

*Exhibit No.:*  
*Issue(s):* Capital/Expense  
*Witness:* Karen Lyons  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* WR-2023-0006  
*Date Testimony Prepared:* July 21, 2023

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**KAREN LYONS**

**CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.**

**CASE NO. WR-2023-0006**

*Jefferson City, Missouri*  
*July 2023*

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

1 **SURREBUTTAL TESTIMONY OF**

2 **KAREN LYONS**

3 **CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.**

4 **CASE NO. WR-2023-0006**

5 Q. Please state your name and business address.

6 A. Karen Lyons, Fletcher Daniels Office Building, 615 East 13th Street, Room 201,  
7 Kansas City, Missouri, 64106.

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

9 A. I am the Regulatory Manager in the Auditing Department for the Missouri Public  
10 Service Commission.

11 Q. Are you the same Karen Lyons who previously provided testimony in this case?

12 A. Yes. I provided direct testimony in this case on May 26, 2023 concerning  
13 various adjustments and topics.

14 Q. What is the purpose of your surrebuttal testimony?

15 A. The purpose of my testimony is to respond to statements and positions taken  
16 by Confluence witnesses Josiah Cox and Brent Thies in their rebuttal testimony that address  
17 the proper accounting treatment of certain costs and corrections to Staff's recommended  
18 plant-in-service and accumulated reserve for Confluence systems.

19 **PLANT-IN-SERVICE AND ACCUMULATED DEPRECIATION RESERVE**  
20 **CORRECTIONS**

21 Q. Please explain the error described by Mr. Thies in his rebuttal testimony.

22 A. Mr. Thies describes a formula error with Staff's recommended plant-in-service  
23 and accumulated reserve on page 9 of his rebuttal testimony.<sup>1</sup> Although Mr. Thies did not

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<sup>1</sup> Case No. WR-2023-0006, Brent Thies Rebuttal Testimony, page 9, lines 3-22.

1 expressly state what systems he was addressing, Staff assumes he is referring to the legacy  
2 Confluence systems.<sup>2</sup> Staff addressed this error in rebuttal testimony and provided Confluence  
3 revised workpapers supporting Staff’s rebuttal testimony.

4 **CAPITAL VERSUS EXPENSE**

5 Q. Does Confluence disagree with Staff’s recommendation to reclassify certain  
6 capital costs to expense?

7 A. Yes. Beginning on page 13, line 10 of his rebuttal testimony, Mr. Thies suggests  
8 that Staff misunderstood the nature of the work. He goes on to say that, “Many of the  
9 expenditures were made in the first weeks and months after Confluence Rivers purchased the  
10 systems and were made to bring the system into environmental or safety compliance, correct  
11 long overdue deferred maintenance, bring the system components back into working order or  
12 refurbish a particular system component to extend its useful life.”

13 Mr. Cox provided several pictures of repairs to the Port Perry lagoon that were required  
14 as a result of a Department of Natural Resources (“DNR”) inspection and repairs to water  
15 storage facilities. Mr. Cox and Mr. Thies propose that these costs should be included in rate  
16 base as part of plant-in-service. This proposed treatment allows Confluence to earn a return on  
17 these costs and a return of these costs through depreciation expense.

18 Q. What is Staff’s recommendation for the accounting treatment of these costs?

19 A. In my direct testimony,<sup>3</sup> Staff recommended that Confluence record costs  
20 consistent with the Federal Energy Regulatory Commission (“FERC”) Uniform System of  
21 Accounts (“USOA”). Specifically, Staff identified several types of costs that Confluence

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<sup>2</sup> Confluence Legacy Systems include the following: Auburn Lakes, Calvey Brook, Eugene, Evergreen Lakes, Gladlo, Majestic Lakes, Roy L, Smithview, Willows, Lake Virginia, Mill Creek and Villa Ridge systems. These systems were consolidated in Case No. WR-2020-0053.

<sup>3</sup> Case No WR-2023-0006, Karen Lyons Direct Testimony, page 6.

Surrebuttal Testimony of  
Karen Lyons

1 recorded as a capital cost that should be recorded as an expense according to the USOA. The  
2 types of costs identified in my direct testimony include the following list. To be clear, the list  
3 identified below is not an all-inclusive list. Confluence should be following the USOA when  
4 recording all costs it incurs to provide utility service to its customers.

- 5                   ▪ Vegetation Management
- 6                   ▪ Leak Repairs
- 7                   ▪ Sewer Jetting<sup>4</sup>
- 8                   ▪ Water and Sewer line repairs
- 9                   ▪ Fencing repairs
- 10                  ▪ Sewer system smoke testing<sup>5</sup>
- 11                  ▪ Tank Painting
- 12                  ▪ Sludge disposal

13           Q.     Did Staff disallow any of the costs described above?

14           A.     No. Staff made an adjustment to remove these costs from rate base and adjusted  
15 the test year expenses to include a normalized level of expense in Confluence's cost of service.

16           Q.     Why is it necessary to adjust the test year expenses for these costs?

17           A.     The test year level of these costs are not representative of the actual maintenance  
18 costs incurred without adjusting the test year level to reflect the costs that Confluence recorded  
19 as capital incorrectly.

20           Q.     Does Staff agree that the costs identified above should be recorded as capital  
21 costs and therefore allow Confluence to earn a return on the costs?

22           A.     No. The USOA provides guidelines on how certain costs are treated for utilities.  
23 For example, the USOA Operating Expense Instructions for maintenance<sup>6</sup> is as follows:

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<sup>4</sup> Sewer Jetting: Sewer jetting is a method of cleaning out sewers and drain lines by using high pressure water streams.

<sup>5</sup> Sewer smoke testing is a method used to locate breaks and defects in a sewer system.

<sup>6</sup> Uniform System of Accounts for Class A and B Water Utilities, Operating Expense Instructions, Maintenance, page 37, paragraph 2.

1 A. The cost of maintenance chargeable to the various operating expense  
2 and clearing accounts includes labor, materials, overheads and other  
3 expenses incurred in maintenance work. A list of work operations  
4 applicable generally to utility plant is included hereunder.  
5

6 B. Materials recovered in connection with the maintenance of property  
7 shall be credited to the same account to which the maintenance cost was  
8 charged.  
9

10 C. If the book cost of any property is carried in account 106, Utility Plant  
11 Purchased or Sold, the cost of maintaining such property shall be charged  
12 to the accounts for maintenance of property of the same class and use,  
13 the book cost of which is carried in other utility plant in service accounts.  
14 Maintenance of property leased from others shall be treated as provided  
15 in operating expense instruction 3.  
16

17 *ITEMS included*

18 1. Direct field supervision of maintenance.

19 2. Inspecting, testing, and reporting on condition of plant specifically to  
20 determine the need for repairs, Replacements, rearrangements and  
21 changes and inspecting and testing the adequacy of repairs which have  
22 been made.

23 **3. Work performed specifically for the purpose of preventing**  
24 **failure, restoring serviceability or maintaining life of plant.**  
25 [Emphasis added.]

26 4. Rearranging and changing the location of plant not retired.

27 Q. Please explain why you are emphasizing number 3 of the USOA operating  
28 expense instructions above?

29 A. In their rebuttal testimony, Mr. Cox and Mr. Thies use words such as  
30 refurbishing and restoring to justify why they believe vegetation management, tank painting,  
31 sludge disposal, etc. should be capitalized. Beginning on page 13, line 19 of Mr. Thies rebuttal  
32 testimony, he states:

33 As discussed in greater detail in the rebuttal testimony of Mr. Cox, one  
34 clear example of this type of work which the Company capitalized, but  
35 Staff proposes to treat as expense, occurred in the Port Perry sewer  
36 system. Pursuant to an evaluation of the lagoon and sewer site by the

Surrebuttal Testimony of  
Karen Lyons

1 Missouri Department of Natural Resources (“DNR”), Confluence Rivers  
2 was directed to **refurbish** the lagoon berm and remove the significant  
3 vegetation that had overgrown the lagoon area. These improvements  
4 were required in order to return the lagoon to its proper operating  
5 capacity and condition and alleviate deficiencies that threatened the life  
6 of the lagoon. The DNR communication directing Confluence Rivers to  
7 make these improvements is attached to Mr. Cox’ rebuttal testimony.  
8 [Emphasis added.]

9 Q. Is Mr. Cox and Mr. Thies’ claim to capitalize these costs simply because they  
10 are refurbishing the lagoon valid?

11 A. No. The types of costs incurred by Confluence for the Port Perry lagoon was  
12 for removal of trees, also known as vegetation management. Staff does not dispute that the  
13 previous owner neglected the routine maintenance of this system. However, the deferred  
14 maintenance of the previous owner does not change how these types of costs are recorded. The  
15 USOA clearly states that these types of costs should be recorded as an expense.

16 Q. Are there circumstances when vegetation management is considered a  
17 capital cost?

18 A. Yes. According to the USOA, the removal of vegetation may be considered  
19 capital if the vegetation is removed in connection with the first clearing and grading of land and  
20 rights of way associated with construction and installation of plant.<sup>7</sup>

21 Q. Are requirements from DNR to make improvements to the lagoon or any other  
22 part of the Confluence water and sewer facilities justification to capitalize costs as suggested  
23 by Mr. Cox and Mr. Thies?

24 A. No. DNR does not establish accounting principles. The DNR mission protects  
25 our air, land, water, and mineral resources; preserves our unique natural and historic places;

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<sup>7</sup> USOA Plant Instruction 8.

1 and provides recreational and learning opportunities; while promoting the environmentally  
2 sound and energy-efficient operations of businesses, communities, agriculture, and industry for  
3 the benefit of all Missourians.<sup>8</sup> Although DNR required Confluence to improve the lagoon,  
4 Confluence is required to follow the USOA accounting guidelines when recording the costs for  
5 the improvements.

6 Q. Does Confluence claim it is following USOA accounting guidelines specifically  
7 for the accounting treatment for vegetation management and sludge disposal?

8 A. Yes. In response to Staff Data Request No. 0118, attached as Schedule KL-s1,  
9 Confluence stated that it follows the USOA utility plant instruction, section 8D.<sup>9</sup>

10 Q. Do you agree the USOA utility plant instruction, section 8D is appropriate  
11 guidance for accounting treatment for vegetation management and sludge disposal addressed  
12 in Mr. Cox's and Mr. Thies' rebuttal testimony?

13 A. No. USOA utility plant instruction, section 8, attached in its entirety as  
14 Schedule KL-s2, provides guidance on how to account for costs related to structure and  
15 improvements. This account includes the costs of structures but not limited to excavation,  
16 roadways, roofs, fencings, etc. This also includes disposing of excavated materials related to  
17 the construction of a structure. Subsection D of the USOA plant instruction section 8 states:

18 The cost of disposing of materials excavated in connection with  
19 construction of structures shall be considered as a part of the cost of such  
20 work, except as follows: (a) When such material is used for filling, the  
21 cost of loading, hauling, and dumping shall be equitably apportioned  
22 between the work in connection with which the removal occurs and the  
23 work in connection with which the material is used; (b) when such  
24 material is sold, the net amount realized from such sales shall be credited  
25 to the work in connection with which the removal occurs. If the amount

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<sup>8</sup> Missouri Department of Natural Resources [About Us | Missouri Department of Natural Resources \(mo.gov\)](http://www.mo.gov)

<sup>9</sup> In response to Staff Data Request No. 0118, Confluence recorded sludge disposal expense as capital in USOA FERC Account 371-Structures and Improvements for the following systems; Berkshire, Private Gardens, Villa Ridge, Wil-mar, WSS.

Surrebuttal Testimony of  
Karen Lyons

1 realized from the sale of excavated materials exceeds the removal costs  
2 and the costs in connection with the sale, the excess shall be credited to  
3 the land account in which the site is carried.

4 As previously discussed, USOA section 8 allows a utility to record vegetation  
5 management costs as capital when it is associated with construction and installation of plant.

6 Q. Other than the USOA, does Confluence have accounting policies and procedures  
7 in place to properly account for costs?

8 A. No. Confluence provided copies of the water and sewer USOA in response to  
9 Staff Data Request No. 0064 that requested accounting policies and procedures. It is Staff's  
10 understanding that Confluence does not have any accounting policies or procedures in place  
11 other than the USOA.

12 Q. Are there other specific examples of maintenance costs that Confluence  
13 capitalized that are identified by Mr. Cox and Mr. Thies?

14 A. Yes. Mr. Cox states the following when justifying the capitalization of tank  
15 painting costs:

16 For instance, a storage tank at a water facility that has been denied  
17 regular painting and maintenance will begin to rust and leak. As a result  
18 of previous owner's refusal to maintain such facilities, the life of the  
19 storage tank has been undermined. When Confluence Rivers purchases  
20 the facility and sands, patches, primes, and paints the storage tank, it is  
21 not conducting repairs. Rather, it is restoring the life of the storage tank.  
22 As such, the costs of those efforts should be capitalized and not  
23 expensed.<sup>10</sup>

24 Beginning on page 14, line 8 of Mr. Thies' rebuttal testimony, he provides another  
25 example of maintenance performed on manholes that Confluence treated as capital.

26 Q. Do you agree?

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<sup>10</sup> Case No. WR-2023-0006, Josiah Cox, Rebuttal Testimony, page 53, lines 2-7.

Surrebuttal Testimony of  
Karen Lyons

1           A.     No. These are two more examples of maintenance costs that Confluence  
2 proposes to earn a return on. I agree that painting the tank restores the life of the tank similar  
3 to how a homeowner restores the life of a house when painted. Failure to paint a house or water  
4 tank will ultimately result in deterioration of the structure. The same is true for the costs  
5 Confluence incurred for coating 27 manholes to maintain the life of the manholes. However,  
6 the cost incurred to maintain the assets is considered an expense. These costs should be  
7 expensed, with the exception of the first time the tank is painted following construction.<sup>11</sup>

8           Q.     Did Staff reclassify other costs from capital to expense that was not addressed  
9 by Mr. Cox and Mr. Thies?

10          A.     Yes. Attached as Confidential Schedule KL-s3 to this testimony is a list of all  
11 the capital costs that Staff reclassified to expense.

12          Q.     Please summarize Staff's recommendation.

13          A.     Although Confluence witnesses claim they follow the USOA when accounting  
14 for costs, it is clear they follow the USOA when it suits them. Mr. Cox and Mr. Thies claim  
15 the costs in question extend the useful life of the assets, are a result from deferred maintenance  
16 from the previous owner, and in some cases, another entity required the work to be completed,  
17 all of which are justification for capitalizing the costs. In reality, although the previous owner  
18 did not maintain the assets that resulted in deferred maintenance, the work performed is still  
19 maintenance expense, deferred or not. The work done on the assets did not extend the useful  
20 life but instead restored the service ability so the life of the plant can be maintained. Lastly,  
21 regardless of DNR requirements for the Confluence systems, the Company is required to follow  
22 the USOA. Confluence should not be allowed to earn a return on costs that should be expensed.

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<sup>11</sup> USOA Plant Instruction 8.

Surrebuttal Testimony of  
Karen Lyons

1 Staff's recommendation to reclassify these costs to expense is consistent with the USOA and  
2 allows Confluence to recover the costs through expense.

3 Q. Does this conclude your surrebuttal testimony?

4 A. Yes it does.

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

In the Matter of Confluence Rivers Utility            )  
Operating Company, Inc.'s Request for            )  
Authority to Implement a General Rate            )  
Increase for Water Service and Sewer            )  
Service Provided in Missouri Service Areas        )

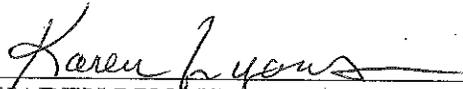
Case No. WR-2023-0006

**AFFIDAVIT OF KAREN LYONS**

STATE OF MISSOURI        )  
  )  
COUNTY OF JACKSON     )        ss.

**COMES NOW KAREN LYONS** on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Karen Lyons*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
KAREN LYONS

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 18<sup>th</sup> day of July 2023.

  
Notary Public



M. RIDENHOUR  
My Commission Expires  
July 22, 2023  
Platte County  
Commission #19603483

# Missouri Public Service Commission

## Respond Data Request

|                          |  |
|--------------------------|--|
| <b>Data Request No.</b>  | 0118   |
| <b>Company Name</b>      | Confluence Rivers Utility Operating Company, Inc.-(Water)  |
| <b>Case/Tracking No.</b> | WR-2023-0006   |
| <b>Date Requested</b>    | 2/3/2023   |
| <b>Issue</b>             | Expense - Miscellaneous Operations Expense   |
| <b>Requested From</b>    | Aaron Silas  |
| <b>Requested By</b>      | Ron Irving   |
| <b>Brief Description</b> | Sludge Hauling Capitalization  |
| <b>Description</b>       | 1. Separately by system and tariffed rate district, provide the date that Confluence Rivers first capitalized sludge hauling costs. 2. From the time of the date provided in part (1), provide all journal entries including USOA account, amount, and date where sludge hauling has been capitalized. 3. Provide the specific reference in the USOA that Confluence Rivers and/or CSWR LLC used for guidance to capitalize sludge hauling costs. 4. Provide all reason and rationale for Confluence Rivers and/or CSWR LLC's decision to capitalize these costs. Data Request submitted by Lisa Ferguson (lisa.ferguson@psc.mo.gov)   |
| <b>Response</b>          | 1. Please refer to the attached documents, from the folder entitled "DR 118 – Capitalized Sludge" for the requested information. 2. Please refer to the attached documents from the folder entitled "DR 118 – Capitalized Sludge" for the requested information. 3. Please reference Utility Plant Instructions section 8-D from the NARUC Uniform System of Accounts for Class A and B Sewer Utilities 1976 which states, "The cost of disposing of materials excavated in connection with construction of structures shall be considered as a cost of such work..." Sludge hauling expense that was capitalized was incurred as part of a construction or capital maintenance project. 4. Sludge hauling is capitalized when such activity is necessary for capital maintenance or construction. |
| <b>Objections</b>        | NA   |

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **WR-2023-0006** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Confluence Rivers Utility Operating Company, Inc.-(Water)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Confluence Rivers Utility Operating Company, Inc.-(Water)** and its employees, contractors, agents or others employed by or acting in its behalf.

|                    |        |
|--------------------|--------|
| <b>Security :</b>  | Public |
| <b>Rationale :</b> | NA     |

**WR-2023-0006**  
**Schedule KL-s1**

**Uniform System Of Accounts**  
**For**  
**Class A and B**  
**Sewer Utilities**  
**1976**



**NATIONAL ASSOCIATION**  
**OF**  
**REGULATORY UTILITY**  
**COMMISSIONERS**

## UTILITY PLANT INSTRUCTIONS

13. Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
14. Appraisals prior to closing title.
15. Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax.
16. Filling satisfaction of mortgage.
17. Documentary stamps.
18. Photographs of property at acquisition.
19. Fees and expenses incurred in the acquisition of water rights, and grants.
20. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
21. Sidewalks and curbs constructed by the utility on public property.
22. Labor and expenses in connection with security rights of way, where performed by company employees and company agents.

**8. Structures and Improvements.**

A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings, and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also, included those costs incurred in connection with the first clearing and grading of land and rights of way, and the damage cost associated with construction and installation of plant.

B. The cost of specially provided foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of an item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

C. Minor buildings and structures, such as valve towers, patrolmen's towers, telephone stations, etc., which are used directly in connection with or from a part of a collection plant, treatment plant, etc., shall be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly.

D. The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows: (a) When such material is used for filling, the cost of loading, hauling, and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with

## UTILITY PLANT INSTRUCTIONS

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which the material is used; (b) when such material is sold, the net amount realized from such sales shall be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

E. Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration shall not be included in the cost of the building but in the appropriate equipment account.

F. The items of cost to be included in the accounts for structures and improvements are as follows:

1. Architects' plans and specifications including supervision.
2. Ash pits (when located within the building).
3. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
4. Bulkheads, including dredging, riprap fill, piling, decking, concrete fenders, etc., when exposed and subject to maintenance and replacement.
5. Chimneys.
6. Fuel bins, bunkers and tanks.
7. Commissions and fees to brokers, agents, architects and others.
8. Conduit (not to be removed) with its contents.
9. Damages to abutting property during construction.
10. Door checks and door stops.
11. Drainage and sewerage systems.
12. Elevators, cranes, hoists, etc., and the machinery for operating them.
13. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, test borings.
14. Fences and fence curbs (not including protective fences isolating items of equipment which should be charged to the appropriate equipment account.)
15. Fire protection systems when forming a part of a structure.
16. Flagpole.
17. Floor covering (permanently attached).
18. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
19. Grading and clearing when directly occasioned by the building of a structure.
20. Intrasite communication system, poles, pole fixtures, wires, and cables.

## UTILITY PLANT INSTRUCTIONS

21. Landscaping, lawns, shrubbery, etc.
22. Leases, voiding upon purchase, to secure possession of structures.
23. Leased property, expenditures on.
24. Lighting fixtures and outside lighting systems.
25. Mail chutes when part of a building.
26. Marquee, permanently attached to building.
27. Painting, first cost.
28. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
29. Partitions, including movable.
30. Permits and privileges.
31. Power boards for services to a building.
32. Refrigerating systems for general use.
33. Retaining walls except when identified with land.
34. Roadways.
35. Roofs.
36. Scales, connected to and forming a part of a structure.
37. Screens.
38. Water and sewer systems, for general use.
39. Sidewalks, culverts, curbs, and streets constructed by the utility on its property.
40. Sprinkling systems.
41. Stacks, brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
42. Steel inspection during construction.
43. Storage facilities constituting a part of a building.
44. Storm doors and windows.
45. Temporary heating during construction (net cost).
46. Temporary water connection during construction (net cost).
47. Temporary shanties and other facilities used during construction (net cost).
48. Topographical maps.
49. Vaults constructed as part of a building.
50. Watchmen's sheds and clock systems (net cost when used during construction only).
51. Water meters and supply system for a building or for general company purposes.
52. Water supply piping, hydrants and wells.
53. Window shades and ventilators.
54. Yard drainage system.
55. Yard lighting system.
56. Yard surfacing, gravel, concrete, or oil. (First cost only).

## UTILITY PLANT INSTRUCTIONS

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57. Tunnels, intake and discharge when constructed as part of a structure including sluice gates and those constructed to house mains.
58. Subways, areaways, and tunnels, directly connected to and forming part of a structure.

Note.—Structures and Improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc., the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

**9. Equipment.**

A. The cost of equipment chargeable to the utility plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights of way and the damage costs associated with construction and installation of plant.

B. Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value (for example \$50 or less) or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, collection and treatment, etc., or in “stores,” shall be charged to the plant account appropriate for their use.

C. The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment, but piers and foundations which are designed to be as permanent as the buildings which house the equipment, or which are constructed as a part of the building and which cannot be removed without cutting into the walls, ceilings, or floors or without in some way impairing the building, shall be included in the building accounts.

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the

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Schedule KL-s2

Page 5 of 5

**SCHEDULE KL-s3**

**HAS BEEN DEEMED**

**CONFIDENTIAL**

**IN ITS ENTIRETY**