

Exhibit No.: _____

Issue(s): Temporary Pollution Control System/
Receiver Fees/Receiver Fee
Amortization Expense/
Amortization Expense – Kyle Wirts/
Amortization Expense –
First National Bank /
Other Expenses/
Depreciation Expense-
Depreciation Reserve/
CIAC Amortization &
CIAC Amortization Expense/
Return on Equity (ROE)

Witness/Type of Exhibit: Roth/Direct

Sponsoring Party: Public Counsel

Case No.: SR-2014-0166

DIRECT TESTIMONY

OF

KERI ROTH

Submitted on Behalf of the Office of the Public Counsel

HICKORY HILLS WATER & SEWER CO., INC.

CASE NO. SR-2014-0166

August 22, 2014

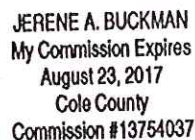
In the Matter of a Requested Rate Increase for)
Annual Sewer Operating Revenues by Hickory) File No. SR-2014-0166
Hills Water & Sewer.)


STATE OF MISSOURI)
) ss
COUNTY OF COLE)

1. My name is Keri Roth. I am a Public Utility Accountant I for the Office of the Public Counsel.

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.

Subscribed and sworn to me this 22nd day of August 2014.




Jerene A. Buckman
Notary Public

My Commission expires August, 2013.

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KERI ROTH

HICKORY HILLS WATER & SEWER CO., INC.

CASE NO. SR-2014-0166

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**DIRECT TESTIMONY
OF
KERI ROTH**

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**HICKORY HILLS WATER & SEWER CO., INC.
CASE NO. SR-2014-0166**

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Missouri Office of the Public Counsel (OPC or Public Counsel) as
a Public Utility Accountant I.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include performing audits and examinations of the books and records of
public utilities operating within the state of Missouri under the supervision of the Chief
Public Utility Accountant, Mr. Ted Robertson.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER
QUALIFICATIONS.

1 A. I graduated in May 2011, from Lincoln University, in Jefferson City, Missouri, with a
2 Bachelor of Science Degree in Accounting.

3
4 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
5 UTILITY ACCOUNTING?

6 A. Yes. In addition to being employed by the Missouri Office of the Public Counsel since
7 September 2012, I have also attended the NARUC Utility Rate School held by Michigan
8 State University.

9
10 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MISSOURI
11 PUBLIC SERVICE COMMISSION (COMMISSION or MPSC)?

12 A. Yes. Please refer to Schedule KNR-1, attached to this testimony, for a listing of cases in
13 which I have submitted testimony.

14
15 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

16 A. The purpose of my direct testimony is to sponsor and present Public Counsel's audit of
17 Hickory Hills' records in the current rate case. I will explain the material differences, in
18 detail, as well as give a brief description of minor differences that I have found between
19 Public Counsel's audit and the MPSC Staff's (Staff) Accounting Schedules presented in
20 the July 7, 2014, Company/Staff Agreement. Currently, the Company/Staff Agreement

proposes a revenue increase of \$41,640, and Public Counsel proposes a revenue decrease of \$8,668. Public Counsel's accounting schedules supporting this testimony are included as Schedule KNR-2.

II. TEMPORARY POLLUTION CONTROL SYSTEM

Q. WHAT IS THE ISSUE?

A. The lagoon at Hickory Hills Water & Sewer Co. is currently in violation of the Missouri Department of Natural Resources (DNR) guidelines. The current operating permit is expired, and DNR will not renew the permit until violation issues are addressed.

Q. WHAT IS STAFF'S RECOMMENDATION REGARDING THE VIOLATIONS?

A. Staff has proposed that Hickory Hills install a portable pollution control system. According to Staff, this solution is only temporary and will only resolve the current DNR issues for approximately five years.

Q. WHAT IS THE COST ASSOCIATED WITH INSTALLING THE TEMPORARY POLLUTION CONTROL SYSTEM?

A. The estimated annualized cost Staff has calculated to rent the temporary pollution control system is \$35,415 per year. Also, electricity will be needed to run the temporary system. Electricity is estimated by Staff to be an additional \$3,000 annually. Therefore,

1 Staff calculates the annual cost to rent and operate the temporary pollution control
2 system will be approximately \$38,415. Spread over 47 customers, each customer would
3 be expected to pay \$68.11 per month just for the temporary pollution control system.
4

5 Q. HAS PUBLIC COUNSEL AGREED THAT IT IS JUST AND REASONABLE TO
6 INCLUDE THE POLLUTION CONTROL SYSTEM IN THE COST OF SERVICE?

7 A. No.
8

9 Q. DOES PUBLIC COUNSEL HAVE CONCERNS REGARDING THE COSTS FOR
10 THE POLLUTION CONTROL SYSTEM? PLEASE EXPLAIN.

11 A. Yes. Public Counsel has several concerns regarding the costs for the pollution control
12 system. First, Public Counsel objects to inclusion in rates of these large costs for what is
13 only a temporary solution. At the local public hearing, customers expressed concern that
14 this is not a permanent solution. Public Counsel agrees. It is Public Counsel's position
15 that a permanent solution for Hickory Hills' pollution control system should be
16 determined before customers are asked to pay for such a high cost in their rates. Second,
17 it does not appear that other similarly-effective, less-expensive options have been
18 explored adequately which would avoid imposing a heavy rate burden on customers.
19 Third, the utility and Staff propose basing very substantial rate increases on a per
20 customer basis using only untested, estimated costs for installation and operation of the

temporary pollution control system. It is not evident from the record that the treatment plant will actually cost the full \$38,415 the utility and Staff would add to rates. And if not, there is no accounting mechanism established in the utility and Staff agreement to ensure customers are made whole. Lastly, this proposed solution causes rates to more than double. If enacted, spreading such a large annual cost over only 47 customers will result in the highest sewer rates in Missouri and lead inevitably to rate shock.

III. RECEIVER FEES/RECEIVER FEE AMORTIZATION EXPENSE

Q. WHAT IS THE NORMALIZED LEVEL OF RECEIVER FEES STAFF HAS INCLUDED IN ITS CASE?

A. Staff has included \$11,158 for a normalized level of receiver fees for the sewer system.

Q. WHAT IS THE NORMALIZED LEVEL OF RECEIVER FEES PUBLIC COUNSEL HAS INCLUDED IN ITS CASE?

A. Public Counsel has included \$7,243 for a normalized level of receiver fees for the sewer system.

Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN STAFF AND PUBLIC COUNSEL.

1 A. Staff has included a normalized level of receiver fees of \$11,158 based on an average of
2 the number of hours worked over 56 months, from May 2009 through December 2013,
3 multiplied by Mr. Gary Cover's hourly rate of \$150 per hour. It appears the 56 month
4 period was chosen to calculate the average hours worked since the last time Mr. Cover
5 had hours approved by the Circuit Court. Mr. Cover has not had any utility hours
6 approved by the Circuit Court since May 22, 2009. OPC has included \$7,243, which is
7 the normalized level of the receiver fees approved by the Circuit Court in 2009.

8
9 Q. WHY DID PUBLIC COUNSEL UTILIZE THE RECEIVER FEES APPROVED BY
10 THE CIRCUIT COURT IN 2009?

11 A. Public Counsel utilized the normalized level of receiver fees approved by the Circuit
12 Court in 2009 because Mr. Cover has not had any receiver fees approved since that time.
13 Public Counsel acknowledges that Mr. Cover has since performed work for the utility;
14 however, because we do not have knowledge of any new hours which have been
15 approved by the Court, we believe it is appropriate to continue to use the level of
16 receiver fees currently built into rates.

17
18 Q. DOES STAFF BELIEVE MR. COVER IS OWED BACK-PAYMENTS FOR
19 RECEIVER FEES?

20 A. Yes. Staff has included \$6,553 for Amortization Expense – Receiver Fees.

1
2 Q. DOES PUBLIC COUNSEL AGREE WITH STAFF? PLEASE EXPLAIN.

3 A. No. Public Counsel believes that an appropriate normalized level of receiver fees is
4 already included in current rates. Additionally, no receiver fees have been approved by
5 the Court since 2009. Please see Schedule KNR-3, which shows the receiver fees
6 included in rates in prior cases compared to what Mr. Cover claims he is owed based on
7 Circuit Court Orders.

8
9 **IV. AMORTIZATION EXPENSE – KYLE WIRTS**

10 Q. WHO IS KYLE WIRTS?

11 A. Kyle Wirts is the former operator for Hickory Hills Water & Sewer. Mr. Wirts left his
12 position at Hickory Hills on August 31, 2013.

13
14 Q. DOES STAFF BELIEVE BACK-PAYMENTS ARE OWED TO MR. WIRTS?

15 A. Yes.

16
17 Q. HAS STAFF INCLUDED AN AMORTIZATION IN THIS CASE TO COVER BACK-
18 PAYMENTS OWED TO MR. WIRTS? IF YES, EXPLAIN THE AMORTIZATION.

1 A. Yes. Staff has included a five-year amortization in this case to cover back-payments it
2 believes to be owed to Mr. Wirts. Staff has included \$1,450 annually for the sewer
3 system to include in rates.

4
5 Q. DOES PUBLIC COUNSEL AGREE THAT BACK-PAYMENTS ARE OWED TO MR.
6 WIRTS? PLEASE EXPLAIN.

7 A. No. Mr. Cover paid Mr. Wirts \$1,500 per month when he was the operator for the
8 Hickory Hills. Since Mr. Wirts' termination, Mr. Cover has hired Mr. Larry Castle as
9 the new system operator for the water and sewer utility. Mr. Castle was hired on
10 September 3, 2013 and is paid \$750 per month. The current rates from Case No. SR-
11 2009-0154, contemplate a total of \$18,000 in rates for the system operator (\$9,000 for
12 water and \$9,000 for sewer). Public Counsel believes \$18,000 annually was sufficient to
13 cover Mr. Wirts' salary as collected in current rates. Since 2013, Mr. Castle is paid half
14 the rate that Mr. Wirts was paid. Therefore, there is currently sufficient money included
15 in current rates that Mr. Cover could pay Mr. Wirts if back-payments are owed.

16
17 **V. AMORTIZATION EXPENSE – FIRST NATIONAL BANK**

18 Q. PLEASE EXPLAIN WHAT THE LOAN FROM FIRST NATIONAL BANK WAS
19 USED FOR BY THE COMPANY.

1 A. The original loan from First National Bank in the amount of \$30,000 was used to re-pay
2 an outstanding loan of \$20,000 at Tipton-Latham Bank and to cover the cost of sewer
3 back-ups that occurred at two customer homes in 2009. Current rates from Case No.
4 SR-2009-0154 contemplate a five-year amortization to cover the balance of the loan.
5 Rates went into effect on August 10, 2009, and the amortization should have been
6 complete on August 11, 2014. However, on March 15, 2013, an additional \$5,000 was
7 borrowed from First National Bank to cover the cost of another sewer back-up.

8
9 Q. WHAT IS THE CURRENT BALANCE OF THE LOAN?

10 A. As of February 11, 2014, the loan was paid down to \$18,954.
11

12 Q. HAS STAFF INCLUDED AN AMORTIZATION IN THIS CASE TO COVER THE
13 REMAINING \$18,954 OF THE LOAN AT FIRST NATIONAL BANK? IF YES,
14 EXPLAIN THE AMORTIZATION.

15 A. Yes. Staff has included another five-year amortization for the remaining balance of
16 \$18,954 split evenly between water and sewer.
17

18 Q. DOES PUBLIC COUNSEL AGREE WITH THE AMORTIZATION STAFF HAS
19 INCLUDED IN THEIR CASE?

20 A. No.

1
2 Q. WHAT AMOUNT DOES PUBLIC COUNSEL BELIEVE SHOULD BE INCLUDED
3 IN THE AMORTIZATION, AND HOW SHOULD THE AMORTIZATION BE
4 TREATED?

5 A. Public Counsel believes only the \$5,000 borrowed on March 15, 2013 should be
6 included in an amortization. The remaining balance of the loan has already been
7 included in rates, and the amortization is finished. Staff's recommendation amounts to a
8 double-recovery of the costs. The \$5,000 to cover the sewer back-up was not included
9 in the prior amortization, so this should be recovered in rates. Public Counsel has
10 included a three-year amortization for \$5,000 in the cost of service for sewer.
11

12 **VI. OTHER EXPENSES**

13 Q. DO PUBLIC COUNSEL AND STAFF HAVE OTHER DIFFERENCES?

14 A. Yes.
15

16 Q. PLEASE EXPLAIN.

17 A. Public Counsel and Staff have other minor differences between Operators
18 Salary/Contract Services, System Maintenance & Repairs, Customer Billing,
19 Miscellaneous Supplies, and Secretary of State Fees. Public Counsel has discussed these

1 differences with Staff and believes that Staff plans to make adjustments to match Public
2 Counsel's numbers.

3
4 **VII. DEPRECIATION EXPENSE/DEPRECIATION RESERVE**

5 Q. WHAT IS THE ISSUE?

6 A. Public Counsel believes Staff includes depreciation on the balances in Account 352.2 –
7 Collection Sewers and Account 372 – Oxidation Lagoons. Public Counsel believes the
8 balances in these accounts have already been fully depreciated and continuing
9 depreciation is unreasonable.

10
11 Q. WHAT WERE THE DEPRECIATION RATES FOR ACCOUNTS 352.2 AND 372 IN
12 CASE NO. WR-2005-0126 AND CASE NO. WR-2006-0250?

13 A. The depreciation rate was 0.00% for Accounts 352.2 and 372.
14

15 Q. DID THE DEPRECIATION RATES CHANGE IN CASE NO. SR-2009-0154?

16 A. No. On May 20, 2009, a Disposition Agreement between Company and Staff was filed
17 in EFIS. In the agreement, new depreciation rates were recommended by Staff as shown
18 in an attachment to the document. Public Counsel did not sign on as a party to the
19 Disposition Agreement. On July 7, 2009, a Unanimous Agreement Regarding
20 Disposition Agreement was filed which replace the Company/Staff Disposition

1 Agreement. Public Counsel did sign on as a party to this agreement. There was no
2 recommended depreciation schedule attached to the Unanimous Agreement; therefore,
3 no new depreciation schedules were approved by the Commission. As a result,
4 depreciation rates did not change from Case No. SR-2006-0249. Since rates did not
5 change, and new plant has not been added to the accounts, Public Counsel believes Staff
6 is using incorrect rates and has erroneously begun depreciating Accounts 352.2 and 372.
7

8 Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THE DEPRECIATION RATES?

9 A. Public Counsel believes the depreciation rate for Accounts 352.2 and 372 should remain
10 set at 0.00%, because the plant in the accounts is fully depreciated and no new plant has
11 been added to the account. Therefore, no depreciation expense for those accounts should
12 be included in rates.
13

14 **VIII. CIAC AMORTIZATION & CIAC AMORTIZATION EXPENSE**

15 Q. HAS STAFF CONTINUED TO AMORTIZE CONTRIBUTIONS IN AID OF
16 CONSTRUCTION (CIAC) IN THIS CASE?

17 A. Yes.
18

1 Q. PLEASE EXPLAIN WHY PUBLIC COUNSEL HAS A ZERO BALANCE FOR
2 AMORTIZED CIAC AND A ZERO BALANCE FOR CIAC AMORTIZATION
3 EXPENSE.

4 A. While reviewing Staff workpapers from Case No. WR-2009-0151, a note was found
5 which stated the following:

6 Reviewer note: In case WR-2006-0250 the auditors adjusted out
7 CIAC reserve balance and stopped depreciating CIAC. It is the
8 auditor's believe [sic] that this was necessary as the CIAC reserve
9 balance would be greater that [sic] the CIAC balance and the [sic]
10 would increase ratebase over time. Since CIAC is contributed
11 ratepayers should not be responsible for the payment of such costs.
12 It also appears some CIAC amounts were retired and removed
13 from plant in service, CIAC associated with the replacement of
14 pump and pressure tanks.

15
16 As a result of the fact that the CIAC reserve balance was adjusted out and CIAC
17 depreciation was ended in WR-2006-0250, Public Counsel has included zero balances
18 for amortized CIAC and CIAC amortization expense.
19

20 **IX. RETURN ON EQUITY (ROE)**

21 Q. WHAT IS STAFF'S ROE IN THIS CASE?

22 A. Staff has included an ROE of 11.93%.
23

24 Q. WHAT IS PUBLIC COUNSEL'S ROE IN THIS CASE?

25 A. Public Counsel has included an ROE of 0.00%.

1

2 Q. WHY HAS PUBLIC COUNSEL NOT INCLUDED AN ROE IN THIS CASE?

3 A. ROE is included in rates as profit for the utility owner in return for investing in the
4 utility. However, this utility has been under Court Receivership since 2007. It is Public
5 Counsel's position that when a Company is in receivership, it is not just and reasonable
6 for customers to be required to pay a profit through rates to an owner the court has found
7 necessary to replace with a receiver. Therefore, Public Counsel has included an ROE of
8 0.00% in its calculations.

9

10 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

11 A. Yes, it does.

**CASE PARTICIPATION
OF
KERI ROTH**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Summit Natural Gas of Missouri, Inc.	GR-2014-0086

Hickory Hills Water & Sewer Co., Inc.
Case No. SR-2014-0166
Twelve Months Ended June 30, 2013
Updated For Known & Measurable Through December 31, 2013

Cost of Capital						
	Amount	Percent	Cost	Weighted Cost	**	
						0.00%
						0.00%
						0.00%
Equity	\$ 46	36.220%	**	**	0.00%	0.00%
Preferred Stock	-	0.000%	0.000%	0.00%	0.00%	0.00%
Long Term Debt	81	63.780%	7.500%	4.78%	4.78%	4.78%
Short Term Debt	-	0.000%	0.000%	0.00%	0.00%	0.00%
Total	\$ 127	100.000%		Rate of Return	4.78%	4.78%
Tax Weighted Rate of Return						
Tax Multiplier (1/(1-tax rate))					1.000000	1.000000
Weighted cost of equity					0.00%	0.00%
Tax weighted cost of equity					0.00%	0.00%
Weighted cost of debt					4.78%	4.78%
Tax Weighted Rate of Return					4.78%	4.78%

Hickory Hills Water & Sewer Co., Inc.
Case No. SR-2014-0166
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Revenue Requirement

Line	(A)			(B)	0.00% Equity Return
1	Net Original Cost Rate Base	(From Accounting Schedule 2)	\$	127	
2	Rate of Return			4.78%	
3	Net Operating Income Requirement		\$	6	
4	Net Operating Income Available	(From Accounting Schedule 9)		8,674	
5	Additional Net Operating Income Requirement		\$	(8,668)	
6	Income Tax Requirement:	(From Accounting Schedule 11)			
7	Required Current Income Tax		\$	0	
8	Adj. Test Year Current Income Tax			0	
9	Additional Current Income Tax Requirement		\$	0	
10					
11	Gross Revenue Requirement		\$	(8,668)	

Hickory Hills Water & Sewer Co., Inc.
Case No. SR-2014-0166
Twelve Months Ended June 30, 2013
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Rate Base

Line	Description (A)	Amount (B)
1	Plant in Service (From Accounting Schedule 3)	\$ 22,800
2	Less:	
3	Accumulated Depreciation Reserve (From Accounting Schedule 6)	673
4	Net Plant in Service	\$ 22,127
5	Add:	
6	Cash Working Capital	\$ 0
7	Total Additions to Net Plant in Service	\$ 22,127
8	Deduct:	
9	Interest Offset	\$ 0
10	Federal Income Tax Offset	0
11	State Income Tax Offset	0
12	Contributions In Aid of Construction	(22,000)
13	Contributions In Aid of Construction Amortized	0
14	Materials & Supplies	0
15	Total Deductions from Net Plant in Service	\$ (22,000)
16		
17	Total Rate Base	\$ 127

Hickory Hills Water & Sewer Co., Inc.
Case No. SR-2014-0166
Twelve Months Ended June 30, 2013
Updated For Known & Measurable Through December 31, 2013

Plant In Service

	Account No.	Description	Total Company 12/31/2012	Total Company Adjustment	Alloc Factor	Juris Adjustment	Adj. No. Acctg Sch 4	Adjusted Balance ((C+D)xE)+F
Line	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1		Intangible Plant						
2	301.000	Organization	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
3	302.000	Franchises	0	0	100.0000%	0		0
4		Total	\$ 0	\$ 0		\$ 0		\$ 0
5		Source of Supply Plant						
6	310.000	Land & Land Rights - SSP	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
7	311.000	Structures & Improvements - SSP	0	0	100.0000%	0		0
8		Total	\$ 0	\$ 0		\$ 0		\$ 0
9		Collection Plant						
10	352.100	Collection Sewers-Force	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
11	352.200	Collection Sewers-Gravity	19,000	0	100.0000%	0		19,000
12	353.000	Other Collection Plant Facilities	0	0	100.0000%	0		0
13	354.000	Services to Customers	0	0	100.0000%	0		0
14	355.000	Flow Measuring Devices	0	0	100.0000%	0		0
15		Total	\$ 19,000	\$ 0		\$ 0		\$ 19,000
16		Pumping Plant						
17	362.000	Receiving Wells and Pump Pits	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
18	363.000	Pumping Equipment	0	0	100.0000%	0		0
19		Total	\$ 0	\$ 0		\$ 0		\$ 0
20		Treatment & Disposal Plant						
21	371.000	Structures and Improvements	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
22	372.000	Oxidation Lagoon	2,200	0	100.0000%	0		2,200
23	373.000	Treatment and Disposal Equipment	0	0	100.0000%	0		0
24	374.000	Plant Sewers	0	0	100.0000%	0		0
25	375.000	Outfall Sewer Lines	0	0	100.0000%	0		0
26	376.000	Other Treatment and Disposal Equipment	0	0	100.0000%	0		0
27		Total	\$ 2,200	\$ 0		\$ 0		\$ 2,200
28		General Plant						
29	391.000	Office Furniture & Equipment	0	0	100.0000%	0		0
30	391.100	Office Computer Equipment	0	0	100.0000%	0		0
31	392.000	Transportation Equipment	0	0	100.0000%	0		0
32	393.000	Other General Plant	1,600	0	100.0000%	0		1,600
33	394.000	Tools, Shop, & Garage Equipment	0	0	100.0000%	0		0
34	395.000	Laboratory Equipment	0	0	100.0000%	0		0
35	396.000	Power Operated Equipment	0	0	100.0000%	0		0
36	397.000	Communication Equipment	0	0	100.0000%	0		0
37		Total	\$ 1,600	\$ 0		\$ 0		\$ 1,600
38		Total Plant In Service	\$ 22,800	\$ 0		0		\$ 22,800

Hickory Hills Water & Sewer Co., Inc.
Case No. SR-2014-0166
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Adjustments To Plant In Service

Adj. No.	Description	Total Company Adjustment	Mo Juris Adjustment
A/C		\$ 0	\$ 0
1		\$ 0	\$
2			

Hickory Hills Water & Sewer Co., Inc.
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Depreciation Expense

	Account No.	Plant Description	Adjusted Jurisdictional	Depr Rate	Depreciation Expense CxD
Line	(A)	(B)	(C)	(D)	(E)
1		Intangible Plant			
2	301.000	Organization	\$ 0	0.0000%	\$ 0
3	302.000	Franchises	0	0.0000%	0
4		Total	\$ 0		\$ 0
5		Source of Supply Plant			
6	310.000	Land & Land Rights - SSP	\$ 0	0.0000%	\$ 0
7	311.000	Structures & Improvements - SSP	0	0.0000%	0
8		Total	\$ 0		\$ 0
9		Collection Plant			
10	352.100	Collection Sewers-Force	\$ 0	0.0000%	\$ 0
11	352.200	Collection Sewers-Gravity	19,000	0.0000%	0
12	353.000	Other Collection Plant Facilities	0	0.0000%	0
13	354.000	Services to Customers	0	0.0000%	0
14	355.000	Flow Measuring Devices	0	0.0000%	0
15		Total	\$ 19,000		\$ 0
16		Pumping Plant			
17	362.000	Receiving Wells and Pump Pits	\$ 0	0.0000%	\$ 0
18	363.000	Pumping Equipment	0	0.0000%	0
19		Total	\$ 0		\$ 0
20		Treatment & Disposal Plant			
21	371.000	Structures and Improvements	\$ 0	0.0000%	\$ 0
22	372.000	Oxidation Lagoon	2,200	0.0000%	0
23	373.000	Treatment and Disposal Equipment	0	0.0000%	0
24	374.000	Plant Sewers	0	0.0000%	0
25	375.000	Outfall Sewer Lines	0	0.0000%	0
26	376.000	Other Treatment and Disposal Equipment	0	0.0000%	0
27		Total	\$ 2,200		\$ 0
28		General Plant			
29	391.000	Office Furniture & Equipment	0	0.0000%	0
30	391.100	Office Computer Equipment	0	0.0000%	0
31	392.000	Transportation Equipment	0	0.0000%	0
32	393.000	Other General Plant	1,600	4.0000%	64
33	394.000	Tools, Shop, & Garage Equipment	0	0.0000%	0
34	395.000	Laboratory Equipment	0	0.0000%	0
35	396.000	Power Operated Equipment	0	0.0000%	0
36	397.000	Communication Equipment	0	0.0000%	0
37		Total	\$ 1,600		\$ 64
38	Total Plant Depreciation Expense		22,800		64

Hickory Hills Water & Sewer Co., Inc.
Case No. SR-2014-0166
Twelve Months Ended June 30, 2013
Updated For Known & Measurable Through December 31, 2013

Depreciation Reserve

Line	Account No.	Plant Description	Total Company 12/31/2012	Total Company Adjustment	Alloc Factor	Juris Adjustment	Adj. No. Acctg Sch 7	Adjusted Balance ((C+D)xE)+F
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1		Intangible Plant						
2	301.000	Organization	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
3	302.000	Franchises	0	0	100.0000%	0		0
4		Total	\$ 0	\$ 0		\$ 0		\$ 0
5		Source of Supply Plant						
6	310.000	Land & Land Rights - SSP	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
7	311.000	Structures & Improvements - SSP	0	0	100.0000%	0		0
8		Total	\$ 0	\$ 0		\$ 0		\$ 0
9		Collection Plant						
10	352.100	Collection Sewers-Force	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
11	352.200	Collection Sewers-Gravity	0	0	100.0000%	0		0
12	353.000	Other Collection Plant Facilities	0	0	100.0000%	0		0
13	354.000	Services to Customers	0	0	100.0000%	0		0
14	355.000	Flow Measuring Devices	0	0	100.0000%	0		0
15		Total	\$ 0	\$ 0		\$ 0		\$ 0
16		Pumping Plant						
17	362.000	Receiving Wells and Pump Pits	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
18	363.000	Pumping Equipment	0	0	100.0000%	0		0
19		Total	\$ 0	\$ 0		\$ 0		\$ 0
20		Treatment & Disposal Plant						
21	371.000	Structures and Improvements	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
22	372.000	Oxidation Lagoon	0	0	100.0000%	0		0
23	373.000	Treatment and Disposal Equipment	0	0	100.0000%	0		0
24	374.000	Plant Sewers	0	0	100.0000%	0		0
25	375.000	Outfall Sewer Lines	0	0	100.0000%	0		0
26	376.000	Other Treatment and Disposal Equipment	0	0	100.0000%	0		0
27		Total	\$ 0	\$ 0		\$ 0		\$ 0
28		General Plant						
29	391.000	Office Furniture & Equipment	\$ 0	\$ 0	100.0000%	\$ 0		\$ 0
30	391.100	Office Computer Equipment	0	0	100.0000%	0		0
31	392.000	Transportation Equipment	0	0	100.0000%	0		0
32	393.000	Other General Plant	641	32	100.0000%	0	R-1	673
33	394.000	Tools, Shop, & Garage Equipment	0	0	100.0000%	0		0
34	395.000	Laboratory Equipment	0	0	100.0000%	0		0
35	396.000	Power Operated Equipment	0	0	100.0000%	0		0
36	397.000	Communication Equipment	0	0	100.0000%	0		0
37		Total	\$ 641	\$ 32		\$ 0		\$ 673
38	Total Depreciation Reserve		\$ 641	\$ 32		\$ 0		\$ 673

Hickory Hills Water & Sewer Co., Inc.
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Adjustments To Depreciation Reserve

Adj. No.	Description	Total Company Adjustment	Mo Juris Adjustment
A/C	393.000 Other General Plant R-1	\$ 32	\$ 0
1	To update Depreciation Reserve balance.	\$ 32	\$
2			

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Income Statement

Line	Description (A)	Total Company (B)	Total Company Adjustment Acctg Sch 10 (C)	Allocation Factor (D)	Jurisdictional Adjustment (E)	Adj. No. Acctg Sch 10 (F)	Adjusted Jurisdictional ((B+C)xD)+E (G)
1	Operating Revenues:						
2	Flat Rate Revenues	\$ 0	\$ 23,970	100.0000%	\$ 0	W-1	\$ 23,970
3	Miscellaneous Sewer Revenues	0	173	100.0000%		W-2	173
4	Total Revenues	\$ 0	\$ 24,143		\$ 0		\$ 24,143
5							
6	Operating Expenses:						
7	Receiver Fees	\$ 0	\$ 7,243	100.0000%	\$ 0	W-3	\$ 7,243
8	Operators Salary/Contractor Services	1,500	3,000	100.0000%	0	W-4	4,500
9	Power Purchased for Pumping & Treatment	0	0	100.0000%	0	W-5	0
10	Chemicals	0	0	100.0000%	0	W-6	0
11	Sludge Removal	0		100.0000%	0	W-7	0
12	System Maintenance & Repairs	0	213	100.0000%	0	W-8	213
13	Outside Services - Mowing	0	0	100.0000%	0	W-9	0
14	Customer Billing	1,500	(1,104)	100.0000%	0	W-10	396
15	Outside Services - Accounting	588	(288)	100.0000%	0	W-11	300
16	Office Supplies	80	(13)	100.0000%	0	W-12	67
17	Postage Expense	0	144	100.0000%	0	W-13	144
18	Miscellaneous Expense	0	0	100.0000%	0	W-14	0
19	Uncollectible Accounts	0		100.0000%	0	W-15	0
20	Property & Liability Insurance	0	0	100.0000%	0	W-16	0
21	Amortization Expense - Receiver Fees	0	0	100.0000%	0	W-17	0
22	Amortization Expense - Kyle Wirts	0	0	100.0000%	0	W-18	0
23	Amortization Expense - 1st National Bank Loan	0	1,667	100.0000%	0	W-19	1,667
24	MO DNR Fees	0	650	100.0000%	0	W-20	650
25	PSC Assessment	2,071	(1,846)	100.0000%	0	W-21	225
26	Rate Case Expense	0	0	100.0000%	0	W-22	0
27	Real & Personal Property Taxes	0	0	100.0000%	0	W-23	0
28	SOS Fees	0	20	100.0000%	0	W-24	20
29	Payroll Taxes	0	0	100.0000%	0	W-25	0
30	Total	\$ 5,739	\$ 9,667		\$ 0		\$ 15,425
31							
32	Other Operating Expenses:						
33	Depreciation	\$ 64	\$ 0	100.0000%	\$ 0	W-26	\$ 64
34	Amortization of CIAC	0	0	100.0000%	0	W-27	0
35	Total Depreciation	64	0		0		64
36							
37	Total Operating Expenses	\$ 5,803	\$ 9,667	100.0000%	\$ 0		\$ 15,489
38							
39	Net Income Before Income Taxes	\$ (5,803)	\$ 14,477	100.0000%	\$ 0		\$ 8,674
40							
41	Income Taxes:						
42	Current Income Tax	\$ 0	\$ 0	100.0000%	\$ 0	W-28	\$ 0
43	Deferred Income Tax	0	0	100.0000%	0	W-29	0
44	Amortization of ITC	0	0	100.0000%	0	W-30	0
45	Total Income Taxes	\$ 0	\$ 0		\$ 0		\$ 0
46							
47	Net Operating Income	\$ (5,803)	\$ 14,477		\$ 0		\$ 8,674

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Adjustments To Income Statement

Adj. No.	Description	Total Company Adjustment	Mo Juris Adjustment
Flat Rate Revenues			
	W-1	\$ 23,970	\$ 0
1	To annualize revenues	\$ 23,970	\$
2			
Miscellaneous Sewer Revenues			
	W-2	\$ 173	\$ 0
1	To normalize customer late fees.	\$ 173	\$
2			
Receiver Fees			
	W-3	\$ 7,243	\$ 0
1	To normalize receiver fees	\$ 7,243	\$
2			
Operators Salary/Contractor Services			
	W-4	\$ 3,000	\$ 0
1	To annualize Operators Salary/Contractor Services.	\$ 3,000	\$
2			
Power Purchased for Pumping & Treatment			
	W-5	\$ 0	\$ 0
1	No adjustment.	\$ 0	\$
2			
Chemicals			
	W-6	\$ 0	\$ 0
1	No adjustment.	\$ 0	\$
2			
Sludge Removal			
	W-7	\$ 0	\$ 0
1	No adjustment.	\$ 0	\$
2			
System Maintenance & Repairs			
	W-8	\$ 213	\$ 0
1	To normalize System Maintenance and Repairs.	\$ 213	\$
2			
Outside Services - Mowing			
	W-9	\$ 0	\$ 0
1	No adjustment.	\$ 0	\$
2			
Customer Billing			
	W-10	\$ (1,104)	\$ 0
1	No annualize Customer Billing expense.	\$ (1,104)	\$
2			
Outside Services - Accounting			
	W-11	\$ (288)	\$ 0
1	To annualize Outside Services - Accounting expenses.	\$ (288)	\$

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Adjustments To Income Statement

Adj. No.	Description	Total Company Adjustment	Mo Juris Adjustment
2			
Office Supplies W-12 \$ (13) \$ 0			
1	To normalize Office Supplies expense.	\$ (13)	\$
2			
Postage Expense W-13 \$ 144 \$ 0			
1	To annualize Postage expense.	\$ 144	\$
2			
Miscellaneous Expense W-14 \$ 0 \$ 0			
1	No adjustment.	\$ 0	\$
2			
Uncollectible Accounts W-15 \$ 0 \$ 0			
1	No adjustment.	\$ 0	\$
2			
Property & Liability Insurance W-16 \$ 0 \$ 0			
1	No adjustment.	\$ 0	\$
2			
Amortization Expense - Receiver Fees W-17 \$ 0 \$ 0			
1	No adjustment.	\$ 0	\$
2			
Amortization Expense - Kyle Wirts W-18 \$ 0 \$ 0			
1	No adjustment.	\$ 0	\$
2			
Amortization Expense - 1st National Bank Loan W-19 \$ 1,667 \$ 0			
1	To include amortization expense for loan for sewer back-up	\$ 1,667	\$
2			
MO DNR Fees W-20 \$ 650 \$ 0			
1	To annualize MO DNR Fees.	\$ 650	\$
2			

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Income Tax Calculation

	Description	Test Year	4.78% Return
Line	(A)	(B)	(C)
1	Net Operating Income (Acct. Sch. 1)	\$ 8,674	\$ 6
2			
3	Add:		
4	Book Depreciation	\$ 64	\$ 64
5	Total Additions	\$ 64	\$ 64
6			
7	Subtractions to Net Income Before Income Tax:		
8	Interest Expense @ 4.78%	\$ 6	\$ 6
9	Depreciation	64	64
10	Total Subtractions	\$ 70	\$ 70
11			
13	Net Taxable Income	\$ 8,668	\$ 0
11			
15	Provision for Federal Income Tax		
16	Net Taxable Income	\$ 8,668	\$ 0
17	Deduct Missouri Income Tax @ 100.00%	503	0
18	Federal Taxable Income	\$ 8,165	\$ 0
19	Federal Income Tax @ 15.00%	\$ 1,225	\$ 0
20			
21	Provision for Missouri Income Tax		
22	Net Taxable Income	\$ 8,668	\$ 0
23	Deduct Federal Income Tax @ 50.00%	612	0
24	Missouri Taxable Income	\$ 8,056	\$ 0
25	Missouri Income Tax @ 6.25%	\$ 503	\$ 0
26			
27	Provision for City Earnings Tax		
28	City Taxable Income	\$ 8,668	\$ 0
29	City Income Tax @ 0.00%	\$ 0	\$ 0
30			
31	Summary of Provision For Income Tax		
32	Federal Income Tax	\$ 1,225	\$ 0
33	State Income Tax	503	0
34	City Income Tax	0	0
35			
36	Total Current Income Tax	\$ 1,728	\$ 0

Court Ordered Receiver Fees v. Receiver Fees Collected in Rates

Year	Court Ordered Receiver Fees	Court Ordered Receiver Fees In rates	Receiver Fees (Over)/Under-Collected in Rates	Comments
2006	\$ -	\$ 6,068	\$ (6,068)	5 months of rates @ \$14,563 = $\$14,563 * (5/12) = \$6,068$
2007	\$ 31,386	\$ 13,546	\$ 17,840	
2008	\$ -	\$ 13,546	\$ (13,546)	
2009	\$ 62,440	\$ 13,938	\$ 48,502	7 months of rates @ \$13,546 & 5 months @ \$14,486 = $((\$13,546/2)*7)+((\$14,486/12)*5) = \$13,938$
2010	\$ -	\$ 14,486	\$ (14,486)	
2011	\$ -	\$ 14,486	\$ (14,486)	
2012	\$ -	\$ 14,486	\$ (14,486)	
2013	\$ -	\$ 14,486	\$ (14,486)	
TOTAL	\$ 93,825	\$ 105,042	\$ (11,216)	