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

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1	DIRECT TESTIMONY			
2		OF		
3		JENNIFER K. GRISHAM		
4		INDIAN HILLS UTILITY OPERATING COMPANY, INC.		
5		CASE NO. WR-2017-0259		
6	Q.	Please state your name and business address.		
7	A.	Jennifer K. Grisham, P.O. Box 360, Suite 440, Jefferson City, MO 65102.		
8	Q.	By whom are you employed and in what capacity?		
9	A.	I am a Utility Regulatory Auditor II for the Missouri Public Service		
10	Commission ("Commission").			
11	Q.	Please describe your educational background and work experience.		
12	A.	I graduated from Central Methodist (College) University in Fayette, Missouri,		
13	with a Bachelor of Science in Business Administration in May 1997 and a Bachelor of			
14	Accountancy	in May 2016. I commenced employment with the Commission in		
15	5 December 2015.			
16	Q.	Have you previously filed testimony before this Commission?		
17	A.	Yes. Please refer to Schedule JKG-d1, attached to this Direct Testimony, for a		
18	list of the issues and testimony I have filed with the Commission.			
19	EXECUTIVI	E SUMMARY		
20	Q.	What is the purpose of your direct testimony?		
21	A.	The purpose of my direct testimony is to sponsor Staff's positions regarding		
22	some of the u	unresolved issues between Staff, Indian Hills Utility Operating Company, Inc.		

("Company" or "Indian Hills"), and The Office of the Public Counsel ("OPC") in this proceeding. These issues are the rate and accounting treatment of the initial service fee for electric expense, the rate treatment for major leak repair expense, and recovery of outside

INITIAL SERVICE FEE FOR ELECTRIC EXPENSE

services – management consultant fees.

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

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

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

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

MAJOR LEAK REPAIRS

component of plant in service.

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

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

OUTSIDE SERVICES – MANAGEMENT CONSULTANT FEES

- Q. What is the management consultant fee that is at issue in this proceeding?
- A. The Company entered into a guaranteed three-year contract with the previous owner of the water system.
- Q. Why did Staff include the management consultant fee in its revenue requirement?
- A. Staff included this expense due to the previous owner's institutional knowledge regarding the system. Due to a general lack of electronic records for this operation prior to the transfer in March 2016, entering into a contract to enable the new Indian Hills ownership to access the previous owner as needed appears to be a reasonable expenditure.
 - Q. Does this conclude your direct testimony?
 - A. Yes, it does.

DEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In The Matter of The Rate Increase Request Of Indian Hills Utility Operating Company, Inc.)	Case No. WR-2017-0259

AFFIDAVIT OF JENNIFER K. GRISHAM

State of Missouri)
) ss
County of Cole)

COMES NOW Jennifer K. Grisham, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony*, and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

<u>JURAT</u>

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 day of October, 2017.

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

NOTARY PUBLIC

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:

Company	Case Number	Issues/Testimony
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