

Gascony Exhibit No. 1
Date 3/15/18 Reporter M
File No. 2017-0343
Exhibit No. 5

DIRECT TESTIMONY

OF

JAMES M. RUSSO

FILED

GASCONY WATER COMPANY, INC.

MAR 30 2018

CASE NO. WR-2017-0343

Missouri Public
Service Commission

Q. Please state your name and business address.

A. James M. Russo, 2215 Minnow Branch Road, Stover, Missouri 65078.

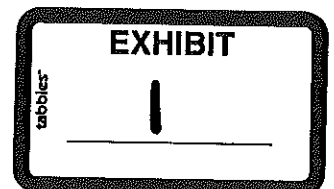
Q. By whom are you employed and in what capacity?

A. I am self-employed as a consultant and retained by Gascony Water Company, Inc. ("Gascony" or "Company") to assist the Company with expert witness matters.

BACKGROUND OF WITNESS

Q. Please describe your educational background and other qualifications.

A. I graduated from California State University-Fresno where I received a BS in Accounting. Local elected officials in county government employed me in various capacities: I was the Assistant Treasurer-Tax Collector for San Joaquin and El Dorado Counties in California. My responsibilities included all financial dealings of the county governments and all accounting activities of the Treasurer-Tax Collector office. In addition, I was the Supervising Accountant Auditor in El Dorado County for two years. My division was responsible for internal audits of all county agencies, special districts, and external franchise/lease agreements. I also was a member of the Missouri Public Service Commission Staff ("Staff") for several years.



Direct Testimony of
James M. Russo

1 Q. What were the natures of your duties when employed as a member of
2 Staff?

3 A. From April 1997 to December 2001, I worked in its Accounting
4 Department where my duties consisted of directing and assisting with various audits as
5 well as examinations of the books and records of public utilities operating within the
6 State of Missouri under the jurisdiction of the Public Service Commission
7 ("Commission"). From December 2001 to August 2003, I was a Regulatory Auditor IV
8 in the Energy Tariffs/Rate Design Department where my duties consisted of reviewing
9 purchased gas adjustment filings, tariffs, assisting on formal gas rate cases, and making
10 recommendations to the Commission based upon the results of these reviews. On
11 August 16 of 2003, I became the Rate and Tariff Examination Supervisor in the Water &
12 Sewer Unit where my duties consisted of reviewing tariffs, preparing and analyzing cost
13 of service and rate design, and performing accounting functions. I held this position until
14 my retirement from the Commission Staff on December 31, 2015.

15 Q. Have you previously filed testimony before this Commission?

16 A. Yes. A list of cases in which I have filed testimony before this
17 Commission is attached as Schedule 1 to my direct testimony.

18 INTRODUCTION

19 Q. With reference to Case No. WR-2017-0343, have you made an
20 examination and study of the material filed by Gascony Water Company, Inc.
21 ("Gascony Water" or "Company") relating to its proposed increase in water rates?

22 A. Yes, I have.

Direct Testimony of
James M. Russo

1 Q. With reference to case number WR-2017-0343; have you made an
2 examination and study of the *Partial Disposition Agreement and Request for*
3 *Evidentiary Hearing* filing by Staff on November 17, 2017?

4 A. Yes, I have.

5 Q. What is the purpose of your direct testimony?

6 A. The purpose of my direct testimony is to provide Gascony's position
7 relating to: salary expense, rent expense, rate case expense, plant, revenue requirement,
8 water operations rate design and customer applications.

9 **SALARY EXPENSE**

10 Q. What is appropriate to include in the compensation of the Company
11 president?

12 A. It is appropriate for the Company president to be compensated for his time
13 spent in managing and operating the Company.

14 Q. Did the president maintain time records of his work related to
15 managing and operating the Company?

16 A. The president has maintained time records for his work related to
17 operating the Company since January of 2015. He has started maintaining time records
18 that include his time spent managing the Company as of November, 2017.

19 Q. How did you calculate the time spent by the Company's president to
20 determine his salary as it relates to the operations of the Company?

21 A. I used a two-year average of the time recorded on his timesheets to
22 determine the average amount of time spent on operations by the president. I determined
23 that the two-year average is 493.25 hours.

Direct Testimony of
James M. Russo

1 Q. How did you determine the appropriate rate of compensation for the
2 president as it relates to the operations of the Company?

3 A. I reviewed 2016 data from the Missouri Economic Research and
4 Information Center ("MERIC") for the central region of the state of Missouri. I used the
5 standard occupational classification ("SOC") code of 51-8031 titled Water and
6 Wastewater Treatment Plant and System Operator. I used the experienced hourly
7 compensation rate of \$20.49 based on Mr. Hoesch's 30, plus years' experience in the
8 water industry.

9 Q. What is the appropriate level of annual salary expense for the
10 operational activities for the president of the Company?

11 A. \$10,107.

12 Q. How did you determine the portion of the president's salary as it
13 relates to the management of the Company?

14 A. I met with the president and discussed his management activities related to
15 Gascony Water. Based on this discussion I was able to categorize management activities
16 by type, frequency and hours. In addition, with the assistance of the president, I was able
17 to develop a minimum time, maximum time and average time to complete each
18 management activity. I used the average time to determine the 467.2 hours of time spent
19 annually by the president managing the Company. A summary of the management
20 activities and estimated time required to perform these activities are listed in Schedule 2
21 attached to my Direct Testimony.

22 Q. How did you determine the appropriate rate of compensation for the
23 president as it relates to the management of the Company?

Direct Testimony of
James M. Russo

1 A. I reviewed MERIC data for the central region of the state of Missouri. I
2 used the SOC code of 11-9199 titled Managers, All Others. I used the experienced
3 hourly compensation rate of \$38.05 to determine the appropriate rate of compensation for
4 the president.

5 Q. What is the appropriate level of annual salary expense for the
6 management activities for the president of the Company?

7 A. \$17,777.

8 Q. What is the appropriate total level of annual salary expense for the
9 operational and management activities for the president of the Company?

10 A. \$27,884

11 **RENT EXPENSE**

12 Q. How many offices does the Company maintain?

13 A. The Company maintains two offices. One is located in Gascony Village
14 and the other is a small home office in the home of the Company president located in
15 what is considered south county in Saint Louis County, Missouri.

16 Q. Why is it necessary for the Company to maintain two offices?

17 A. Gascony Water Company is unique in its remote location and in its
18 customer composition. Gascony Village ("Village") consists of camping lots that are
19 visited primarily on weekends from property owners that live outside of the area.
20 Approximately 85% of the Company's customers are comprised of these weekend
21 visitors. The president performs the majority of the operational activities on weekends
22 which also makes him available to meet with the customers of the Company during their
23 visits. These weekend visits by the majority of the customers are during what is

Direct Testimony of
James M. Russo

1 considered non-normal business hours. The president then uses his small Saint Louis
2 office to complete the management activities that take place during normal business
3 hours. In addition, the Company business records are kept at this location. It is not
4 practical from an economical or logistical stand point for the Company to maintain one
5 location.

6 Q. What physical items are included in the Saint Louis office?

7 A. The Saint Louis office consists of a desk, several chairs, filing cabinet and
8 minimal storage space for boxes of Company records.

9 Q. How was the physical size of the Saint Louis office determined?

10 A. The minimum amount of space required to accommodate the home office
11 furniture and equipment is 100 square feet.

12 Q. How was the rent calculated for the Saint Louis office?

13 A. I used average office rental rate information for south county in the Saint
14 Louis metro region compiled by Gerschman Commercial Real Estate for 2017¹. The
15 average annual rent per square foot for the south county region is \$21.59.

16 Q. What is the appropriate level of rent expense for the Saint Louis
17 office?

18 A. The appropriate level of rent for the Saint Louis office is \$2,159.

19 Q. Please describe the Gascony Village office?

20 A. The Gascony Village office is consists of space in a manufactured housing
21 unit owned by the president. Customers meet with Company personnel at table in the

¹ <http://www.gerschmancommercial.com/wp-content/uploads/2017/04/2017-St.-Louis-Annual-MarketReport.pdf>

Direct Testimony of
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1 kitchen or on the back deck. In addition, a computer, printer, filing cabinet and copying
2 machine are located in a small side room. A small closet with shelves is used to store
3 office supplies.

4 Q. How was the rent calculated for the Gascony Village office

5 A. I was not able to obtain commercial real estate rental information for the
6 Gascony Village area. As an alternative, I started with the \$1,500 that was originally
7 approved as rent expense in the 1999 certificate case No. WA-97-510. I then reviewed
8 the consumer price index ("CPI") from 1999 thru 2016. The CPI has increased a total of
9 47.3088% during this time period. I then adjusted the \$1,500 for the increase in CPI to
10 determine what the rent expense would be in today's dollars. Schedule 3 attached to my
11 Direct Testimony summarizes this calculation.

12 Q. What is the appropriate level of rent expense for the Gascony Village
13 office?

14 A. The appropriate level of rent expense is \$2,210 annually.

15 Q. What is the total amount of the appropriate level of rent expense for
16 the Company's two locations?

17 A. The total amount of rent expense is \$4,369.

18 **RATE CASE EXPENSE**

19 Q. What is the appropriate level of rate case expense that should be
20 included in Case No WR-2017-0343?

21 A. The appropriate level of rate case expense is the recovery of the prudently
22 incurred costs of the Company to resolve this case.

Direct Testimony of
James M. Russo

1 Q. What level of rate case expense did you include in the Company's cost
2 of service ("COS")?

3 A. I included a total rate case expense of \$18,000, normalized over a six-year
4 period at \$3,000 per year.

5 Q. Do you believe the \$18,000 will be the final level of rate case expense
6 that will be included in Case No WR-2017-0343?

7 A. No. The final level of rate case expense will most likely be different
8 depending on the level of litigation required to resolve the differences in this case.

9 Q. Is the Company willing to consider an alternate recovery period for
10 the collection of rate case expense?

11 A. Yes, the Company is willing to extend the recovery period from six years
12 to as long as eight years in order to reduce the impact on the Company's customers. The
13 only condition the Company would place on this extension is the opportunity to recover
14 any uncollected rate case expense in a preceding rate.

15 PLANT

16 Q. What are the plant items that the Company believes should be
17 included in plant?

18 A. There are four different items that the Company believes should be
19 included in the plant accounts. They consist of the land ("lot 27") that includes the well,
20 storage tank and pump house, the land that includes the storage building, a trencher and a
21 utility task vehicle ("utv").

22 Q. Why does the Company believe these items should be included in
23 plant?

Direct Testimony of
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1 A. The reasons why the Company believes these items should be included in
2 plant are discussed in the Direct Testimony of Company witness George Hoesch.

3 Q. Did the Company have the land appraised?

4 A. The Company was unable to obtain an appraisal on the land. The
5 appraiser believed there were not enough comparable sales available to determine a fair
6 market value.

7 Q. How did the Company determine the value for lot 27?

8 A. The Company used sale data from the sale of two 40 feet by 80 feet lots by
9 Gasc-Osage Realty Company, Inc. in April of 2017. The sale price of \$8,000 from these
10 two lots was increased to account for the additional square feet in lot 27. A value of
11 \$10,000 was used for lot 27

12 Q. How did the Company determine the value for the land with the
13 storage building?

14 A. The Company used the same methodology for determining the value of
15 this lot as what the Company used for lot 27. The difference was the Company reduced
16 the sale price from the sale of the two lots to account for the smaller lot size of the land
17 where the storage building resides. A value of \$7,500 was used for the land where the
18 storage building is constructed.

19 Q. When did the Company place the trencher in service?

20 A. The Company placed the trencher in service in July of 2015.

21 Q. How did the Company determine the value for the trencher?

Direct Testimony of
James M. Russo

1 A. I used the purchase price paid by the Company. The source document is a
2 promissory note signed by the water company. The value of the trencher is listed as
3 \$8,000 on this document.

4 Q. When did the Company place the UTV in service?

5 A. The Company placed the UTV in service in September of 2015.

6 Q. How did the Company determine the value for the UTV?

7 A. I used the purchase price paid by the Company. The source document is a
8 promissory note signed by the water company. The value of the UTV is listed as \$3,500
9 on this document.

10 **REVENUE REQUIREMENT**

11 Q. How did you determine the revenue requirement for the Company?

12 A. I used the dollars associated with the items that were agreed upon in
13 Attachment B of the *Partial Disposition Agreement and Request for Evidentiary Hearing*
14 filing by Staff on November 17, 2017. I increased this amount by the dollars associated
15 with the Company's position on the disputed items to determine the overall revenue
16 requirement.

17 Q. Based on the Company's positions what do you believe is the total
18 revenue requirement for the Company?

19 A. The total revenue requirement for the Company is \$57,671.

20 **RATE DESIGN OVERVIEW**

21 Q. How many water customers does Gascony serve?

Direct Testimony of
James M. Russo

1 A. Gascony serves approximately 26 full-time water customers, 151 part-time
2 water customers and 3 commercial water customers for a total of approximately 180
3 water customers.

4 Q. Who are the Company's three commercial customers?

5 A. The three commercial customers consist of the swimming pool, kitchen,
6 and dump station which are owned by Gascony Village. The homeowners association for
7 Gascony Village is the entity that pays these water bills.

8 Q. Did you perform a Class Cost of Service ("CCOS") Study?

9 A. No.

10 Q. What did you use to develop rates for sewer service as an alternative
11 to a CCOS?

12 A. I used a cost of service developed by the Company for the water
13 operations of the Company.

14 Q. Did you prepare rate design worksheets for the Company's water
15 operations?

16 A. Yes. I prepared rate design worksheets for the Company's operational
17 area. The following are attached to my Direct Testimony: Schedule 4 Ratemaking
18 Income Statement, Schedule 5 Revenue Annualization at Current Rates Worksheet,
19 Schedule 6 Development of Tariffed Rates Worksheet, Schedule 7 Revenue
20 Annualizations at Proposed Rates Worksheet, and Schedule 8 Billing Comparison
21 Worksheet.

22 RATE DESIGN WATER OPERATIONS

Direct Testimony of
James M. Russo

1 Q. What is the current water rate design for the Company's water
2 operations?

3 A. The current water rate design for Gascony is a flat quarterly charge for
4 each customer classification. In addition, each customer classifications rates are based on
5 a customer equivalent factor as follows: fulltime customers equal one customer
6 equivalent, part-time customers equal .35 of one fulltime customers and the commercial
7 customers have varied equivalent factors. The swimming pool equals 3.56 customer
8 equivalents, the kitchen equals 0.565 customer equivalents and the dump station equal
9 1.65 customer equivalents.

10 Q. Are you proposing any changes to the current quarterly billing?

11 A. No.

12 Q. Are you proposing any changes to the current customer equivalent
13 factors used in the water rate design for the Company?

14 A. Yes. I am proposing the current customer equivalent factors be changed as
15 follows: fulltime customers remain equal to one customer equivalent, part-time customers
16 be increased to .5 of one fulltime customers, the swimming pool house ("swimming
17 pool") be increased to 6 customer equivalents, the kitchen be increased to 2 customer
18 equivalents and the dump station remain the same at 1.65 customer equivalents. I have
19 summarized the current customer equivalent factors and the proposed customer
20 equivalent factors in the box below:

Direct Testimony of
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Customer Equivalent Factors used in Determining Rates:

Customer Type	Current Factor	Proposed Factor
Full time	1.0	1.0
Part time	0.35	0.5
Swimming Pool	3.56	6.0
Dump Station	1.65	1.65
Kitchen	0.565	2.0

1
2 **Q. Are you proposing any changes to the Company's existing water**
3 **customer classes?**

4 **A. No. I am proposing the existing water customer classifications of fulltime**
5 **residential customers. Part-time residential customers and commercial customers be**
6 **continued.**

7 **Q. Why are you proposing to maintain the existing full-time customer**
8 **equivalent factor of 1.0?**

9 **A. Full-time customers are the baseline customer used in determining rates**
10 **for all of the customers.**

11 **Q. Why are you proposing to increase the part-time customer equivalent**
12 **factor from 0.35 to 0.5?**

13 **A. The usage of the facilities at Gascony Village has changed over the years**
14 **by the part-time customer's. The Company has observed that the part-time customers**
15 **visit Gascony Village more frequently and the part-time customers bring a greater**
16 **number of guests. These longer visits and greater number of guests translate into higher**

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1 water consumption for the part-time customers. The Company believes it is appropriate
2 to increase the customer equivalent factor in order to account for the additional impact
3 the part-time customers have on the water operations of the Company.

4 Q. Does the Company believe increasing the part-time customer
5 equivalent factor from 0.35 to 0.5 is sufficient?

6 A. The Company believes increasing the part-time customer equivalent factor
7 from 0.35 to 0.5 is sufficient at this time. The Company did consider increasing the part-
8 time customer equivalent factor further, but wanted to limit any increase that would be
9 incurred by the part-time customers because of the potential rate impact on part-time
10 customers. However, the Company plans on revisiting the customer equivalent in any
11 subsequent rate cases and making appropriate recommendation at that time.

12 Q. Why are you proposing to increase the swimming pool customer
13 equivalent factor from 3.56 to 6?

14 A. The swimming pool consists of the swimming pool, swimming pool
15 house, restrooms, and shower facilities for the guests of Gascony Village. The original
16 swimming pool house that existed when the Company was originally certificated has
17 been replaced with a new swimming pool house. The number of showers available for
18 guests was doubled from four to eight. The number of toilets were increased from two to
19 six and urinals from one to two. The guests of Gascony Village include the Company's
20 full-time and part-time water customers and their guests, it also includes the owners and
21 guests of approximately 420 lots that are not customers of the water Company. These
22 additional individuals use the swimming pool facilities putting a greater share of water
23 consumption on the swimming pool customer. The Company has determined there is a

Direct Testimony of
James M. Russo

1 much greater usage of the swimming pool customer by many more individuals then was
2 anticipated when rates were originally developed in the certificate case.

3 Q. Why are you proposing to increase the kitchen customer equivalent
4 factor from 0.565 to 2?

5 A. The original kitchen that existed when the Company was originally
6 certificated has been replaced with a new kitchen. The new kitchen facilities include
7 restroom facilities that did not exist in the old kitchen facilities. In addition, the new
8 kitchen facility has seating for approximately 100 people where the old facility had
9 limited indoor seating. The new kitchen facility is more of a community center than the
10 traditional kitchen that existed during the certificate case. This has resulted in the usage
11 of the kitchen facilities being much greater then what was originally anticipated in the
12 certificate case. The facilities are used by groups of upwards to 100 people on a regular
13 basis three to five times a week. The result is a much greater amount of water being
14 consumed by this facility.

15 Q. Why are you proposing to maintain the dump station customer
16 equivalent factor at 1.65?

17 A. The Company is continuing the current equivalent factor of 1.65 for the
18 dump station because the Company has not determined any significant changes in usage
19 of the dump station by the guests of Gascony Village.

20 Q. How does changing the current customer equivalent factors for the
21 commercial customers benefit the full-time and part-time customers of the
22 Company?

Direct Testimony of
James M. Russo

1 A. The increasing of the customer equivalent factors for the commercial
2 customers increases the total number of customer's being served by the Company. By
3 spreading the cost of service for the Company over a greater number of customers lowers
4 rates paid by the full-time and part-time customers.

5 Q. How does changing the current customer equivalent factors affect the
6 actual customer count?

7 A. Changing the current customer equivalent factors changes the actual
8 customer count of 84.6225 to a proposed equivalent customer count of 111.15.

9 Q. How did you calculate the proposed quarterly water customer charge
10 for Gascony Village?

11 A. I calculated the customer quarterly water customer charge for the Villages
12 operational area by dividing the Company's revenue requirement by the equivalent
13 customer count of 111.15. This dollar amount was then multiplied against each customer
14 to determine the annual water charge. The annual water charge for each customer was
15 then divided by four to determine the quarterly water charge

16 Q. What are the results of your proposed rate design for the water
17 operations of Gascony Village?

18 A. The results of my proposed rate design for the water operations of
19 Gascony Village are in the box below:

Quarterly Customer Charge Comparison Current Rates to Proposed Rates:

Customer Type	Current Rate	Proposed Rate
Full time	\$103.33	\$129.71
Part time	\$ 36.88	\$ 64.86

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Swimming Pool	\$368.16	\$778.29
Dump Station	\$170.74	\$214.03
Kitchen	\$ 58.39	\$259.43

CUSTOMER APPLICATIONS

Q. Have you reviewed the *Report of Customer Service and Business Operations Review* prepared by Staffs Consumer and Management Analysis Unit ("CMAU") which is Attachment H to the *Partial Disposition Agreement and Request for Evidentiary Hearing* filing by Staff on November 17, 2017?

A. Yes.

Q. Have you reviewed CMAU's recommendation related to new customer applications which appears as item number 2 under the heading titled The CMSU Staff Recommends That Company Management: located on page 2 of the *Report of Customer Service and Business Operations Review* which is included in the *Partial Disposition Agreement and Request for Evidentiary Hearing* filing by Staff on November 17, 2017?

A. Yes.

Q. Do you agree with this recommendation?

A. No, I do not agree with this recommendation completely.

Q. Please explain.

A. The Company agrees that all new customers need to complete an application for service. In fact, the Company developed a new customer application in

Direct Testimony of
James M. Russo

1 April of 2017 and plans on having all new customers complete the application in the
2 future. The point of disagreement with CMAU's recommendation is CMAU wants this
3 recommendation to be completed within thirty (30) days of the effective date of the
4 Commission order that resolves Case No. WR-2017-0343.

5 Q. Why does the Company disagree with the thirty-day completion
6 requirement recommended by CMAU?

7 A. The Company disagrees with the thirty-day completion requirement
8 recommended by CMAU because it is doubtful whether or not the Company will have
9 any new customers in this time period. There have been 6 additional full-time customers
10 and 9 less part-time customers in the eighteen years since the Company was originally
11 certificated. The last new customers were two new part-time customers added in April,
12 2017. In addition, the existing property owners rarely sell their lots. The Company
13 cannot agree with this recommendation knowing it is extremely likely that no new
14 customers will be receiving service from the Company within this time period. The
15 Company cannot knowingly put itself in the position of agreeing to something that results
16 in the Company violating a Commission order.

17 Q. Do you believe there is a resolution to this situation?

18 A. Yes, I believe this situation is easily resolved by eliminating the thirty-day
19 requirement.

20 Q. Does this conclude your direct testimony?

21 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application)
of a Rate Increase for Gascony Water)
Company Inc.)

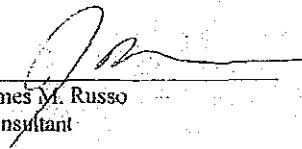
Case No. WR-2017-0343

AFFIDAVIT OF JAMES M. RUSSO

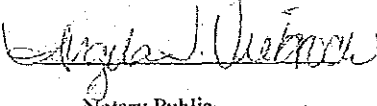
STATE OF MISSOURI)
COUNTY OF MORGAN) ss

James M. Russo, of lawful age and being first duly sworn, deposes and states:

1. My name is James M. Russo. I am a consultant hired by Gascony Water Company, Inc.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

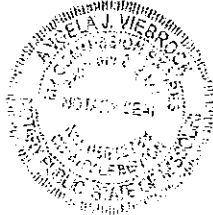

James M. Russo
Consultant

Subscribed and sworn to me this 5th day of January 2018.


Notary Public

My Commission expires

02/02/2021



RATE CASE PROCEEDING PARTICIPATION

JAMES M. RUSSO

<u>COMPANY</u>	<u>CASE NO.</u>
Union Electric Company	GR-97-393
Gascony Water Company	WA-97-510
St. Joseph Light and Power Company	EC-98-573
St. Joseph Light and Power Company	HR-99-245
St. Joseph Light and Power Company	GR-99-246
St. Joseph Light and Power Company	ER-99-247
UtiliCorp United Inc./St. Joseph Light and Power Company	EM-2000-292
UtiliCorp United Inc./Empire District Electric Company	EM-2000-369
Osage Water Company	WR-2000-557
Osage Water Company	SR-2000-556
Missouri Gas Energy	GR-2001-292
Southern Missouri Gas Company, L.P.	GR-2001-0388
Environmental Utilities	WA-2002-65
Laclede Gas Company	GR-2002-356
Laclede Gas Company	GA-2002-429
Missouri Gas Energy	GT-2003-0033
Aquila Networks L & P	GT-2003-0038
Southern Missouri Gas Company, L.P.	GT-2003-0031
Atmos Energy Corporation	GT-2003-0037
Fidelity Natural Gas, Inc.	GT-2003-0036
Laclede Gas Company	GT-2003-0032
Union Electric Company	GT-2003-0034
Union Electric Company	GR-2003-0517
Missouri Gas Energy	GT-2004-0049
Aquila Inc.	GR-2004-0072
Missouri Gas Energy	GC-2004-0216
Missouri Gas Energy	GC-2004-0305
Algonquin Water Resources of Missouri, LLC	WR-2006-0425

Schedule I

Missouri-American Water Company	WR-2007-0216
Missouri-American Water Company	SR-2007-0217
Timber Creek Sewer Company	SR-2008-0080
Missouri-American Water Company	WR-2008-0311
Missouri-American Water Company	SR-2008-0312
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0311
Missouri-American Water Company	WR-2011-0337
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Central Rivers Wastewater Utility, Inc.	SR-2014-0247
Hillcrest Utility Operating Company, Inc.	WR-2016-0064
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202

Mr Hoesch hours spent as General Manager. The general manager plans, directs and coordinates the daily operations of the company including but not limited to the use of personnel and contractors (professional services and utility repair personnel), customer questions, formulating and implementing business decisions and policies,

Weekly	Frequency	Min Hours	Ann. Hrs.	Max Hours	Ann. Hrs.	Average
Interaction w/ customers	52	0.5	26	2	104	65
Review correspondence, billing statements	52	1	52	3	156	104
Interaction with vendors	52	0.25	13	1	52	32.5
Oversight repairs/maintenance	52	0.25	13	1	52	32.5
Miscellaneous general manager operations	52	0.2	10.4	0.75	39	24.7
Monthly						
Company books, vendors, billings	12	3	36	7	84	60
Interaction w/ Government Agencies	12	1	12	2	24	18
Manage employee (not including billing)	12	2.5	30	4	48	39
Quarterly						
Oversight Mailing Bills	4	4	16	8	32	24
Oversight Reviewing Payments	4	5	20	8	32	26
Annually						
PSC Annual Report	1	10	10	18	18	14
State & Federal Income Taxes	1	12	12	24	24	18
Primacy Fees	1	6	6	10	10	8
Sales tax submission	1	1	1	2	2	1.5
Total Hours			257.4		677	467.2

Schedule of Consumer Price Index

Year	Base	Inflation	Base + cpi
1999	1.000	2.68%	1.027
2000	1.027	3.39%	1.062
2001	1.062	1.55%	1.078
2002	1.078	2.38%	1.104
2003	1.104	1.88%	1.124
2004	1.124	3.26%	1.161
2005	1.161	3.42%	1.201
2006	1.201	2.54%	1.231
2007	1.231	4.08%	1.282
2008	1.282	0.09%	1.283
2009	1.283	2.72%	1.318
2010	1.318	1.50%	1.337
2011	1.337	2.96%	1.377
2012	1.377	1.74%	1.401
2013	1.401	1.50%	1.422
2014	1.422	0.76%	1.433
2015	1.433	0.73%	1.443
2016	1.443	2.07%	1.473
2017	1.473		

Percentage of CPI increase since 1999 47.31%

GASCONY WATER COMPANY, INC.

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$ 35,411
2	Other Operating Revenues *	\$ -
3	Total Operating Revenues	\$ 35,411

4 * See "Revenues - Current Rates" for Details

Cost of Service

Item	Amount
1 Casual Labor-Contracted	\$ 909
2 Maintenance of Miscellaneous Water Source Plant	\$ 212
3 Electric Expenses	\$ 1,628
4 Uncollectable Accounts	\$ 217
5 Clerical Services	\$ 1,656
6 Management Salaries	\$ 27,884
7 Communication Expense	\$ 1,181
8 Billing Materials	\$ 534
9 IT Expense	\$ 262
10 Outside Services Employed	\$ 602
11 Maintenance of Miscellaneous Plant TDE	\$ 244
12 Travel Expenses	\$ 4,184
13 PSC Assessment	\$ 271
14 Regulatory Expense	\$ 200
15 Rate Case Expense	\$ 3,000
16 Gascony Association Expense	\$ 340
17 Bank Fees	\$ 178
18 Supplies and Expenses	\$ 491
19 Rents-AGE	\$ 4,369
20 Fuel Expense	\$ 506
21 Maintenance of General Plant-AGE	\$ 200
22 Sub-Total Operating Expenses	\$ 49,068
23 Property Taxes	\$ 70
24 MO Franchise Taxes	\$ -
25 Employer FICA Taxes	\$ -
26 Federal Unemployment Taxes	\$ 1,032
27 State Unemployment Taxes	\$ -
28 State & Federal Income Taxes	\$ -
29 Sub-Total Taxes	\$ 1,102
30 Depreciation Expense	\$ 3,358
31 Interest Expense	\$ -
32 Amortization of Utility Plant	\$ -
33 Sub-Total Depreciation/Interest/Amortization	\$ 3,358
34 Return on Rate Base	\$ 4,143
35 Total Cost of Service	\$ 57,671
36 Overall Revenue Increase Needed	\$ 22,260

GASCONY WATER COMPANY, INC.

Revenue Annualizations at Current Rates-Water

Annualized Customer Counts and Customer Charge Revenues

Retail Customers

Customer Type	Total	Rate *	Annual Revenue
Residential-Full Time	26	\$ 103.33	\$ 10,746
Residential-Part Time	151	\$ 36.88	\$ 22,276
Pool House	1	\$ 368.16	\$ 1,473
Dump Station	1	\$ 170.74	\$ 683
Kitchen	1	\$ 58.39	\$ 234
Total	180	738	\$ 35,411.00

*monthly service charge

Other Operating Revenues

Bulk Water Sales	\$ -
Sales to Other Public Authorities	\$ -
Late Charge Fees	\$ -
Turn-Off/Turn-On/Penalty Charges	\$ -
Miscellaneous Revenues - Service Lines	\$ -
Rents from Water Property - Tower Rental	\$ -
Discounts Earned	\$ -
Total Other Revenues	\$ -

Total Operating Revenues

Service Charges - Retail Customers	\$ 35,411
Other Operating Revenues	\$ -
Total Operating Revenues	\$ 35,411

GASCONY WATER COMPANY, INC.

Development of Tariffed Rates-Water

The Company proposes to keep the current quarterly rates.
 The Company proposes that the current customer equivalent factors be changed.

Revenues Generated by Current Tariffed Rates	\$ 35,411
Proposed Revenue Increase	\$ 22,260
Percentage Increase Needed	62.862%

Customer Rates		
Customer Type	Current Service Charge	Proposed Service Charge
Residential-Full Time	\$ 103.33	\$ 129.71
Residential-Part Time	\$ 36.88	\$ 64.86
Pool House	\$ 368.16	\$ 778.29
Dump Station	\$ 170.74	\$ 214.03
Kitchen	\$ 58.39	\$ 259.43

Meter equivalents:

	Number of Customers	Current Factor	Proposed Factor	Customer Equivalents	Proposed Rates
Residential-Full Time	26	1	1	26	\$ 129.71
Residential-Part Time	151	0.35	0.5	76	\$ 64.86
Pool House	1	3.56	6	6	\$ 778.29
Dump Station	1	1.65	1.65	2	\$ 214.03
Kitchen	1	0.565	2	2	\$ 259.43
			Total	111.15	

Total cost of service: \$ 57,671

Rate per customer equivalent: \$ 129.71

GASCONY WATER COMPANY, INC.

Revenue Annualizations at Proposed Rates-Water

Annualized Customer Counts and Customer Charge Revenues

Retail Customers

Customer Type	Total	Rate *	Annual Revenue
Residential-Full Time	26	\$ 129.71	\$ 13,490
Residential-Part Time	151	\$ 64.86	\$ 39,174
Pool House	1	\$ 778.29	\$ 3,113
Dump Station	1	\$ 214.03	\$ 856
Kitchen	1	\$ 259.43	\$ 1,038
Total	180		\$ 57,671
monthly service charge			

Other Operating Revenues

Bulk Water Sales
 Sales to Other Public Authorities
 Late Charge Fees
 Turn-Off/Turn-On/Penalty Charges
 Miscellaneous Revenues - Service Lines
 Rents from Water Property - Tower Rental
 Discounts Earned
Total Other Revenues

\$ -

Total Operating Revenues

Service Charges - Retail Customers	\$ 57,671
Other Operating Revenues	\$ -
Total Revenues at Proposed Rates	\$ 57,671

Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 57,671
Total Revenues at Current Rates	\$ 35,411
Increase in Revenues at Proposed Rates	\$ 22,260
Agreed-Upon Increase in Operating Revenues	\$ 22,260

GASCONY WATER COMPANY, INC.

Retail Customer Bill Comparison-Water

Rates for Full Time Customer	
Current Base Customer Charge	Proposed Base Customer Charge
\$103.33	\$129.71

current service charge is quarterly charge

QUARTERLY BILL COMPARISON

Residential Full Time		Residential Part Time		Pool House	
Current Rates		Current Rates		Current Rates	
Customer Charge	\$ 103.33	Customer Charge	\$ 36.88	Customer Charge	\$ 368.16
Total Bill	\$ 103.33	Total Bill	\$ 36.88	Total Bill	\$ 368.16
Proposed Rates		Proposed Rates		Proposed Rates	
Customer Charge	\$ 129.71	Customer Charge	\$ 64.86	Customer Charge	\$ 778.29
Total Bill	\$ 129.71	Total Bill	\$ 64.86	Total Bill	\$ 778.29
INCREASES		INCREASES		INCREASES	
\$ Increase	\$26.38	\$ Increase	\$27.98	\$ Increase	\$410.13
% Increase	25.53%	% Increase	75.86%	% Increase	111.40%
Dump Station		Kitchen			
Current Rates		Current Rates			
Customer Charge	\$ 170.74	Customer Charge	\$ 58.39		
Total Bill	\$ 170.74	Total Bill	\$ 58.39		
Proposed Rates		Proposed Rates			
Customer Charge	\$ 214.03	Customer Charge	\$ 259.43		
Total Bill	\$ 214.03	Total Bill	\$ 259.43		
INCREASES		INCREASES			
\$ Increase	\$43.29	\$ Increase	\$201.04		
% Increase	25.35%	% Increase	344.30%		