

*Issues: Initial Service Fee for Electric  
Expense, Major Leak Repairs,  
and Outside Services –  
Management Consultant Fee*

*Witness: Jennifer K. Grisham*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case No.: WR-2017-0259*

*Date Testimony Prepared: October 13, 2017*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**JENNIFER K. GRISHAM**

**INDIAN HILLS UTILITY OPERATING COMPANY, INC.**

**CASE NO. WR-2017-0259**

*Jefferson City, Missouri  
October 2017*

**\*\* Denotes Confidential Information \*\***

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**JENNIFER K. GRISHAM**

**INDIAN HILLS UTILITY OPERATING COMPANY, INC.**

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1 (“Company” or “Indian Hills”), and The Office of the Public Counsel (“OPC”) in this  
2 proceeding. These issues are the rate and accounting treatment of the initial service fee for  
3 electric expense, the rate treatment for major leak repair expense, and recovery of outside  
4 services – management consultant fees.

5 **INITIAL SERVICE FEE FOR ELECTRIC EXPENSE**

6 Q. Please explain Staff’s proposed accounting and rate treatment for the initial  
7 service fee for electric expense.

8 A. After reviewing the Agreement for Purchase of Power (“Agreement”) between  
9 Indian Hills and Crawford Electric Cooperative, Inc. (“Crawford Electric”), Staff determined  
10 the initial service fee should be booked as plant in service.

11 Q. What is the basis for the recommendation to treat this amount as a  
12 plant addition?

13 A. The Agreement required Indian Hills to remit a non-refundable payment  
14 to Crawford Electric for the cost of the facilities required to make service available,  
15 which makes the service fee part of the cost of building the new well. Utility Plant  
16 Account 325, Electric Pumping Equipment, from The National Association of  
17 Regulatory Utility Commissioners 1973 Uniform System of Accounts for Class A and B  
18 Water Utilities, supports Staff’s recommendation treating the initial service fee as a  
19 component of plant in service.

20 **MAJOR LEAK REPAIRS**

21 Q. Please explain Staff’s rationale for amortizing major leak repair expense.

1           A.     Indian Hills incurred a significant amount of leak repair expense in the months  
2 following its purchase by Central States Water Resources in March 2016. Staff analyzed  
3 invoices for leak repair expense and found four invoices submitted by MB Construction in  
4 May, June, and July 2016 totaled \*\* \_\_\_\_\_ \*\*. These four invoices are disproportionately  
5 high in comparison to the amount of other repair expense invoices during the test year. While  
6 Staff determined these expenditures were necessary, the amount should be amortized over  
7 three years as the amount of leak repair expenses was abnormally high in the months  
8 following the Indian Hills purchase, and the ongoing amount of this expense should decline as  
9 the water system is repaired.

10           **OUTSIDE SERVICES – MANAGEMENT CONSULTANT FEES**

11           Q.     What is the management consultant fee that is at issue in this proceeding?

12           A.     The Company entered into a guaranteed three-year contract with the previous  
13 owner of the water system.

14           Q.     Why did Staff include the management consultant fee in its revenue  
15 requirement?

16           A.     Staff included this expense due to the previous owner's institutional  
17 knowledge regarding the system. Due to a general lack of electronic records for this  
18 operation prior to the transfer in March 2016, entering into a contract to enable the new Indian  
19 Hills ownership to access the previous owner as needed appears to be a reasonable  
20 expenditure.

21           Q.     Does this conclude your direct testimony?

22           A.     Yes, it does.



**Jennifer K. Grisham**  
**Utility Regulatory Auditor II**

**Present Position:**

I am a Utility Regulatory Auditor II in the Auditing Department of the Commission Staff Division for the Missouri Public Service Commission (“Commission”). My employment with the Commission commenced on December 21, 2015.

**Education and Employment Background:**

I earned a Bachelor of Science in Business Administration from Central Methodist (College) University (“CMU”) in Fayette, Missouri in May 1997. I also earned a Bachelor in Accountancy from CMU in May 2016.

**Case Participation:**

<b>Company</b>	<b>Case Number</b>	<b>Issues/Testimony</b>
The Empire District Electric	ER-2016-0023	Rate Base, Plant in Service, Depreciation, Amortization, CWC
Missouri American Water Company/Woodland Manor Water Company, LLC	WM-2016-0169	Rate Base Recommendation
Missouri Gas Energy	GO-2016-0197	ISRS Recommendation/Direct Testimony
Laclede Gas Company	GO-2016-0333	ISRS Recommendation/Direct Testimony
Summit Natural Gas of Missouri	GA-2017-0016	Recommendation for CCN
Missouri American Water Company/EMC of St. Charles County, LLC	SM-2017-0069	Recommendation for Acquisition
Missouri American Water Company	WA-2017-0181 & SA-2017-0182	Recommendation for Acquisition and CCN
Laclede Gas Company	GO-2017-0202	ISRS Recommendation
Missouri American Water Company	WA-2017-0278 & SA-2017-0279	Recommendation for Acquisition & CCN