be disrupted in the event of a power outage. The Company stated that the generator was used for the first time the day after it was bought.

Distribution System

The water distribution system consists of approximately six miles of two-inch and two and a half-inch poly vinyl chloride (PVC) pipe, which was installed in the early 1980's. According to the Company, the distribution system is looped around the service area and has one flush valve, which is operated annually around November to flush sediment out of the system. The system also contains some shut-off valves to isolate parts of the system in the event of a main break. Some areas are not able to be isolated; thus, the well must be turned off to work on the mains in those areas. Staff recommends installing shut-off valves in these areas in such an arrangement that the area can be isolated for repairs but the rest of the service area maintains water service.

Operations

While at the Company's office, Staff reviewed a current copy of the tariff with the owner. The Company reads the master meter and the electric meter generally once a week. The gallons pumped and electric meter readings are recorded in a notebook and are available in the well-house.

Tariff Review

Staff routinely works with regulated water and sewer utilities to update their water and/or sewer tariffs. Most often, companies use a generic tariff that is modified for specific operations of the individual company when they file rate cases with the Commission.

The Company's current water tariff became effective April 1, 1999, after the Commission issued a certificate of convenience and necessity to the Company. Following a review of the current water tariff, the Company needs to replace the current water tariff with a new water tariff that reflects the current rules and regulations of the Commission (including recent changes made to Chapter 13). Without updating the tariff, the Company's tariff will conflict with changes to the rule.

Staff anticipates the Company will file new and updated water tariff for the Company as part of the disposition of this current rate case proceeding. The current PSC MO number 1 water tariff will be canceled and replaced by PSC MO Number 2 water tariff.

On October 17, 2017, Staff was made aware, via a Gascony customer phone inquiry, that the Company may have started charging for each individual "living unit" on a single lot, instead of charging just a single rate for each individual lot; the customer stated this had been occurring at least the last two billing Quarters. Due to the timing of the inquiry coinciding with this Disposition Agreement deadline, it was not possible to address this situation with the Company. Therefore, Staff is bringing this to the attention of all parties.

Rate Design

Staff also reviewed the Company's current rate design in its investigation. The current rate structure consists of a quarterly flat rate based on customer class for water service. Staff has performed a cost of service study for water service, which allocated current annual costs between the five different classes present on this system. The customer classes are: full-time residential; part-time residential; and three (3) individual specific commercial customers: pool/bathhouse; kitchen; and a dump station. In its request letter, the Company asked to re-allocate costs between the full- and part-time customers. Staff is continuing its investigation at this time and has not determined if it will make this

change. Other than this potential allocation change, Staff does not anticipate making further changes to the existing rate structure.

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Consumer and Management Analysis Unit

Small Company Rate Increase Request

Case No. WR-2017-0343

Gascony Water Company, Inc.

Mark Kiesling and Gary Bangert

The purpose of the Consumer and Management Analysis Unit (“CMAU”) is to promote and encourage efficient and effective utility management. These objectives contribute to the Commission’s overall mission to ensure that customers receive safe and adequate service at reasonable rates while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review are to document and analyze the management control processes, procedures, and practices used by Gascony Water Company, Inc. (“Company” or “Gascony Water”) to ensure that its customers’ service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will also provide the Commission with information regarding the Company’s customer service and business operations.

The scope of this review focuses on processes, procedures, and practices related to:

- Overview
- Customer Billing
- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

This report contains the results of the CMAU staff’s review.

The CMAU staff of the Missouri Public Service Commission (“Commission”) initiated an informal review in August 2017 of the customer service and business processes, procedures, and practices of Gascony Water. The review was performed in response to the Company’s request for a rate increase in Case No.WR-2017-0343, which was filed on June 19, 2017. The Company’s request is for an increase of \$15,000 in its annual water system operating revenues.

The CMAU staff examined the Company's tariffs, annual reports, Commission complaint and inquiry records, and other documentation related to the Company's customer service and business operations. In preparation of this report, the CMAU staff submitted data requests to the Company and performed an on-site interview with Company employees in August 2017. The CMAU staff's review of the Company resulted in the following two recommendations:

THE CMAU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Update and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This requirement of 4 CSR 240-13.040(3) should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0343.
2. Ensure all new customers complete an application for service per the Company's tariff. This requirement should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0343.

History

Gascony Water was first authorized by the Commission on April 1, 1999, to provide water service and currently operates in an area commonly known as Gascony Village in Gasconade County, near Hermann, Missouri. The Company provides water service to approximately 2623 full-time, 15149 part-time and three commercial customers. There has been minimal change in the number of customers over the past three years and little growth is anticipated. CMAU staff previously performed a customer service review in Case No. WR-2015-0020.

Overview

The owner, who is president of Gascony Water, performs all outside operations activities with occasional help from independent contractors and a part-time office manager performs all business office functions. Time associated with Company work activity is tracked with timesheets. A vehicle log is kept by the president to record the miles driven from his home in St. Louis to the Company. The president asserted that he travels to Gascony Water about one time each week and typically spends one to three days at the Company business office.

The Company's business office is located in Gascony Village. There are no established business hours; however, the office manager lives in Gascony Village and is available to conduct

Company business throughout the week. Company personnel are also available 24/7 by telephone. The president's telephone number and the Company telephone number are included on customer bills. Customers may leave a message if no one is available to answer the telephone. Business office functions performed by the office manager include preparing and mailing customer bills, maintaining customer account records, posting customer bill payments, responding to customer complaints and inquiries, and paying bills. Outside operations activities include system checks, routine maintenance of the water system, taking water samples, and recording master water meter readings. The president also responds to emergency customer calls and makes weekly bank deposits.

Customer Billing

Gascony Water's tariff provides the rates for water service. Full-time customers pay a flat fee of \$103.33 per quarter and part-time customers pay a flat fee of \$36.88 per quarter. Gascony Water uses QuickBooks software for all accounting and to maintain customer records. The president asserts that customer account data is backed up to an external hard drive whenever account modifications are made. Company personnel indicate that the quarterly bills are dated the 1st day of the month each quarter, but they are usually mailed sometime the week prior to the 1st day of the month. A sample water bill provided by the Company had a bill date of January 1st and a due date of January 17th. The Company's current tariff does not include a provision for a late fee and Company personnel represented that a late fee is not assessed on accounts remaining unpaid by the due date.

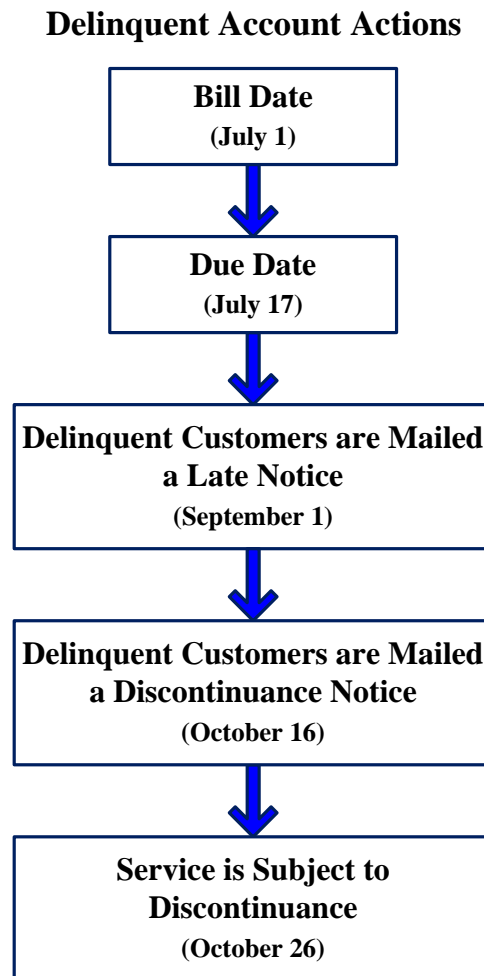
Payment Remittance

Customer payment options include cash, check, money order, bank bill pay, or cashier's check. Most payments are received in the mail; however Company personnel indicate that a few customers will drop off their payments at the president's home. Company personnel assert that bill payments are processed and recorded on the day they are received. The president makes weekly bank deposits of all receipts.

Credit and Collections

Customers requesting water service do not complete a written application although the Company's tariff requires a written application. A security deposit is not required as a condition for providing service. Company personnel assert that returned checks have not been a problem. The Company's current tariff has no provision for a returned check fee.

Gascony Water has an established procedure for handling delinquent accounts. The following illustration shows the actions that would be taken on delinquent accounts:



As shown in the illustration, customers with unpaid accounts are mailed a late notice two months after the bill date. Accounts that remain unpaid three months after the bill date are mailed a discontinuance notice. Accounts that have not been paid within 10 days of the discontinuance notice are subject to discontinuance.

Gascony Water personnel indicated that only a few customers are delinquent each quarter. They also indicated that they have not disconnected any customers for nonpayment, as the Company has indicated there are no delinquent customers beyond 90 days. The Company's tariff includes a provision for a \$40.00 discontinuance fee and a \$425.00 fee to install a meter pit and shut-off valve. The Company does not use a collection agency to pursue the collection of amounts owed to Gascony Water Company. No uncollectible water account has been written off since 2012.

Complaints and Inquiries

Customers with questions or concerns may call Gascony Water using one of two telephone numbers appearing on their bill. A review of Commission complaint/inquiry records since 2014 showed there were no complaints in 2016 and one complaint in 2015 and 2017. Company personnel indicated that they receive very few Customer Complaints or Inquiries.

Customer Communication

Customer bills serve as primary means of communicating with customers. Some information is also conveyed at property association meetings. A Company brochure has not been prepared summarizing rights and responsibilities of the Company and its customers.

Findings, Conclusions, and Recommendations

The following discussion presents a summary of the findings, conclusions, and recommendations pertaining to the Company's customer service operations. Recommendations resulting from rule or tariff violations are specifically noted and associated with a 30-day implementation requirement. The information presented in this section focuses on the following issue that requires Company management's attention:

- Customer Brochure
- New Customer Application

Customer Brochure

The Company has not developed a brochure detailing the rights and responsibilities of the Company and its customers. The development of such a brochure and its prominent display and

availability to customers is required by Commission Rule 4 CSR 240- 13.040 (3) which states in part:

“A utility shall prepare, in written form, information which in layman’s terms summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. . . This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each residential customer of the utility if requested by the customer. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request”.

Specific information to be covered in the brochure is listed in the above referenced rule and includes procedures such as billing, customer verification of billing accuracy, payment requirements, customer deposits, discontinuance of service, inquiries and complaints, and access to the Commission and the Office of Public Counsel.

THE CMAU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Update and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No.WR-2017-0343.

New Customer Application

The Company does not presently require new customers to complete an application for service. Per the Company’s current tariff Rule 4 (a) all new customers require an application:, “A written application for service, signed by the Applicant, stating the type of service required and accompanied by any other pertinent information, will be required from each Applicant before service is provided or continued to any Unit.”

THE CMAU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure all new customers complete an application for service per the Company tariff. This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No.WR-2017-0343.

Implementation Review

The CMAU staff will conduct a review of the Company's progress regarding the implementation of the two recommendations made in this report.

PRELIMINARY AUDITING DEPARTMENT MEMORANDUM

FROM: Jason Taylor, Matthew Young
Auditing Department Staff

TO: Jarrod Robertson
Water and Sewer Department, Case Coordinator

CC: Jacob Westen, Nicole Mers
Staff Counsel Office

SUBJECT: Auditing Department's Initial Findings
Gascony Water Company, Inc.
Case No. WR-2017-0343

DATE: November 8, 2017

Executive Summary

In response to Gascony Water Company, Inc.'s ("Gascony Water" or "Company") June 19, 2017 request for a rate increase, the Auditing Department Staff of the Missouri Public Service Commission ("Staff") conducted an audit of the Company using a 12-month test year ended December 31, 2016 and updated through the known and measurable period ended June 30, 2017. As further explained throughout this memorandum, Staff's preliminary audit supports an overall revenue requirement increase of \$1,248.

Procedural Background

On June 19, 2017, Gascony Water filed a letter dated June 16, 2017 with the Secretary of the Missouri Public Service Commission ("Commission") in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"), requesting a rate increase of \$15,000, or approximately 44% increase over its existing annual water service operating revenues. The Company is proposing that the customer equivalent factors for part-time customers be changed from .35 customer equivalent to a .5

customer equivalent. In its request letter, the Company acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Staff's review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 26 full-time, 151 part-time, and 3 commercial water customers in the certificated service area in Hermann, Missouri.

Ongoing Issues

The \$1,248 revenue requirement recommended above is exclusive of new information the Company has recently provided to Staff. Staff received from Company, documents for rent and salary on October 31, 2017 and documents on uncollectible accounts, new information on machinery located at the water system, check register for other expenses, rate case expense invoices, and the customer list on November 3, 2017. In response to this information, Staff has submitted data requests to the Company and is working through the documents. Once the Company has responded to the data requests, Staff will be able to complete its analysis and update its recommended revenue requirement accordingly.

Background of Gascony Water Company

Gascony Water serves Gascony Village, which is located in Gasconade County, Missouri, which is approximately 14 miles south-west of Hermann, Missouri. The development area for Gascony Village was purchased by Mr. George Hoesch in 1969 and developed into a vacation area by Mr. Hoesch's development company, Gasc-Osage Realty Company ("Gasc-Osage"). In 1992, the Missouri Department of Natural Resources ("DNR") sought legal enforcement for Gasc-Osage to construct a sewer collection system in Gascony Village. In 1997, Mr. Hoesch filed two Applications for a Certificate of Convenience and Necessity ("CCN") before the Commission in Case Nos. SA-97-357 and WA-97-510. Gascony Water was not legally established until February 1998, during the water CCN. As a result of the water CCN, tariffs establishing water rates became effective on April 1, 1999. However, the sewer CCN was dismissed without

prejudice on March 9, 1999. Gascony Village currently does not contain a PSC-regulated, centralized, sewer collection system.

Gascony Water has not had a change in rates since the establishment of approved water rates in 1999. Gascony filed a Request for a Rate Increase on July 21, 2014, Case No. WR-2015-0020, but the case was ultimately withdrawn December 16, 2014.

Affiliated Entities

The owner of Gascony Water Company, Mr. Hoesch, also owns Gasc-Osage Realty Company. Mr. Hoesch's Gasc-Osage is the entity that installed the water system during the development of Gascony Village. While Gasc-Osage is listed on the Missouri Secretary of State's website as a company in good standing, Gasc-Osage's activity (real estate development and lot sales) at Gascony Village has been dormant for several years.

Gascony Village has a home association named Gascony Village Association. Staff understands that the president of the Association is Ms. Gail Stephens. Gascony Water Company retains Ms. Stephens to perform the billing functions of Gascony Water Company.

Lastly, Lot 27 of Gascony Village contains the well and the well house that provides water service to the customers of Gascony Water. However, the land defined by Lot 27 is owned by CMC Water Company, LLC ("CMC"). In a September 14, 2017 phone call with Staff, Mr. Hoesch represented that CMC is a Limited Liability Company owned by Christina Ziegler and Matthew Hoesch, children of Mr. Hoesch.

Capital Structure

Robert Bickel of the Commission's Financial Analysis Unit provided a weighted cost of capital and rate of return calculation to the Audit Staff for inclusion in the cost of service calculation. The initial rate of return is based on a capital structure consisting of 100% common equity. The initial return on equity ("ROE") and rate of return is 8.02%. This level was used in the revenue

requirement calculation determined through a model referred to as the Exhibit Modelling System (“EMS”).

Rate Base

Plant in Service

During the water CCN, the parties signed a Stipulation and Agreement that defined \$21,000 of plant-in-service. The original rate base consisted of \$20,000 of intangible plant, \$150 of meters, and \$850 of meter installations.

During the audit, Staff learned that the only meters installed on Gascony Water’s water system were at the site of the community pool. However, Gascony Water’s tariffs do not contain a volumetric rate and the meter was never used to measure water usage. Since the pool meter is not used and useful, Staff retired the \$150 in the meter account after it was fully depreciated. Similarly, Staff retired the \$20,000 intangible plant after the account was fully amortized.

Since 1999, the most recent time the Commission has approved a Rate Base, Gascony Water has invested several thousand dollars in improvements to the water system. Improvements include the installation of several meter pits, an upgrade of the electrical system at the well, replacement of the well pump, installation of a water-level monitoring system, installation of a back-up generator for the well, and the construction of a shed to house supplies and large equipment. In addition to the referenced upgrades and structures added to the system over the years, the Company also transferred two pieces of equipment from its affiliated company, a trenching machine and a John Deere Gator.

To value the trencher, Staff found evidence of Gasc-Osage’s original cost in the Direct Testimony of Earnest Harwig, Gascony’s Witness in the water CCN case. Schedule 1 of that testimony shows the trencher was purchased in 1995 at a cost of \$10,800. Staff calculated the undepreciated value of the trencher at June 30, 2017, the cut-off date in this case, assuming the

trencher has a 30 year useful life. Staff then included the undepreciated value in Gascony Water's rate base in 2017, the year of the trencher's transfer.

Similarly, the Gator's undepreciated value was calculated at June 30, 2017 and included in rate base. Staff relied on Gascony's 2007 annual report filed with the Commission for the original cost of this equipment, which is reported at \$4,200. Staff used a total useful life of 15 years to value the Gator.

Contributions in Aid of Construction

Contributions in Aid of Construction ("CIAC") are an offset to plant-in-service. CIAC represents a portion of rate base that the customers of a utility have already paid for, making the investment in the utility system fully recovered. Utility systems like electric, natural gas, telecommunications, and water and sewer services—in this case a water system—are typically constructed during the early stages of an area's development to make the lots within the development more attractive to potential buyers. In addition to utility systems, the developer many times makes improvements to the lots of land with roadways and bridges, sidewalks and curbing, and amenities such as greenspaces, tennis and basketball courts, clubhouses, etc. After the area is developed, it is assumed that the developer prices the lots for sale at a level that allows for the recovery of the total development costs, including the construction of the utility system. All the improvements make the selling of the lots more attractive to the buyers of the lots, adding value to the land purchased.

During Gascony's water CCN case, Staff's Direct Testimony describes the records and documents that were reviewed to determine rate base. Those documents were reviewed for the cost of the land, expenditures for the time period September 1, 1982 to December 31, 1996, and the 1979 and 1980 federal tax returns. In that testimony, Staff recommended a \$0 rate base based upon the lack of supporting documentation.

Later in the case, Staff filed "Testimony in Support of Stipulation and Agreement", which described the amount of rate base ultimately supported by Staff. Of the rate base that was

included in rates, \$1,000 was the only tangible plant and was related to meters and meter installations. The testimony also makes it clear that Gascony had not installed any meters as of the Stipulation, but would install the plant immediately. In other words, as of the Stipulation and Agreement in the Gascony's water CCN, there was \$0 of plant "in-service." Because there was not a value for used and useful plant-in-service, there was not a CIAC offset to water plant in the CCN case. Instead, Plant, Reserve, and CIAC were all set at \$0, with the exception of meters that were to be installed in the future.

Utility Property

As part of this rate case, Gascony Water informed Staff that it requests the transfer of several assets in transactions with companies also owned by Mr. Hoesch or that Mr. Hoesch has represented are owned by his children. These proposed transactions affect the utility's rate base and expenses. Gascony's proposals are to include in Gascony Water's rates equipment and property from other entities owned by Mr. Hoesch or an entity that Mr. Hoesch has represented his children legally own.

Gasc-Osage proposes to transfer a trenching machine and John Deere Gator to Gascony Water in 2017. These assets were used by Gasc-Osage for its development of Gascony Village and the operation of Gascony Water. To compensate Gasc-Osage for the machinery, Gascony Water agreed to pay Gasc-Osage \$8,000 for the trencher and \$3,300 for the Gator. These amounts are what Mr. Hoesch deemed to be reasonable market values for the assets. To determine the asset values to include in Gascony's rate base, Staff compared the undepreciated book value of the assets, as described above, to the values set forth by Gascony Water when the equipment was originally purchased. For both pieces of machinery, the net book value was included in Gascony's rate base.

Also, Gascony Water does not have legal ownership of the land associated with the water well because, as stated by the owner of Gascony Water, he transferred the land to what is now known as CMC. From Staff's initial investigation, it appears as of 2016, Mr. Hoesch created an arrangement with CMC to purchase water for distribution of water to the utility customers. For Staff's initial audit, Mr. Hoesch has produced one invoice from CMC for purchased water in

2016 but has not produced any other invoices regarding purchased water to show Gascony has been historically purchasing water from CMC. Mr. Hoesch also has not produced a contract detailing any purchased water arrangement with CMC. Finally, the issue of purchased water was not raised in either the CCN case or the 2014 Rate Increase Request. In 2017, Gascony Water, through Mr. Hoesch, agreed to purchase the well's land from CMC, which Mr. Hoesch represented is owned by his children, for \$10,000. Staff evaluated this transaction, and has not included any cost of this land in Gascony Water's rate base for the following reasons.

- Staff's testimony filed in the 1997 water CCN states that the documentation of the development area's original cost was audited and that land should not be included in rate base. While it is unclear if Staff did not support including land because the cost was undocumented or the cost was recovered through lot sales, all parties agreed on a rate base that did not include the cost of any land. In this case, Staff cannot find good cause to deviate from the position taken by Staff in the 1997 water CCN.
- Gascony's witness in the 1997 water CCN case, Earnest Harwig, recommended a rate base to include in rates. In the CCN case, Mr. Harwig did not include the cost of land in his rate base schedule. Staff assumes that a witness for Gascony Water would have included any costs, including the cost of the land that a well was drilled on, that would be eligible for rate base.
- The Commission approved the CCN case in 1999, which established the original rate base for Gascony Water did not include any amount for land.
- The well was drilled on the land in 1980. According to Gascony Water, the land was transferred to what is now known as CMC in 1989 for \$0 of consideration. This transfer of utility property was not approved by the Commission and the utility requires ownership or access to the land on which the well was drilled (for access to the well) to provide safe and adequate service. Since this transfer was not presented to, nor approved by the Commission pursuant to § 393.170 RSMo, and was a result of an imprudent decision of Gascony Water (transferring away ownership of the land with the well—the water company's only water source), the costs incurred to recover ownership of the land should not be a burden of the ratepayers.

In addition to the land containing the utility's well, Gascony Water has agreed to purchase an adjacent lot of land and an existing structure (a shed) for \$35,000. This land is not owned by CMC but by another affiliate, Gasc-Osage. Staff applied the same rationale to this transaction, and found that the original cost of the land is \$0, as it was recovered by Gasc-Osage through the original lot sales. However, unlike the well, the shed on this land was constructed after the 1997 water CCN case and was paid for through Gascony Water's checking account. To ensure the utility's checking account had sufficient funds, Mr. Hoesch invested \$10,000 into Gascony Water for the construction, making the cost of the shed appropriate for inclusion in rate base. Staff has included the shed in rate base on a cost basis. The cost was derived from Gascony Water's checkbook and invoices.

Depreciation and Depreciation Rate Overview

In this case, Engineering Analysis Unit Staff expert Stephen Moilanen reviewed existing depreciation rates, existing plant-in-service, and accumulated depreciation reserve balances. Because of additions made since the previous rate case, Staff suggests implementing a revised depreciation schedule as shown in Attachment D. The rule followed by Staff as a basis for applying depreciation to Gascony Water's plant accounts is 4 CSR 240-50.030-1, which specifies the use of the USOA issued by the NARUC in 1976 for water utilities.

Revenues

Gascony Water's current tariffs have a flat rate of \$103.33 per quarter for full-time customers, \$36.88 per quarter for part-time customers, and \$597.29 per quarter for commercial customers. Staff annualized revenues based on customer levels of 26 full-time customers, 151 part-time customers, and 3 commercial customers. Staff has requested additional documentation from Gascony and intends to verify the customer count at June 30, 2017 prior to the conclusion of this case.

Expenses

Staff reviewed Gascony Water's checking account from calendar year 2011 through June 30, 2017. Staff classified each check (payroll, maintenance, capital, etc.) and totaled to find annual expenditures. Staff then examined the yearly fluctuation of expenses for trends and normalized or annualized as appropriate using most current information or averaging results of several periods.

Staff audited Gascony's ongoing expense for Century Link's services and found that Century Link provided internet, a landline telephone, and cable television as a bundled service. Because the service is bundled, it is difficult to quantify the portion of the bill that is attributable to cable television, a service that is not necessary to provide safe and adequate water service, so Staff reduced the Century Link expense by one-third.

Gascony Water also incurs ongoing expenses for a cellular phone. Staff reduced the annualized cell phone bill by 50% to recognize that the phone is also used for personal reasons.

During the on-site visit with Gascony Water, Staff collected the time sheets kept by the employees of the Company to determine the appropriate payroll costs to include in rates. These time sheets identified the hours worked on specific tasks and amount paid to each employee. The time sheets were used to determine if the wages earned by Gascony Water's personnel were comparable to a market value of wages for similar services. To compare Gascony Water's salary expense to the job market, Staff obtained Occupational Employment and Wages data from Missouri Economic and Information Center online (MERIC) for the year 2016, the most recent data available. MERIC is a research division of the Missouri Department of Economic Development that provides labor market information and is commonly used by Staff in water and sewer rate cases as a resource for evaluating salaries. According to MERIC webpage:

MERIC conducts a semiannual survey of businesses; survey responses are used to produce employment and wage estimates for Missouri, nine different metropolitan statistical areas (MSA) within Missouri, and four geographic regions that include Missouri counties not in MSA's.

Included in the cost of service is an annual amount of compensation for the owner-operator of Gascony Water, Mr. Hoesch. Staff evaluated the time recorded by Mr. Hoesch performing “water system operator” duties and considered the unrecorded time performing management duties for the utility. Staff found that Mr. Hoesch’s current level of annual compensation is reasonable. Additionally, Mr. Hoesch does not reside in Gascony Village and must travel to the utility’s service area once per week to meet DNR’s requirements imposed upon water certified operators. Staff annualized the travel expense associated with this DNR requirement by applying the 2017 IRS mileage reimbursement rate of \$0.535 per mile to the annualized miles driven by Mr. Hoesch.

Mr. Hoesch relies on a Gascony Village resident to perform the billing function for Gascony Water at an \$18/hour rate. Staff found \$18/hour to be reasonable and applied the hourly wage to an average number of hours recorded by the billing clerk. Mr. Hoesch recently increased the billing function wage to \$18 per hour. The \$18 per hour level was included in the recommended rate level, provided that this amount continues to be paid for this operational function. Also, Mr. Hoesch employs other local residents to perform labor on an “as-needed” basis. Staff averaged the amount paid for this labor during the last six years to normalize this cost.

To process this case, Gascony Water obtained a consultant. Staff classified the consultant’s costs as rate case expense, and normalized the total cost over a five year period. Staff will continue to collect and evaluate rate case expenses as this case continues.

In 2015, Gascony Water made a payment to CMC Water for the cost of water pumped by the well that is located on CMC Water’s land. Staff views that Gascony Water should have obtained ownership of this land from the start of the water company’s history and as such, Staff has not included purchased water as a going-forward expense to set into rates. For discussion of the ownership of the land the well was drilled on and Staff’s initial findings in regards to the purchased water see the Utility Property section above.

In 2016, Gascony Water paid Gasc-Osage \$1,200 for the storage space provided by the shed. Since Staff has included the full cost of the shed in Gascony Water's rate base, Staff did not include any storage fees related to the shed in the cost of service.

The remainder of Gascony Water's expenses, including electricity, DNR fees, postage, office supplies, outside services, materials, fuel, PSC assessment, maintenance, property taxes, and association dues were annualized or normalized as necessary.

Preliminary Findings

1. Gascony Water should continue to maintain timesheets and travel logs to support compensation paid to individuals performing services for Gascony Water. These individuals include certified operators, billing clerks, and "as needed" casual labor.
2. Gascony Water, as a Class D Water Company, is required by Commission regulations 4 CSR 240-50.020 and 50.030 to maintain documentation of costs that relate to improvements to the utility's water system. This documentation should be able to support additions to plant-in-service in future cases.
3. Gascony Water should obtain ownership of land that is being used in Gascony Water's utility operations. This ownership should be filed with Gasconade County's recorder of deeds. Any costs incurred in conjunction with obtaining this ownership shall not be borne by the customers in this, or future cases. Additionally, should it prove impossible for Gascony Water to obtain ownership of the property, ratepayers shall be held harmless (from a cost of service perspective) for any subsequent costs incurred to maintain water service.
4. The Commission should approve Staff's recommended depreciation rates, as set forth in Attachment D.

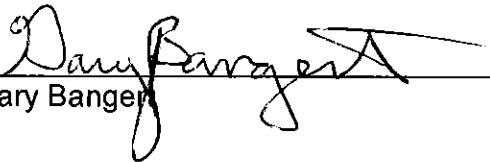
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Request for an Increase in)
Annual Water System Operating Revenues for)
Gascony Water Company, Inc.) Case No. WR-2017-0343

AFFIDAVIT OF GARY BANGERT

State of Missouri)
) ss.
County of Cole)

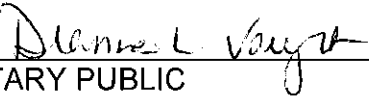
Gary Bangert, of lawful age, on his oath states: (1) that he is a Utility Management Analyst III, of the Consumer and Management Analysis Unit, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Partial Disposition Agreement*; (3) that information in this *Partial Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Partial Disposition Agreement*; and (5) that such matters set forth in the *Partial Disposition Agreement* are true and correct to the best of his knowledge, information and belief.



Gary Bangert

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of November, 2017.



NOTARY PUBLIC

My commission expires: June 28, 2019.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377

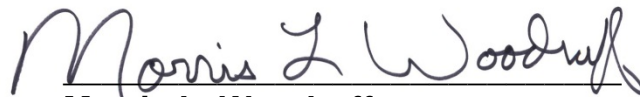
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

**WITNESS my hand and seal of the Public Service Commission,
at Jefferson City, Missouri, this 9th day of May 2018.**




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

May 9, 2018

File/Case No. WR-2017-0343

**Missouri Public Service
Commission**

Staff Counsel Department
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

Office of the Public Counsel

Hampton Williams
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
opc@ded.mo.gov

Gascony Water Company, Inc.

Diana C Carter
312 E. Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
DCarter@brydonlaw.com

**Missouri Public Service
Commission**

Jacob Westen
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
jacob.westen@psc.mo.gov

Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.