

Exhibit No.: _____

- Issues: (1) Need for Revenue Increases
(2) Disposition Agreements
(3) Legal Fees
(4) Rate Case Expense
(5) Hollister Treatment Expense
(6) Rate Design

Witness Name: Dale W. Johansen

Type of Exhibit: Direct Testimony

Sponsoring Party: Emerald Pointe Utility Company

File No.: SR-2013-0016, et. al.

Date Testimony Prepared: March 28, 2013

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

**In the Matter of the Request for)
an Increase in Sewer Operating)
Revenues of Emerald Pointe)
Utility Company)**

File No. SR-2013-0016, et. al.

**Direct Testimony of
Dale W. Johansen**

**Presented on Behalf of
Emerald Pointe Utility Company**

March 28, 2013

**Johansen Consulting Services
915 Country Ridge Drive
Jefferson City, MO 65109**

**Company Exhibit No. 15
Date 5-9-13 Reporter SB
File No. SR 2013-0016**

TABLE OF CONTENTS

**DIRECT TESTIMONY OF
DALE W. JOHANSEN**

FILE NO. SR-2013-0016, et. al.

1	INTRODUCTION	1
2	EXECUTIVE SUMMARY	2
3	NEED FOR OPERATING REVENUE INCREASES	3
4	DISPOSITION AGREEMENTS	3
5	LEGAL FEES	4
6	RATE CASE EXPENSE	5
7	HOLLISTER TREATMENT EXPENSE	5
8	RATE DESIGN	6

**DIRECT TESTIMONY OF
DALE W. JOHANSEN**

FILE NO. SR-2013-0016, et. al.

1 **INTRODUCTION**

2 **Q. Please state your name and business mailing address.**

3 A. Dale W. Johansen, Johansen Consulting Services, 915 Country Ridge Drive,
4 Jefferson City, MO 65102.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the owner of Johansen Consulting Services. For the purposes of this
7 consolidated case, I have been retained by Emerald Pointe Utility Company (Company) to
8 provide assistance to the Company in reaching a resolution in the case.

9 **Q. Please briefly describe the types of services that Johansen Consulting
10 Services provides.**

11 A. Since starting Johansen Consulting Services upon my retirement from the
12 Missouri Public Service Commission (Commission), the types of services I have provided
13 include the following: (1) training municipal natural gas system operators in pipeline safety
14 rules compliance for the Security Integrity Foundation of the American Public Gas
15 Association; (2) operating a regulated small water and sewer company, as the court-
16 appointed receiver; and (3) assisting regulated small water and sewer companies in matters
17 before the Commission.

18 **Q. What are your education and work experience backgrounds?**

19 A. Please refer to Schedule DWJ - 1 attached to this testimony for a summary of my
20 education and work experience backgrounds.

1 **Q. Have you previously testified in cases before this Commission?**

2 A. Yes, I have, on numerous occasions.

3 **EXECUTIVE SUMMARY**

4 **Q. What has been the nature of your involvement in this case?**

5 A. As I mentioned earlier, I have been retained by the Company to assist it in
6 reaching a resolution of the Company's requests for increases in its water and sewer
7 operating revenues. In particular, my work has included providing the Company with an
8 estimate of the needed increases in its operating revenues, reviewing the Commission Staff's
9 proposals for resolving the operating revenue increase requests and other matters identified
10 by the Staff as being at issue, providing the Company with suggested changes to the Staff's
11 proposals on certain cost of service items, and providing the Company with suggested
12 changes to the Staff's proposals regarding the design of the Company's customer rates. I
13 have also attended various meetings with the Commission Staff and representatives of the
14 Office of the Public Counsel, and worked directly with Staff members on suggested changes
15 to the Staff's proposals.

16 **Q. Please summarize the Direct Testimony you are presenting.**

17 A. I am presenting testimony regarding the following matters: (1) the general need
18 for the Company's operating revenue increase requests; (2) the partial disposition agreements
19 entered into by the Company and the Commission Staff; (3) legal fees; (4) rate case expense;
20 (5) the new wholesale sewage treatment expense; and (6) rate design.

1 **NEED FOR OPERATING REVENUE INCREASES**

2 **Q. Please explain the primary reasons for the Company's operating revenue**
3 **increase requests.**

4 A. The main driver for the Company's requests is the recent construction of a new
5 pipeline through which sewage will be transported to the City of Hollister (Hollister) for
6 treatment and the elimination of the Company's existing sewage treatment plant. This
7 project resulted in a significant increase in the Company's sewer system rate base and a
8 significant new expense for the treatment of the sewage through a wholesale treatment
9 contract with Hollister. Prior to being undertaken, this "pipeline project" was the subject of
10 Commission File No. SA-2012-0362.

11 Because of the need for significant changes in its sewer system rates, the Company
12 simultaneously submitted a request to update its water service rates.

13 **Q. Are the Company's water and sewer customers the same?**

14 A. They are in large part; however, there are some water customers that are not
15 sewer customers.

16 **DISPOSITION AGREEMENTS**

17 **Q. Has the Company entered into disposition agreements regarding both its**
18 **water and sewer operating revenue increase requests?**

19 A. Yes, it has. On March 14, 2013, the Company and the Commission Staff entered
20 into partial disposition agreements in which they agreed the Company's annual sewer
21 operating revenues should be increased by approximately \$226,577 and its annual water
22 operating revenues should be decreased by approximately \$51,928. It is the Company's

1 belief that the Staff's direct testimony will further explain and support the details of these
2 agreements.

3 **Q. Were any issues that could impact the annual operating revenues or resulting**
4 **rates left for the upcoming evidentiary hearing?**

5 A. Yes. The disposition agreements specified that the Hollister sewage treatment
6 expense was not yet fully resolved, and that the issues of legal fees, rate case expense and
7 rate design remained for possible hearing. Each of these issues could have an impact on the
8 final operating revenue changes and/or the resulting customer rates.

9 **LEGAL FEES**

10 **Q. Please briefly describe the legal fees issue and the Company's position on the**
11 **issue.**

12 A. This issue is related to the amount of legal fees currently included in the
13 Commission Staff's cost of service calculations for both water service and sewer service.
14 The Company's position regarding this issue is that the amount of legal fees included in the
15 Staff's current cost of service calculations does not adequately capture the amount of such
16 expenses, particularly as they relate to the Company's "pipeline project" certificate case
17 (File No. SA-2012-0362) and the Company's recent finance case (File No. SF-2013-0346).
18 However, the Company acknowledges that all of the information related to these expenses
19 had not yet been made available to the Staff as of the date the partial disposition agreements
20 were executed by the Company and the Staff. Once the necessary additional information
21 regarding this issue has been reviewed the Staff, the Company is hopeful this issue can be
22 resolved, at least as far as the Company and Staff are concerned.

1 **RATE CASE EXPENSE**

2 **Q. Please briefly describe the rate case expense issue and the Company's**
3 **position on the issue.**

4 A. This issue is related to the amount of rate case expense currently included in the
5 Commission Staff's cost of service calculations for both water service and sewer service.
6 For this consolidated case, these expenses would include legal fees directly related to the
7 case and my fees for work done in conjunction with the case. The Company's position
8 regarding this issue is that the amount of rate case expense included in the Staff's current cost
9 of service calculations does not adequately capture the amount of such expenses.
10 Additionally, the Company believes this expense should be updated as this consolidated case
11 progresses. Once the necessary additional information regarding this issue has been
12 reviewed by the Staff, the Company is hopeful this issue can be resolved, at least as far as the
13 Company and Staff are concerned.

14 **HOLLISTER TREATMENT EXPENSE**

15 **Q. Please briefly describe the Hollister sewage treatment expense issue and the**
16 **Company's position on the issue.**

17 A. This issue is solely related to the volumes used in calculating the sewage
18 treatment expense resulting from the wholesale treatment contract between the Company and
19 Hollister. It is the Company's position that the volumes used to calculate the sewage
20 treatment expense should be the same as the volumes used in the design of the sewer service
21 commodity rate. In the Staff's cost of service calculations that existed at the time the partial
22 disposition agreements were executed by the Company and the Staff, the volumes the Staff

1 used to calculate the Hollister treatment expense item were less than the volumes used in the
2 design of the sewer service commodity rate. This result of this is that the sewage treatment
3 expense is lower than what the Company believes is appropriate.

4 **Q. Has there been any recent movement on the settlement of this issue?**

5 A. Yes, there has. Based on a recent discussion with a Commission Staff member
6 directly involved in this consolidated case, I understand the Staff will use the sewer
7 commodity rate design volumes to calculate the Hollister treatment expense item. If my
8 understanding is correct, then this expense will be increased to an amount deemed
9 appropriate by the Company and the issue will thus be resolved to the Company's
10 satisfaction, at least as far as the Company and the Staff are concerned.

11 **RATE DESIGN**

12 **Q. Are there rate design issues related to both the sewer system and the water**
13 **system?**

14 A. Yes, there are.

15 **Q. Please briefly describe the sewer system rate design issue and the Company's**
16 **position on the issue.**

17 A. For the sewer system, the rate design issue is solely related to the Hollister
18 sewage treatment expense item discussed above. If that issue is resolved, as discussed above,
19 then there is no longer a sewer system rate design issue between the Company and the Staff.
20 (If the sewage treatment expense issue had not been resolved, the Company's position would
21 have been that the lower volumes used to calculate the sewage treatment expense item should
22 also have been used to design the sewer service commodity rate.)

1 **Q. Please briefly describe the water system rate design issue and the Company's**
2 **position on the issue.**

3 A. For the water system, the rate design issue revolves around the general question of
4 whether the Company's existing customer rates should be completely "redesigned." Per the
5 Company's existing water service tariff, the current water rates are purportedly based on the
6 premise that the first 2,000 gallons of usage per month is included in the monthly base
7 charge. However, when reviewing these rates, I found that this is clearly not the case. For
8 example, for customers using a 5/8" meter the current monthly base charge is \$6.52 and the
9 current commodity charge is \$3.50 per thousand gallons. Additionally, when reviewing the
10 existing water rates I also found that the differences in the monthly base charges between
11 different meter sizes do not reflect the appropriate "meter factors" related to the size of the
12 meters.

13 Because of the above-noted matters, it is the Company's position that its water rates
14 should be redesigned to properly reflect the inclusion of the first 2,000 gallons of usage per
15 month in the monthly base charge, and to reflect the appropriate "meter factors" related to the
16 size of the meters in the monthly base charge.

17 **Q. Has there been any recent movement on the settlement of the water system**
18 **rate design issue?**

19 A. Yes, there has. Based upon recent discussions with a Commission Staff member
20 that is directly involved in this consolidated case, I understand the Staff has agreed to
21 redesign the Company's water service rates in a manner consistent with the above-noted
22 Company position on this issue, and which is also consistent with the manner in which the

1 Company's sewer service rates are designed. I also understand the Staff will be filing an
2 updated rate design workbook with its direct testimony. If my understanding is correct, then
3 this issue will be resolved to the Company's satisfaction, at least as far as the Company and
4 the Staff are concerned.

5 **Q. Does this conclude your Direct Testimony?**

6 A. Yes, it does.

**SCHEDULES FOR THE DIRECT
TESTIMONY OF DALE W. JOHANSEN**

FILE NO. SR-2013-0016, et. al.

Listing and Description of Schedules

Schedule DWJ - 1: Education & Work Experience Summary

EDUCATION & WORK EXPERIENCE
SUMMARY FOR DALE W. JOHANSEN

COLLEGE EDUCATION

Associate of Arts in Pre-Engineering Studies
State Fair Community College – Sedalia, Missouri

Bachelor of Science in Agricultural Engineering
School of Engineering – University of Missouri @ Columbia

REGULATORY/UTILITY WORK EXPERIENCE

Johansen Consulting Services

Utility & Regulatory Consultant
October 2011 – Present

Missouri Public Service Commission

Gas Pipeline Safety Engineer
Energy Department – Gas Safety/Engineering
Utility Operations Division
September 2007 to September 2011

Manager - Water & Sewer Department

Utility Operations Division
June 1995 – August 2007

Johansen Consulting Services

Utility & Regulatory Consultant
March 1994 – May 1995

Missouri One Call System, Inc.

Executive Director
January 1992 – February 1994

Missouri Public Service Commission

Director of Utility Services Division
November 1990 – December 1991

Utility Division Case Coordinator
November 1987 – October 1990

Gas Pipeline Safety Program Manager

Gas Department – Utility Division
October 1980 – October 1987

Gas Pipeline Safety Engineer

Gas Department – Utility Division
May 1979 – September 1980