

Ex 205



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### Missouri Public Service Commission

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MAR 30 2018

Missouri Public Service Commission

June 23, 2017

George Hoesch  
Gascony Water Company, Inc.  
1907 Apache Trail  
Hermann, MO 65041

Dear Mr. Hoesch:

This letter is in response to Gascony Water Company, Inc.'s (Gascony or Company) request for a rate increase filed with the Missouri Public Service Commission (Commission) on June 19, 2017. The Commission has designated this matter as File No. WR-2017-0343.

My name is Jason Taylor and I am an auditor with the Commission Staff. The Commission Staff is charged with the responsibility of reviewing this rate increase application and examining the Company records to make a recommendation to the Commission based upon our findings. Staff Auditors Matthew Young and I have been assigned to perform a review of the Company's books and records. If possible, we would like to arrange a visit to conduct that review during the week of July 17, 2017 through July 21, 2017. We may not need the full week for this on-site visit. Please confirm if our proposed time is agreeable, if not please provide alternative dates and times that would work best for your schedule.

For the purpose of this audit, we are proposing a test year of the 12 months ended December 31, 2016, updated with known and measurable changes through June 30, 2017, which will provide the starting point of our review of your Company's operations. Listed below are some of the items we will need to perform our audit. During our visit to Gascony, we will examine the books and records of the Company, tour the plant including offices and other company facilities, discuss the operations of Gascony with Company personnel, and obtain information to review and perform the analysis necessary to develop the appropriate revenue proposal for our recommendation.

OPC Exhibit No. 205  
Date 3/19/18 Reporter UM  
File No. WR-2017-0343

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The discussion with Company personnel will include, but not be limited to, the following topics:

- a) The organizational structure of the Company and its operational characteristics, including any affiliated interests and/or relationships between Gascony and other companies and what each of the Company's affiliated entities does;
- b) Service connections and service connection fees;
- c) Types of meters used;
- d) Types of customers (residential, commercial, or other, and if customer are seasonal, year round or other) and any particular issues or concerns that exist with servicing customers;
- e) Plant and depreciation reserve issues, including any and all concerns identified by the Missouri Department of Natural Resources (MDNR) or other governmental/regulatory entities, operational restrictions - if any, identification of contributions made by developers and customers to plant (contributions in aid of construction) and customer advances for construction;
- f) The job descriptions, duties and responsibilities of each employee of the Company;
- g) Availability fees (those fees paid by owners of undeveloped property that have utility infrastructure in place to serve the owners but are not presently connected to the water system);
- h) Any existing or potential legal disputes between Gascony (and/or affiliated entity) with an outside party.

Our plant review will include the identification of plant assets that may serve a dual purpose, in which case we would have to verify this dual purpose of operations and develop an allocation of these assets. Our audit will also address any assets that have been recorded as utility property but provide no useful utility purpose.

We also want to devote enough time in our discussion to understand and be able to detail the duties and responsibilities of each employee of Gascony, including the management of the Company, and the duties and responsibilities of the owners of the Company.

Finally, our discussion will also include an identity of the ownership structure of the Company, any affiliated (common) companies owned by the shareholders of Gascony and how these non-regulated entities impact and relate to Gascony operations, especially the actual amount of time spent operating the regulated utility operations. Listed below are some of the items we will need to perform the audit. Staff will contact you to confirm your availability during the week of July 17 to obtain these records and to answer any questions you may have about the requested items.

This letter is to be treated the same as a Commission data request, which authorizes a 20-day response time for the Company to furnish the requested information.

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Please provide copies (in electronic format when possible), or make available for our review, the following documents and/or information:

1. All work papers showing calculations the Company relied upon to support the requested increase of \$15,000.
2. Detailed General Ledger that lists per book revenues and expenses by month for January 1, 2016 through June 30, 2017.
3. Balance sheet, income statement and statement of cash flows for the 12-month period ending December 31, 2016 and June 30, 2017.
4. Gascony's 2014, 2015, 2016, and 2017 check register, vendor detail lists and all receipts and invoices charged to Gascony.
5. A complete list of current telephone numbers billed to Gascony identifying for each number: the location, regulated or non-regulated use, and to whom that number is assigned and the monthly cost of the landlines or cell phones.
6. A description of facilities shared for regulated and non-regulated purposes (for example, a home used as a utility office). For each shared facility, identify the cost charged to utility operations and documentation supporting the calculation of charges to the utility.
7. Detailed plant ledger identifying plant and accumulated depreciation reserve records for the water system by account, plant additions and plant retirements from the beginning of 2014 through the present.
8. Identify the monthly number of customer from the beginning of 2014 through the present.
9. Detailed description and the amounts of contribution in aid of construction (CIAC) from the initial contribution to the most current contribution.
10. Detailed description and the amounts of customer advance transactions for each customer advance retained by the Company.
11. Detailed listing of all customer deposits held by Gascony as of December 31, 2016 and June 30, 2017.
12. A listing of all inventoried materials, including the original cost of each item.
13. List of all current salaries and/or wage rates for all employees and job descriptions for each employee identifying each employee's job duties and responsibilities.
14. Detailed timesheets for all employees that would identify work activities associated with the management and operations of Gascony and each of its affiliated entities.
15. Detailed description of the duties and responsibilities of each employee including what duties and responsibilities the owners of the Company and the management of the Company performs for Gascony and each of the affiliated entities.
16. Identify if Gascony or any of its affiliates uses an outside non-employee operator and if so, what duties are performed by the operator and indicate what certification level those individuals have achieved. Provide the most current agreement/contract with non-employee operator(s).
17. Current invoices and amounts for annual billings for the following: property insurance, liability insurance, health insurance and workmen's compensation insurance.
18. Current invoices for all expenses, including but not limited to: water testing, grass cutting, grounds and equipment maintenance, chemicals and treatment, electricity and other utilities, office supplies, purchased water, etc.

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19. Identify the monthly number of late charges billed from January 2014 to the present.
20. Identify the number and amount of customer accounts written off as bad debt from January 2014 to the present. Also, identify when the account was written off.
21. Vehicle and equipment logs showing dates and detailing miles logged for utility purposes.
22. Billing registers by month and by individual tariff item for the months January 2014 to the present.
23. Monthly water usage, by customer, for the months January 2014 to the present.
24. Monthly reads of the master meter for the months January 2014 to the present.
25. Copies for all contracts with vendors that provide services to Gascony and its affiliates.
26. Property, real estate, and corporate franchise tax receipts including the date paid and the assessment for property taxes that were filed for 2014, 2015, and 2016.
27. Current Commission-authorized depreciation rates by Uniform System of Accounts account.
28. Any major investments/expenditures with descriptions since the Commission's approval of Gascony's Certificate of Convenience and Necessity (CCN) filed in Case No. WA-97-510.
29. Missouri Department of Natural Resources (MDNR) permits and fees charged for the period 2014 through 2017.
30. State and Federal Income Tax returns from 2014 through 2017.
31. All customer complaints from calendar year 2015 to the present.

The Commission's Financial Analysis Unit needs financial information to complete its review of this rate case application. Please provide, in detail, including any supporting calculations, the following items for each issue as of December 31, 2016 and June 30, 2017, of short-term debt, long-term debt and preferred stock (if any):

25. Please provide the following information as of December 31, 2016 and June 30, 2017:
  - a. Total amount of Common Equity
  - b. Total amount of Preferred Stock
    - i. Embedded cost of Preferred Stock
  - c. Total amount of Long-Term Debt
    - i. Embedded cost of Long-Term Debt
    - ii. All loan documentation and/ or contracts that support the long-term debt recorded on the Company's books
    - iii. Purpose for which long-term debt proceeds were used
  - d. Total amount of Short-Term Debt
    - i. All loan documentation and/ or contracts that support the short-term debt recorded on the Company's books
    - ii. Purpose for which short-term debt proceeds were used
  - e. Average Short-Term Debt Interest paid the 12-months ending December 31, 2016 and June 30, 2017
  - f. Copies of any outstanding contracts or agreements for debt or securities between Gascony and any lender or other financial institution
  - g. Total amount of Construction Work in Progress for the 12-months months ended December 31, 2016 and June 30, 2017

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- h. Total amount of any other sources of capital and their respective costs (e.g. Hybrid Securities, Trust originated Securities, etc.)
- i. Name and describe each security

This list may not be a complete listing of all items needed to complete our audit. If we require additional materials we will notify you. It would be beneficial if when providing the above information you could include the name, phone number and email address of the individual(s) who can answer any questions that may arise (e.g. explanation of the information, calculation errors, unreadable copies, unclear descriptions, etc.). In addition, we ask that you label each response with the corresponding request number as listed above. Should any of the above items not be applicable to your company, please respond to the item asked and indicate "N/A" or similar answer.

If you should have any questions with our requests or with the process, please feel free to contact me at (816) 889-3945, Matthew Young (816) 889-3948. Our fax number is (816) 889-3957 and my e-mail address is Jason.Taylor@psc.mo.gov.

We look forward to working with you to ensure that Gascony is receiving appropriate operating revenues to continue to provide safe and reliable service to your customers. Thank you for your attention to our requests.

Sincerely,

Jason Taylor  
Utility Regulatory Auditor  
Staff of Missouri Public Service Commission

**Company Response to Staff Data Request No 1**

**Commission Auditing Unit**

1- The Company relied upon Gascony Water Company, Inc. profit and loss statement for 2016. In addition, the Company updated the Company's 2013 plant records to include the addition of an electric backup generator installed for the well, trencher, gator, computer, purchase of land that the well is located, and purchase of land and building housing electric generator and storing Company's equipment adjacent to the well. All supporting documentation is available at the Company's office for review.

2 thru 5 -These items are available for review at the Company's office.

6 – The Company utilizes space in the owners residence located in Gascony Village for the Company's office. The Company pays a minimal amount of \$125 per month for this usage.

7 & 8 - These items are available for review at the Company's office.

9 thru 11 – The Company does not have any of these items.

12 thru 14 - These items are available for review at the Company's office.

15 – The Company does not maintain written job duties and responsibilities. The Company will discuss these items in detail with Staff at the time of Staff's site visit. Gascony Water Company, Inc. does not have any affiliates.

16 thru 22 - These items are available for review at the Company's office.

23 – This information is unavailable as the Company's customers are unmetered.

24 thru 30 - These items are available for review at the Company's office.

31 – The Company has not had any complaints for calendar year 2015 to present.

**Commission Financial Analysis Unit**

25a – Total amount of Common Equity is \$1,500.

25b – Total amount of preferred stock is 1,500 shares.

25c – The Company has a contract in the amount of \$32,000 with Gasc-Osage Realty Company, Inc. for the purchase of land and building adjacent to the well site. In addition, the Company has two different loans with the president of the Company for the purchase of the trencher (\$8,000) and the gator \$3,300).

25d – The Company does not have any short-term debt.

25e – Zero.

25f – Please see 25c above.

25g – Zero.



25h and 25i – The Company does not have these items.