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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
TRANSCRIPT OF PROCEEDINGS
Public Hearing
June 13, 2014
Governor Office Building
Jefferson City, Missouri 65401
Volume 4

In the Matter of the Application of)
Lincoln County Sewer and Water, LLC) SR-2013--0321
For Approval Of A Rate Increase)

KENNARD L. JONES, Presiding
SENIOR REGULATORY LAW JUDGE
ROBERT S. KENNEY, Chairman
WILLIAM KENNEY
DANIEL Y. HALL
SCOTT T. RUPP
COMMISSIONERS

REPORTED BY: SARAH POKORSKI, CCR 745

1 APPEARANCES:

2

3 Brydon, Swearingen & England

4 Dean L. Cooper

5 312 East Capitol Avenue

6 Jefferson City, Missouri 65101

7 573-635-7166

8 dcooper@brydonlaw.com

9

10 Office of Public Counsel

11 Christina Baker

12 P.O. Box 2230

13 Jefferson City, Missouri 65102

14 573-751-5565

15

16 Missouri Public Service Commission

17 Kevin A. Thompson

18 P.O. Box 360

19 Jefferson City, Missouri 65102

20 573-751-6014

21

22

23

24

25

1 P R O C E E D I N G S

2 JUDGE JONES: Okay. Let's go ahead and go
3 on the record. Mr. Chairman, can you hear me?

4 CHAIRMAN ROBERT KENNEY: Yeah. Thank you.
5 Good morning, everybody.

6 MR. THOMPSON: Morning.

7 JUDGE JONES: We're on the record with Case
8 Number SR-2013-0321 in the matter of the application
9 of Lincoln County Sewer & Water, LLC for approval of a
10 rate case increase. This is a motion on rate case
11 expense. And at this time, let's take entries of
12 appearances, beginning with Lincoln County.

13 MR. COOPER: Thank you, Your Honor. Dean
14 Cooper from Brydon, Swarengen & England, PC. P.O.
15 Box 456, Jefferson City, Missouri 65102, appearing on
16 behalf of Lincoln County Sewer & Water, LLC.

17 JUDGE JONES: Thank you, Mr. Cooper. And
18 for the Office of Public Counsel.

19 MS. BAKER: Thank you. Christina Baker,
20 P.O. Box 2230, Jefferson City, Missouri 65102,
21 appearing on the behalf of the Office of Public
22 Counsel and the customers.

23 JUDGE JONES: Thank you, Ms. Baker. And
24 for the Staff of the Commission.

25 MR. THOMPSON: Thank you, Judge. Kevin

1 Thompson, for the Staff of the Missouri Public Service
2 Commission, Post Office Box 360, Jefferson City,
3 Missouri 65102.

4 JUDGE JONES: Thank you, Mr. Thompson. I'm
5 assuming you all want to make opening statements.
6 Mr. Cooper?

7 MR. COOPER: Good morning. In order to
8 move towards a -- the setting of rates in this matter,
9 we ask that the Commission take up and provide a
10 ruling as to the annual amount of rate case expense to
11 utilize in Lincoln County's revenue requirement. From
12 the company's perspective, this will involve three
13 questions for the Commission. First, what is the
14 total amount of rate case expense that should be
15 recovered in rates. Two, over what time period will
16 that amount of expense be recovered. Three, will the
17 recovery of the rate case expense be accounted for as
18 an amortization or as a normalization. In regard to
19 the rate case expense amounts, Lincoln County is going
20 to provide evidence of rate case expense from four
21 sources. First, Brydon, Swearngen & England, PC.
22 These are my invoices. These are going to be the same
23 invoices that were attached to our motion for rate
24 case expense, with one addition, and that is the
25 invoice dated June for May time. The second source

1 will be the invoices from the law firm of McIlroy &
2 Millan, which are Mr. Burlison's invoices. Those
3 invoices will be the same as what was filed with our
4 motion, except for two subtractions. There are two
5 invoices that the OPC questioned, which the company
6 agreed to not offer as a part of this -- this hearing
7 and this request. The third source will be Johansen
8 Consulting, LLC. That's Mr. Dale Johansen's invoices.
9 Mr. Johansen, you'll recall, was a consultant, worked
10 on the rate side of things, testified in this case.
11 The invoices we offer for Mr. Johansen will be the
12 same as the invoices that were filed with our motion
13 for rate case expense. The fourth source will be the
14 time spent and the expenses incurred by the two
15 members of the LLC, Mr. and Ms. Kallash. These
16 documents, or -- or the time and the expenses that
17 we'll offer today will be the same as the time and
18 expenses that -- that were attached to and a part of
19 our motion for rate case expense. By what I
20 understand to be the agreement of the parties, the
21 first three sets of invoices, those from Brydon,
22 Swarengen & England, those from McIlroy & Millan and
23 those from Johansen Consulting will be offered by me
24 under an affidavit. And it's my understanding -- I
25 guess we'll find out when we get there. But it's

1 going to be my understanding for the time being that
2 those are going to come in without any witnesses
3 taking the stand on those three -- three items.
4 Mr. Kallash will take the stand in support of the
5 fourth source. Now, you may have noticed. My client
6 was standing earlier. He's had a back issue. Tells
7 me he's -- he's sat down for the first time last week
8 since eight weeks prior to that. So it's possible
9 that when he's on the witness stand, it may literally
10 become a witness stand as opposed to sit, or a witness
11 lean. So I -- I'll give you -- give you that warning
12 to start with. The second question I brought up is
13 what time period that the -- that the expenses,
14 whatever they may be, should be recovered. This is an
15 important question. Because there are no carrying
16 costs associated with rate case expense, the further
17 one extends the recovery period, the more expenses
18 born by the company. Further, with a normalized
19 expense -- and I'll talk about that here in a
20 minute -- the longer the recovery period is extended,
21 the more likely that a company will need to come in
22 for another rate case before the end of that period,
23 and the company will never have the opportunity to
24 recover some portion of the rate case expense.
25 Accordingly, as -- as staff testified in this case --

1 and I think this came from the testimony of Lisa
2 Fergeson -- the period chosen should ideally be an
3 interval of time which is determined to be
4 representative of the length of time likely to pass
5 until the utility will have a need to file an
6 application for a rate increase. I think the
7 Commission needs to keep that in mind as it -- as it
8 considers what period of time is appropriate. The
9 previous staff and company testimony called for
10 recovery of rate case expense over three years. Staff
11 changed its position and its response to Lincoln
12 County's rate case expense motion, and I believe
13 suggested that five years was the appropriate length
14 of time. Mr. Kallash is going to provide testimony as
15 to what factors may impact the timing of the next rate
16 case for Lincoln County. The final question that I
17 mentioned was the question of should rate case expense
18 be normalized or amortized. I think one of the things
19 that -- that OPC staff and the company actually did
20 get together on was a unanimous statement of
21 clarification that was filed in this case on March
22 14th of this year. And in that document, it stated
23 that normalization is the calculation of a reasonable
24 level of expense which is then allowed to be recovered
25 annually by the company. Once set, normalization

1 proceeds without regard to the original cost, such
2 that in future rate cases, what was recovered or not
3 recovered in the past is irrelevant. Amortization is
4 the gradual payoff of an expense item over a specific
5 number of years, thus unrecovered amounts are
6 addressed in future rate cases. I think that's a
7 pretty simple, straight-forward description of what
8 we're talking about when we say normalization verses
9 amortization. As you would guess probably from the
10 company's perspective, the importance of the time
11 period is elevated by use of a normalization and
12 minimized by the use of an amortization. Staff and
13 OPC will likely tell you that rate case expense is
14 typically normalized. I've provided you, in one of
15 the Lincoln County pleadings, examples of where it's
16 actually been amortized, in some instances, by the
17 Commission. However, I'll also tell you that in my
18 experience, most often, the issue finds its way into a
19 black box part of a settlement in rate cases, and
20 Staff and OPC on one hand, and the utility on the
21 other are left with the opportunity to have different
22 views on the subject. So I would tell you that I
23 think most of the time, the issue is not dealt with
24 head-on. Here, however, we need the Commission's
25 decision. Given the potential consequence for both

1 the utility and customers in guessing either long or
2 short on the time period for recovery, Lincoln County
3 would suggest that an amortization would better
4 balance the interest of the utility and the customer,
5 and should be ordered by this Commission. And that's
6 all I have, unless there are any questions for me at
7 this time.

8 CHAIRMAN ROBERT KENNEY: Yes.

9 JUDGE JONES: Mr. Chairman.

10 CHAIRMAN ROBERT KENNEY: Good morning.

11 MR. COOPER: Good morning, Chairman.

12 CHAIRMAN ROBERT KENNEY: Just let me thank
13 you for -- for your opening statement. Can I just ask
14 a question about that last comment that you made that
15 an amortization better balances the interest of the
16 parties. Why do you say that?

17 MR. COOPER: Well, I say that because it's
18 my belief that the amortization can go either
19 direction. So it will both protect the company if the
20 period ultimately is too short, and it, to some
21 extent, will protect the rate payer if the period is
22 too long. Or -- excuse me. Vice-versa. If the
23 period of time turns out to be too long, and the
24 company is back for a rate case sooner, it will
25 protect the company. On the other hand, if the period

1 of time is too short, and the company is not back
2 during the time period chosen by the Commission, I
3 think that it can protect the customers.

4 CHAIRMAN ROBERT KENNEY: But I mean, in
5 either sense, the company's protected. If the time is
6 too short, then you will have recovered the full
7 amount before the next rate case. If the time is too
8 long, then the un-amortized portion just rolls over
9 into the next case. Right?

10 MR. COOPER: That's true. That's true,
11 Chairman. On the other hand, the normalization in
12 your -- in your latter example, that money would go
13 into the company's pocket.

14 CHAIRMAN ROBERT KENNEY: If it were too
15 short or too long, one or the other. Okay.

16 MR. COOPER: Yeah. Yeah. If --

17 CHAIRMAN ROBERT KENNEY: And then -- and
18 you said Mr. Kallash will testify as to the
19 anticipated or expected timing of the next case? Or
20 he'll talk about the factors that will influence that?

21 MR. COOPER: Certainly the factors that
22 will influence that. Yes.

23 CHAIRMAN ROBERT KENNEY: Based upon that, I
24 mean, can you offer any hints as to what you think the
25 next rate case filing time line will be?

1 MR. COOPER: Well, the factors that we
2 believe the evidence will show will exist is the
3 licensed operator fees, which have already increased,
4 sludge hauling, which has increased. Depending upon
5 growth of one of the subdivisions, it's possible that
6 within two years -- and -- and if he needs it in two
7 years, he'll have to start earlier than that -- that
8 there will be a second well required for one of the
9 subdivisions. And then lastly, there is the
10 possibility of the requirement of disinfection process
11 being required on the other of the subdivisions. And
12 depending upon the push from -- from DNR, that could
13 also happen within that time period.

14 CHAIRMAN ROBERT KENNEY: Within that two
15 years?

16 MR. COOPER: Within that two years. Yes.

17 CHAIRMAN ROBERT KENNEY: So are you
18 anticipating it's based upon those factors the company
19 could be back in -- in three years? Four years?

20 MR. COOPER: Three years, if not sooner.
21 If not two years.

22 CHAIRMAN ROBERT KENNEY: Well, if you'd
23 start the building of the second well within the two
24 years, and then it would be completed, and then the
25 rate case would be filed. So it could be as soon as

1 two years, maybe three years.

2 MR. COOPER: Yeah. Certainly you would try
3 to time the rate case better than that, but --

4 CHAIRMAN ROBERT KENNEY: Right. Right.
5 All right. Thank you.

6 JUDGE JONES: Any other questions?

7 COMMISSIONER HALL: Yeah.

8 JUDGE JONES: Commissioner Hall?

9 COMMISSIONER HALL: You identified four
10 categories of -- of expenses that you're -- of rate
11 case expenses that you're seeking. I -- and maybe I
12 should be able to understand this by looking at what's
13 been filed. But that roughly \$66,000, is that -- that
14 is the total rate case expense. Correct?

15 MR. COOPER: Correct.

16 COMMISSIONER HALL: And is it the company's
17 position that the Commission has not ruled upon, and
18 the parties have been -- and the parties have been
19 unable to agree on any amount of rate case expense
20 thus far? And I can rephrase that, if you don't -- if
21 that's unclear.

22 MR. COOPER: I'm not -- yeah. Would you
23 rephrase it.

24 COMMISSIONER HALL: Sure.

25 MR. COOPER: I'm not sure how to answer it

1 the way --

2 COMMISSIONER HALL: Sure. Okay. The
3 Commission issued a report and order. And in that
4 report and order, what is the company's position as
5 to -- to what the Commission has ruled on related to
6 rate case expense?

7 MR. COOPER: I think the Commission has
8 clearly ruled that -- that Mr. Burlison's time is a --
9 should be included in rate case expense.

10 COMMISSIONER HALL: And -- and your
11 position is that's the only thing that the Commission
12 has ruled upon related to rate case expense.

13 MR. COOPER: Has clearly ruled upon. Now,
14 I would make arguments about other things, but I think
15 that's the one thing that's been expressly ruled upon.

16 COMMISSIONER HALL: Okay. So in -- in the
17 revenue requirement that we -- that we set, did that
18 include any -- so -- so -- so you're saying that did
19 not include any amount of rate case expense.

20 MR. COOPER: It -- well, in -- obviously
21 ask staff their opinion on this question as well.

22 COMMISSIONER HALL: Yes. I intend to.

23 MR. COOPER: In your order, Commissioner, I
24 don't believe that -- that you ever came up with a
25 total revenue requirement number. And that's not

1 uncommon. It's kind of left to the parties to go
2 back, then, and -- and identify the different
3 decisions that have been made by -- by the Commission,
4 add, subtract and come up with -- with the --
5 ultimately the -- the revenue requirement that'll be
6 utilized to -- to derive the rates, ultimately. I
7 don't -- well, trying to think where I'm going with
8 that. We -- we broke down in this case, after the
9 issuance of the report and order, and trying to get to
10 that total revenue requirement number. And we -- and
11 we broke down because there was not agreement amongst
12 the parties as to what the rate case expense number
13 should be to add to the other items, if that helps
14 answer your question. And it -- and at which point, I
15 guess it appeared to me that -- that we weren't going
16 to get to an agreement, and that's why the company
17 filed its -- its motion in this case, to try to bring
18 it to a head and get the Commission to clarify that
19 number for us.

20 COMMISSIONER HALL: Okay. In -- in the
21 report and order, we -- we set an annual salary for --
22 for -- for the owners. And we did that based on our
23 determination of a fair annual -- or hourly rate and
24 the number of hours that -- that we thought the
25 evidence showed their labor in relation to this

1 company. Is it your position that those hours, the --
2 the -- the time spent for the rate case are separate
3 and apart from those hours?

4 MR. COOPER: That's certainly our position,
5 that there's a -- there's a number of hours that are
6 required to run the company, to maintain the
7 facilities, to -- to bill, to do all those things, and
8 that the hours identified by the Commission in its
9 order are those things, the things that should be
10 somewhat similar this year and next year and the year
11 after. Whereas rate case -- time spent on the rate
12 case is -- is hopefully to some extent out of the
13 ordinary, that that's time specifically targeted at --
14 at one case, identified separately, and that once the
15 case ends, that time will not -- they will not have
16 that need for that time, you know, for some time
17 period. I don't know how long.

18 COMMISSIONER HALL: Until the next rate
19 case.

20 MR. COOPER: Right.

21 COMMISSIONER HALL: So the time sheets that
22 were submitted in the rate case that showed the hours
23 that -- that they spent on Lincoln County did not
24 include any time spent on the rate case.

25 MR. COOPER: No. And in fact, our

1 testimony came up with our hours through time it takes
2 to -- to do the inspections, to get to and from the
3 facilities, to -- those sort of things. That's where
4 our evidence came from for that time.

5 COMMISSIONER HALL: Okay. Thank you.

6 JUDGE JONES: Thank you, Mr. Cooper.
7 Public Counsel?

8 MS. BAKER: May it please the Commission.
9 As Mr. Cooper stated, we are here basically for -- for
10 three issues. One, what is an appropriate date range
11 for this rate case expense. Two, what costs are
12 reasonable to include as rate case expense. And then
13 what mechanism should be implemented in order to
14 recover that rate case expense through rates. As far
15 as the date range is concerned, Public Counsel is of
16 the opinion that the only appropriate rate case
17 expense for this goes from the filing of the case,
18 which is December the 4th, 2012, through possibly the
19 time when rates were filed for the -- the evidentiary
20 hearing. At that particular time, all information
21 should have been given to Public Counsel and to Staff
22 in order to make the determinations, to do the
23 audits. A lot of the information that came in is
24 brand new to us. We have never seen it before. It's
25 not auditable. It's just listings of times and dates,

1 nothing -- no descriptions, nothing like that. This
2 particular case is a small rate case procedure, where
3 rate case expense is supposed to be reduced. It's not
4 supposed to be \$65,000. It's not supposed to be more
5 than the -- the highest issue in the case, which were
6 the automatic -- automatic read meters. Rate case
7 expense is not supposed to be that way. It's not just
8 and reasonable for the customers to have to bear
9 that. And it's not just and reasonable for us to have
10 to keep coming back when documentation cannot be given
11 by the company ahead of time. Going to the
12 information that -- that is being offered for -- for
13 the company's cost, our first issue for that is one,
14 these are listed as proprietary. We object to them
15 being proprietary. Proprietary from who? Who is
16 their -- who is their competitor? What proprietary
17 information is there that needs to be protected? It
18 certainly should not be protected from the customers.
19 They're the ones who are asking -- being asked to pay
20 \$65,000. They deserve to see what they are being
21 asked to pay. As far as the information that was
22 available at the time of the rate case, we do think
23 that the rate case issues were agreed upon at the time
24 of the hearing. The only issues that really were
25 before the Commission, as far as the Public Counsel

1 was concerned, were the issues of the second
2 attorney. There was no -- no position statements on
3 what amount of rate case expense should go in. There
4 was no testimony on numbers. The only testimony that
5 came in, and the only thing that was argued through
6 the briefs were about the second attorney. So it's
7 not just and reasonable that now, after the fact,
8 we're here for another attorney adding to rate case
9 expense. There was no question at -- at the hearing
10 whether the costs should be normalized or amortized.
11 There were -- there was some discussion about the
12 three years versus the five years. But that was the
13 only discussion that was done at the rate case. So
14 it's not just and reasonable that we're back here
15 again, rehashing, giving the company a second bite of
16 the apple. As far as -- as far as normalized versus
17 amortized, Mr. Addo will get on the stand. He will be
18 available to give better explanations of normalizing
19 versus amortizing. But basically, it comes down to
20 this. Amortization is for a document such as a loan,
21 such as a bond, that has a set date on it where the
22 costs are to be paid through a certain amount of
23 time. This is not a loan. This is not a bond. It
24 has no set time. That's what an amortization is for.
25 It's a completely different type of document.

1 Normalization is just and reasonable for customers,
2 because coming back for a rate case is not a decision
3 that's made by the customer. Normalization is there
4 because the customers are the ones who are held to
5 having to pay rate case expense. And so to protect
6 them and get their full benefit of whatever they got
7 from this rate case, normalization goes in so that if
8 the company comes back in, it's their decision to do
9 so, and it's their decision to time it, based on when
10 they believe that it is needed; not when they wish to,
11 but when it is needed. And so basically, the -- the
12 testimony that you will hear today is the information
13 that's coming to you today is unauditable, it's new to
14 us, and it's not just and reasonable that this be
15 added now -- what are we -- seven months after the
16 hearing. And so we ask that you deny the additional
17 rate case expense. Public Counsel does have a -- a --
18 a recommendation on rate case expense. Even though it
19 is fairly high, we do have a recommendation based on
20 the addition of the second attorney, because -- only
21 because that's what the report and order stated.
22 That's not something that we feel that is just and
23 reasonable, and we have that in our motion for
24 reconsideration. Thank you.

25 JUDGE JONES: Just a moment.

1 CHAIRMAN ROBERT KENNEY: Ms. Baker, just a
2 quick question regarding OPC's assessment of the time
3 period.

4 MS. BAKER: Yes.

5 CHAIRMAN ROBERT KENNEY: You said
6 December -- December 4th, 2012 through --

7 MS. BAKER: Through --

8 CHAIRMAN ROBERT KENNEY: -- when the
9 compliance tariffs were filed?

10 MS. BAKER: No. Through the filing of the
11 briefs.

12 CHAIRMAN ROBERT KENNEY: The filing of the
13 post-hearing briefs.

14 MS. BAKER: That's right. Uh-huh. The
15 ending date would be November 26, 2013. I mean, in --
16 in any normal case, that's when everything would be
17 given to the Commission. That is -- is the most --
18 the largest span that we feel is even slightly just
19 and reasonable in this case.

20 CHAIRMAN ROBERT KENNEY: And then with
21 respect to amortization versus normalization,
22 essentially, OPC's position is that the normalization,
23 normalizing the costs over some period of time places
24 the risk with the company, rather than with the rate
25 payers, essentially.

1 MS. BAKER: That's correct. And what we
2 are -- what we will be recommending is a five-year.
3 So a five-year normalization. You're looking at, you
4 know, these huge costs for rate case expense.
5 Customers are going to be asked to pay more in their
6 rates for rate case expense than they are for these
7 automated meters. And so we're asking for the five-
8 year time frame. We're also asking for normalization,
9 because, you know, this -- this is not a situation
10 where -- we don't have future test years. He can't
11 come in here and say we need -- we need this, and this
12 is when we're going to come in for a rate case. He's
13 not held to that. We -- we are in a historical test
14 here. All we can do is look at the information that's
15 in front of us today. And he -- you know, he could
16 come back in in six months, he could wait ten years.
17 It -- it's -- it's all up to him as to when he comes
18 in.

19 CHAIRMAN ROBERT KENNEY: Well, let me ask
20 you this, though. And this is sort of hypothetical,
21 but let's assume that we -- we ordered a five-year
22 normalization, and we are relatively confident that
23 the company's going to come back in in two to three
24 years. We're guaranteeing that the shareholders are
25 going to have to absorb that other two years. Is that

1 fair?

2 MS. BAKER: I mean, considering the fact
3 that most of the information that's been given, and
4 most of the time that's being claimed is by the
5 company, where, when we asked for time sheets
6 throughout this case, time sheets were not given, and
7 then all of a sudden, after the fact, they are -- are
8 somehow able to give us time, it -- it is -- it is
9 more than fair that if they're going to make up their
10 time after the fact, that they be the ones who -- who
11 bear the burden for this.

12 CHAIRMAN ROBERT KENNEY: Okay. I'm not
13 sure about that. I mean, you're saying make up the
14 time after the fact. You're not saying that they
15 didn't actually incur the time; are you?

16 MS. BAKER: I have no proof of that.
17 Nothing that was given on the May 8th filing is
18 auditable. And you will hear that from our expert.
19 All you see on the May 8th filing for the company time
20 is name, hours, date. For what? Why? Was it -- was
21 it for the utility? Was it not for the utility? What
22 is it? Those are not auditable costs. And so --

23 CHAIRMAN ROBERT KENNEY: Well, let me --
24 let me ask you this question. So you're saying that
25 the -- I'll just limit myself to the attorney's time.

1 MS. BAKER: Uh-huh.

2 CHAIRMAN ROBERT KENNEY: You're saying
3 their invoices aren't specific enough?

4 MS. BAKER: Yes. If -- if you look at what
5 was filed on May 8th for the company time, and you go
6 back in there, they're not invoices. They are just
7 listings of times and dates. It's not an invoice.
8 Can you hand me -- I'm talking about the company's
9 time, is what I'm talking about. Now, Public Counsel
10 filed ahead of time in this particular case that we
11 were not going to contest Mr. Johansen's time, Mr. --
12 Brydon, Swearengen's time.

13 CHAIRMAN ROBERT KENNEY: I see.

14 MS. BAKER: Now, we filed that in -- we --
15 subject to our -- our date time -- you know, our time
16 line for this. But we are not contesting those. What
17 we're talking --

18 CHAIRMAN ROBERT KENNEY: So you're only
19 talking about the Kallashes' time.

20 MS. BAKER: Yes. Yes. Uh-huh.

21 CHAIRMAN ROBERT KENNEY: That's the sole --

22 MS. BAKER: That's -- that's the sole thing
23 that Public Counsel is going to talk about today.

24 CHAIRMAN ROBERT KENNEY: So you're fine
25 with Mr. Burlison's invoices, you're fine with Brydon,

1 Swaengen's invoices and Mr. Johansen's invoices. So
2 we're talking about just this narrow --

3 MS. BAKER: Right. With -- with the
4 removal of the -- I'm sorry. With the removal of the
5 two pages for -- for Mr. Burlison, we -- we --

6 CHAIRMAN ROBERT KENNEY: Which you all
7 agreed on.

8 MS. BAKER: We don't -- we don't -- well,
9 one, we still say that the second attorney is not
10 necessary. But we do say that it follows the -- the
11 meaning of the report and order. And so -- and also
12 subject to the -- to the time line. Some of those
13 times that were given are beyond our time line. You
14 know, beyond the November 26th date. And we would
15 hold ours to those dates. But otherwise, the only
16 thing that we're -- we're here to talk about is the
17 company's time. The company's -- and expenses.

18 CHAIRMAN ROBERT KENNEY: So -- okay. Got
19 you. So could we take the first three categories, the
20 invoices from the two firms and from Mr. Johansen, and
21 normalize those over a shorter period and -- and treat
22 the -- the company's time differently? Could we do
23 that?

24 MS. BAKER: You -- I -- I assume that
25 you --

1 CHAIRMAN ROBERT KENNEY: I don't want to
2 know whether we should. I'm just asking could we.

3 MS. BAKER: I assume that the Commission
4 can set up different categories for rate case expense.

5 CHAIRMAN ROBERT KENNEY: Okay. All right.
6 Thank you.

7 JUDGE JONES: Commissioner Hall?

8 COMMISSIONER HALL: Good morning.

9 MS. BAKER: Good morning.

10 COMMISSIONER HALL: You're -- you are
11 arguing that the time spent by the -- by the owners in
12 connection to the rate case should not -- should not
13 be included.

14 MS. BAKER: We have a certain amount of
15 documentation that was given to us, and has been put
16 into the recommendation that we will give you, and was
17 in our recommendation, I believe, at the time of the
18 hearing. But some of the information that was given
19 on May 8th is brand new to us, and we have never seen
20 that before. It is not audited. And -- and some of
21 that, we are saying no, that should not be included.

22 COMMISSIONER HALL: But is the -- is your
23 basis for -- is -- is the basis of your position that
24 it's unauditible, or is it a different reason?

25 MS. BAKER: First -- first basis,

1 unauditible. Second basis, not timely. We -- we will
2 have exhibits and -- and information that's coming
3 today that shows that we sent out data requests at the
4 very beginning of this case asking for updates on rate
5 case expense through that and -- and we have time line
6 that's set up of when we got certain information.
7 You'll see -- and as we go along through this, you
8 would have expected that at the time of the hearing,
9 we would have everything from the company, so that it
10 could be looked at, it could be taken up at the
11 hearing. Maybe a little bit for the attorney to write
12 the brief at the end. But 99 percent of it should
13 have been given to us at the rate case, or at the
14 evidentiary hearing. And apparently, it was not,
15 because on May 8th, new -- new things showed up -- and
16 I mean, going back to 2012 -- that were never given.

17 COMMISSIONER HALL: Okay. So unaudited.
18 Not timely.

19 MS. BAKER: Uh-huh.

20 COMMISSIONER HALL: Is there a third
21 reason?

22 MS. BAKER: I mean, certainly, the -- the
23 expense is extraordinary.

24 COMMISSIONER HALL: Okay.

25 MS. BAKER: So there are -- there are other

1 things in there that -- that the costs are not
2 reasonable. And we'll go through them one by one.
3 Uh-huh.

4 COMMISSIONER HALL: Joy.

5 MS. BAKER: I don't know how else to do it.

6 COMMISSIONER HALL: Okay. So those --
7 those are the three reasons why?

8 MS. BAKER: Those are the three big ones.
9 I can't say there's not more.

10 COMMISSIONER HALL: Well, are you taking
11 the position that the -- the hours that we have
12 already determined for Mr. Kallash in the rate case
13 should be part of rates? Are you -- are you taking
14 the position that -- are you or are you not taking the
15 position that that time includes any rate case
16 expense?

17 MS. BAKER: We do think that as of the end
18 of the rate case, when the report and order came out,
19 that there was a number that -- that was rate case.
20 That is the number that we believe is correct. Yes.
21 Yes.

22 COMMISSIONER HALL: I'm sorry. Say that
23 again.

24 MS. BAKER: You're saying that -- you're
25 asking me that in the report and order the Commission

1 approved rate case expense. And so we're saying that
2 yes, as of the report and order, the Commission
3 approved rate case expense.

4 COMMISSIONER HALL: Well, I think more
5 specifically, I was -- I -- we -- we -- we determined
6 an annual salary for Mr. Kallash.

7 MS. BAKER: Yes. Oh, okay. Yes. Uh-huh.

8 COMMISSIONER HALL: And so what I'm asking
9 is in that annual -- in that annual salary, that was
10 based on a certain number of hours that we determined
11 he worked in connection with -- with the company.

12 MS. BAKER: Yes.

13 COMMISSIONER HALL: Did that include hours
14 related to the rate case?

15 MS. BAKER: No. No. No. That -- that is
16 separate. That -- that's correct. Yes.

17 COMMISSIONER HALL: All right.

18 MS. BAKER: There is a salary portion, and
19 then there should be some minimal amount of rate case
20 expense. And we do have that in our recommendation.
21 Yes.

22 COMMISSIONER HALL: Thank you.

23 JUDGE JONES: Commissioner Rupp?

24 COMMISSIONER RUPP: Thank you. So on
25 Appendix D, the \$25,194 of total expenses from the

1 Kallashes, are you suggesting that all of that be
2 thrown out in that, or is there a dollar amount that,
3 after you've looked at it, that you have said we think
4 these are verifiable?

5 MS. BAKER: We do have a dollar amount.
6 Yes.

7 COMMISSIONER RUPP: And you'll be sharing
8 that with us later?

9 MS. BAKER: Yes. Yes.

10 COMMISSIONER RUPP: Very good. Thank you.

11 JUDGE JONES: Okay. Thank you. And for
12 the Staff of the Commission?

13 MR. THOMPSON: Thank you, Judge. This is a
14 small company rate making. Always a difficult,
15 difficult endeavor. And this is a small company rate
16 case that has exploded into a major litigation. It's
17 unusual. It's perhaps unprecedented. And it's all
18 the more difficult for that reason. Staff has a
19 different take on these things than Public Counsel. I
20 guess we're kind of in the middle, between Public
21 Counsel and the company, as I will explain to you.
22 First of all, let me say that -- that Staff is sorry
23 that we're here, and we're sorry that we're here
24 because, of course, this proceeding means additional
25 rate case expense. The company has incurred expense

1 in presenting its first case, the first hearing. And
2 it's incurred additional expense up to today. We
3 don't know when we'll see those invoices, or how large
4 they'll be. But that's a fact. At the time of the
5 original hearing in this case, I'm told by my
6 accountant, who's in charge of the numbers, that we
7 were aware of about \$14,611 of rate case expense, and
8 that this represented fees incurred as of the start of
9 the hearing to Mr. Johansen, and to Brydon, Swearngen
10 & England, and to Mr. Burlison. And let me hasten to
11 say that Staff has absolutely no question and no bones
12 to pick, no problems with the amount of fees charged
13 by the two attorneys or by Mr. Johansen. They have
14 submitted itemized invoices with proper detail as to
15 what was done for each of the minutes claimed, and the
16 rates at which those were charged. And Staff believes
17 that they were legitimately -- those expenses were
18 legitimately incurred and should be in rates. Now, we
19 may have an issue over how long and exactly how they
20 should be recouped, but we have no problem with the
21 amounts. After the hearing was over, additional
22 professional fees upwards of \$26,000 were provided to
23 Staff through additional invoices. And the company
24 presented -- indicated that it believed it had
25 incurred expenses amounting to \$25,194. Staff was

1 taken aback. Taken aback at the very size of these
2 amounts. But from Staff's point of view, unlike what
3 Public Counsel just told you, the size alone has
4 nothing to do with whether they should be recouped. I
5 mean, if the money was spent, the money was spent. If
6 it was prudent, if it was necessary, if it was
7 reasonable, if it was actually incurred, then it's
8 recoverable as operating expense. Now, again, the
9 question is over how long, and through what
10 mechanism. We requested detail as to the \$25,194
11 claimed by the company. This is for the time of
12 Mr. Kallash, the time of Mrs. Kallash, some time spent
13 by an employee, and expenses. The detail that we
14 received was contained in a fax, handwritten, some --
15 some invoices. Some of what we were provided related
16 to periods before the filing of the case. Some of it
17 appeared to relate to matters other than the rate
18 case. And here's where the real difficulties arose.
19 We already had -- we already had a time sheet that
20 Mrs. Kallash had kept, and that we had received during
21 the course of preparing for the initial hearing. We
22 had two sets of time records for Mr. Kallash that
23 related to the same period, and that did not match
24 each other entirely. We got here a third set of hours
25 for Mr. Kallash, and it -- also -- and what amounts to

1 a second set for Mrs. Kallash. So the auditors
2 naturally tried to line all these up. Do they -- are
3 they internally consistent? Do all these time records
4 say the same thing? And I can tell you,
5 categorically, they do not. They do not all say the
6 same thing. So where Mrs. Kallash had provided us
7 with -- with very careful time records, kept on a
8 calendar -- this is what we got for the first
9 hearing -- calendar with her time and her activities
10 noted day by day. And the handwriting's a little
11 different from day to day, and so you can see from the
12 face of it, it appears it was kept contemporaneously.
13 Well, those hours don't match the hours that we got
14 after the case, that claim time for Mrs. Kallash, that
15 did not appear on those calendar time records that we
16 had gotten before, even though they were for the same
17 days, for the same period of time. Naturally, that's
18 going to raise a question for any auditor. For
19 Mr. Kallash, well, the original two sets of records --
20 remember I told you we had two for them -- they were
21 not in very good shape. They were not the kind of
22 day-to-day, write it on the calendar accounting that
23 we had gotten from Mrs. Kallash. So his time records
24 were already in disarray to begin with. Then we got a
25 third set after the hearing, and it did not match up.

1 To the extent it covered the same periods of time --
2 and I'm not saying it entirely did. But to the extent
3 that it did, they did not match up. Different days
4 were indicated as having been spent, different
5 activities, different lengths of time. That is going
6 to raise eyebrows for any auditor. So Staff
7 necessarily is reluctant, based on that analysis of
8 the information, the detail that we've been provided
9 supporting the \$25,194, staff is naturally reluctant
10 to say sure, let's pay them that money. Now, with the
11 professional fees, we do not have that problem. The
12 professional fees are properly documented with the
13 expected level of detail. We're confident that the
14 work was done when they say it was done, that it took
15 the time they say it took. We understand how it was
16 charged. We understand it was incurred. The
17 company's going to be paying those bills. So that
18 money, we believe, is properly recoverable. But it
19 leaves the question well, what about Lincoln County?
20 What about the time of Mr. and Mrs. Kallash? What
21 about their expenses? Well, in the area of expenses,
22 I will mention there was \$467 that were spent on hotel
23 rooms and meals during the hearing. Staff has no
24 problem with that \$467. We are confident it was
25 spent. We've been provided with receipts from the

1 Doubletree Hotel. There was also \$571 for copying
2 done by Mr. Kallash's engineering firm, which is
3 called Fitch & Associates. Those copies were charged
4 at fifty cents a page. And there were also charges
5 for ink cartridges, presumably for the copy machine,
6 but that's not clear. Staff believes that those costs
7 are too high. Too high. You can go to the local copy
8 center and get copies for seven cents a page. So
9 staff would like to reduce that \$571 to \$34 for that
10 reason. It was unreasonable because you could get it
11 cheaper in the same area. Mileage? There was a claim
12 for \$438 for mileage. Much of that was for
13 commuting. For driving from the residence to the
14 office. Well, you don't get reimbursed for commuting
15 if you're -- if you're doing your taxes and you're a
16 businessman, you don't get a deduction for your
17 commuting miles. You do for travel -- business
18 travel. But not for business commuting, driving to
19 the office. So Staff is willing to see \$287 out of
20 that claimed \$438. We believe \$287 represents mileage
21 actually incurred for rate case related travel. Now,
22 we are unable to determine what amount, if any, should
23 go to Mr. Kallash. His time records are in disarray.
24 They're incomplete. They're internally inconsistent.
25 We're unable to determine an amount. For

1 Mrs. Kallash, we have a careful accounting of time
2 after the calendar sheets I waved at you a moment ago
3 that we believe amount to \$4703 worth of time for
4 Mrs. Kallash. Staff believes that that time is
5 documented acceptably, and that it was spent. It
6 would not be unreasonable for that time to be
7 recovered. There was also \$261 for an employee named
8 Patty who spent some time working on the case,
9 evidently. Now, they -- they had claimed \$340 for
10 Patty, but we believe that -- that a certain amount of
11 that time was spent on other matters, not on the rate
12 case. So Staff's willing to allow \$261.
13 Mrs. Kallash, I should point, out the company claimed
14 \$10,030. \$10,030. But Staff has concluded that the
15 figure should be \$4703, based on the documented time.
16 And this is paying at the rate that the Commission
17 awarded to her, which was \$15.34 an hour. That's also
18 the rate at which Patty's time is calculated by
19 staff. \$15.34 an hour. We don't know what amount to
20 give Mr. Kallash. But we do believe -- unlike what
21 you were told by the company and Public Counsel, we
22 believe that the \$39.65 per hour figure that you gave
23 him in the report and order for eleven and some
24 fraction of hours a week on an ongoing prospective
25 basis, we believe that includes some rate case time.

1 So we believe that Mr. Kallash will be compensated for
2 rate case involvement through the payment of that
3 amount. We say that because we are at a loss to
4 calculate any different figure, based on the time
5 records that we've been provided. I hasten to say
6 staff knows Mr. Kallash invested time in this case.
7 We don't deny that. He was here at the hearing. He
8 was at meetings. But we don't know how much time. We
9 don't believe that the \$13,300 that is claimed for
10 Mr. Kallash's time, we don't believe that that's an
11 appropriate figure. And I'll be happy to answer any
12 questions that you may have.

13 JUDGE JONES: Mr. Chairman?

14 CHAIRMAN ROBERT KENNEY: Thanks. Thanks,
15 Mr. Thompson. I just have a few. So I think one of
16 the things that you said that Staff's position departs
17 from OPC's assertion is that it doesn't matter when
18 they tell you about these expenses, so long as they're
19 prudently incurred and that they're reasonably --
20 they're prudent and reasonable.

21 MR. THOMPSON: Well --

22 CHAIRMAN ROBERT KENNEY: Is that --

23 MR. THOMPSON: It is true that Staff asked
24 for hours and time sheets all through the case. We --
25 we sent in three different DRs asking for these

1 things. We did not get them. In fact, one of the
2 constant themes of this case, and one of the reasons
3 it has turned into the case that it has, is because of
4 the very poor recordkeeping by Lincoln County. So --
5 but we're not going to say you gave them to us after
6 the fact, so we're going to say deny it. If we think
7 they incurred the time, then it should be
8 compensable. We would prefer that the records be in
9 reasonable order and that they be given to us when we
10 asked for them. But that's not what happened.

11 CHAIRMAN ROBERT KENNEY: Let me ask -- let
12 me ask something logistical. So doesn't there have to
13 be, at some point, a cut-off for the purposes of
14 filing conforming tariffs. Right? I mean, so at some
15 point, you've got to stop so you can set the rates and
16 start charging the people. Right?

17 MR. THOMPSON: Absolutely.

18 CHAIRMAN ROBERT KENNEY: So when is that
19 time?

20 MR. THOMPSON: Well, we thought we had
21 negotiated a cut-off at the time of the first hearing.

22 CHAIRMAN ROBERT KENNEY: Of what date?

23 MR. THOMPSON: It was in -- it was -- I'm
24 told it was in our brief, and it was in the company's
25 brief. Do you remember the date?

1 MS. HANNEKEN: 11/26.

2 MR. THOMPSON: 11/26?

3 MS. HANNEKEN: Uh-huh.

4 MR. THOMPSON: November 26.

5 CHAIRMAN ROBERT KENNEY: So that's the same
6 day -- that's the same date OPC says?

7 MR. THOMPSON: Yes.

8 CHAIRMAN ROBERT KENNEY: November 26th was
9 the day when post-hearing briefs were filed?

10 MS. HANNEKEN: One week after.

11 MR. THOMPSON: One week after? One week
12 after. Okay.

13 CHAIRMAN ROBERT KENNEY: November 26. But
14 that's the same thing that Ms. Baker said when I asked
15 her the same question. So that was the agreement. So
16 why -- why shouldn't we pick that as the stopping
17 point, since that was --

18 MR. THOMPSON: Well, I'm not saying you
19 shouldn't.

20 CHAIRMAN ROBERT KENNEY: Okay.

21 MR. THOMPSON: What I -- what I am saying
22 is that take the professional fees. We're -- we're
23 certain that those fees were incurred and are due and
24 payable. The company is going to pay that money.
25 Now --

1 CHAIRMAN ROBERT KENNEY: Yeah.

2 MR. THOMPSON: -- is it -- is it -- is it
3 fair for the shareholders to bear a part of that? I
4 think so. But that's a policy decision for the
5 Commission to make.

6 CHAIRMAN ROBERT KENNEY: So if the invoices
7 come in, you know, today, showing some expenses that
8 were incurred November 20th, and you can verify them,
9 they're just and reasonable, they're prudently
10 incurred, that's okay?

11 MR. THOMPSON: Well, Mr. Commissioner, it's
12 a -- it's -- we are on the horns of a dilemma. If
13 this was Ameren, or Missouri American, a large company
14 with thousands of customers, and many millions of
15 dollars of annual revenue, we would say no, you're
16 late, eat it. That's what we would say. But this is
17 a very small company with 300-some customers. Do we
18 want to break this company because of their poor
19 recordkeeping and their -- and their tardy submission
20 of pieces of paper? You know, part of -- part of what
21 Staff wants to do is keep these companies operating,
22 providing safe and reasonable service to the customers
23 who depend on them. They have to have the money to do
24 that.

25 CHAIRMAN ROBERT KENNEY: Well, yeah. And I

1 take no exception with that. We want to keep the
2 companies financially viable so that they can continue
3 to provide the service that they're providing. But I
4 guess the -- the other -- the counter-argument to
5 that, though, is that we don't want to incent -- I
6 don't want to call it bad behavior, but we don't want
7 to encourage submissions that could be timely in an
8 untimely fashion. I mean --

9 MR. THOMPSON: I agree with that 100
10 percent.

11 CHAIRMAN ROBERT KENNEY: I mean,
12 disallowing some component of rate case expense isn't
13 going to break the company. All right. So let me
14 just ask this other question, then. So based upon
15 staff's analysis of the company's time, you were able
16 to determine that some of it was prudent and
17 reasonably incurred, and some of it, you just didn't
18 have enough information to be able to reach a
19 determination one way or the other?

20 MR. THOMPSON: That's exactly right.

21 CHAIRMAN ROBERT KENNEY: Either because
22 there wasn't enough specificity or because it just
23 didn't make sense.

24 MR. THOMPSON: That's exactly right. If I
25 could give you the total figure, Staff -- Staff was

1 able to corroborate \$5799, which added to --

2 CHAIRMAN ROBERT KENNEY: Out of --

3 MR. THOMPSON: Out of their request --

4 CHAIRMAN ROBERT KENNEY: Out of how much?

5 MR. THOMPSON: -- for \$25,194.

6 CHAIRMAN ROBERT KENNEY: Okay. All right.

7 Let me ask one final question about the copying. You
8 said that they tried to pass along five hundred and
9 some odd dollars for copying, and it was paid to
10 Mr. Kallash's engineering company?

11 MR. THOMPSON: That is correct.

12 CHAIRMAN ROBERT KENNEY: At a rate of fifty
13 cents a page?

14 MR. THOMPSON: That's what it said on the
15 invoice.

16 CHAIRMAN ROBERT KENNEY: Okay. So this was
17 fifty cents a page paid to an affiliate, and then
18 for -- for cartridges as well.

19 MR. THOMPSON: Yes, sir.

20 CHAIRMAN ROBERT KENNEY: Okay. All right.

21 I was just curious about that. All right. Thank
22 you.

23 MR. THOMPSON: Thank you, Mr. Chairman.

24 JUDGE JONES: Commissioner Hall?

25 COMMISSIONER HALL: Thank you. Good

1 morning.

2 MR. THOMPSON: Good morning, sir.

3 COMMISSIONER HALL: You -- you discussed
4 the -- your analysis of Mr. Kallash's time sheets as
5 being internally inconsistent.

6 MR. THOMPSON: Yes, sir.

7 COMMISSIONER HALL: Do you intend to
8 inquire of him when he takes the stand as -- as to
9 that interpretation?

10 MR. THOMPSON: I do.

11 COMMISSIONER HALL: And -- and you'll go
12 time entry by time entry? Or what is your intent
13 there?

14 MR. THOMPSON: We will go through some
15 entries. I don't intend to go through every one. I
16 can -- it's perhaps the most confusing welter of paper
17 I've seen in a long time.

18 COMMISSIONER HALL: All right. Staff takes
19 the position that the rate case expense should be --
20 should be normalized. Is that correct?

21 MR. THOMPSON: As a matter of fact, Staff
22 is willing to amortize, in this case -- this very
23 unusual case -- over five years with a tracker. A
24 tracker so that if there's an over-recovery, that
25 money would return to the rate payers in the next rate

1 case. Now, by agreeing to amortize, that means that
2 this amount of money, whatever remains, would survive
3 the next rate case, and would still continue to be
4 recovered until every penny of it had been recovered.
5 That is not Staff's usual position, but we're willing
6 to do that in this case.

7 COMMISSIONER HALL: Why is that?

8 MR. THOMPSON: Because we believe it's a
9 very significant amount of money incurred by a very
10 small company.

11 COMMISSIONER HALL: Okay. Thank you.

12 MR. THOMPSON: Thank you, sir.

13 JUDGE JONES: Commissioner Rupp?

14 COMMISSIONER RUPP: Thank you. The \$15.34
15 hourly figure that you mentioned --

16 MR. THOMPSON: Yes, sir.

17 COMMISSIONER RUPP: -- that was for
18 Mrs. Kallash?

19 MR. THOMPSON: Yes, sir.

20 COMMISSIONER RUPP: Okay. And that was
21 calculated from the Commission's order, or how --

22 MR. THOMPSON: That -- that is the figure
23 that the Commission set in its report and order.

24 COMMISSIONER RUPP: Okay. And then more of
25 a procedural question, is if at whatever company --

1 fictitious company -- has expenses for a rate case
2 after the fact of the week after the briefs were
3 filed, would the Staff allow them to recoup that
4 expense in a future rate case for a past rate case
5 that was not --

6 MR. THOMPSON: Normally -- let me say
7 generally -- typically -- we normalize rate case
8 expense. And what that means is when we -- when we
9 set up the revenue requirement for the -- for the
10 ideal year that the rate case envisions, some amount
11 of money will be included in that that's going to go
12 for rate case expense. With a large company, we
13 generally assume they're going to be back in three
14 years. And so the figure that we get from the company
15 as to what they spent on this case, we divide it by
16 three and we put it into revenue requirement. That's
17 typically the way it's done.

18 COMMISSIONER RUPP: But my question is
19 you -- you've done this for a rate case. And then the
20 company can show that after the rate case, after the
21 briefs were filing, after your cut-off date, they had
22 additional expenses for that rate case that came, you
23 know, whatever, late invoices or other -- other
24 expenses, you know, things after that cut-off date.
25 Do you then allow, or is it the Staff's position to

1 allow the cost of that rate case expense that was not
2 included in the previous rate case to be applied to a
3 future rate case?

4 MR. THOMPSON: No. It would never be
5 recovered in a future rate case, unless it's the
6 subject of an amortization.

7 COMMISSIONER RUPP: Okay. So Staff
8 generally says that if -- if any expenses are incurred
9 after the cut-off date, they are not ever -- ever
10 recouped by the company?

11 MR. THOMPSON: That is generally correct.

12 COMMISSIONER RUPP: Okay.

13 MR. THOMPSON: But cut-off dates are a
14 difficult thing. And there are mechanisms built in
15 to -- to the giant rate cases we do with large
16 companies that are intended to bring expense amounts
17 closer to the date that the tariffs go into effect.
18 As you know, we use a test year. So the cut-off date
19 in the test year idea is the end of the twelfth
20 month. But well then there's an update. And an
21 update period is a specified date, and all expenses
22 are brought forward to the update date. That is, they
23 are refreshed as of the update. Then there's a true-
24 up. And certain significant accounts are brought even
25 closer to the date of the tariffs through a true-up.

1 So I mean, there is -- there is finally a hard cutoff
2 where if it ain't in by then, forget it. But you can
3 see that mechanisms have been -- have been created,
4 even for large companies, to capture significant costs
5 after the test year.

6 COMMISSIONER RUPP: So is it Staff's
7 position that if a company does not agree with the --
8 the Commission's decision, and they want to come back
9 for a rehearing, that any expense in that case should
10 not be calculated, since the Commission had already
11 ruled on --

12 MR. THOMPSON: There has never been a
13 question with a large company of costs incurred
14 litigating a rehearing. Again, this is -- this is a
15 small company. And so these things loom much more
16 significantly because of the small scale of the
17 company compared to the amount of the expense.

18 COMMISSIONER RUPP: Thank you.

19 COMMISSIONER HALL: One more quick
20 question. What is Staff's position as to whether or
21 not counsel for the company's time sheets should be
22 proprietary or not?

23 MR. THOMPSON: I see no reason why they
24 should be proprietary. I mean, the only thing I can
25 imagine is that perhaps giving some sort of deal to

1 this client on -- on their hourly rate that they're
2 not giving the others and they don't want the others
3 to know. I agree with what Ms. Baker said, that
4 customers should be able to inspect these records,
5 since they're being asked to pay this amount.

6 COMMISSIONER HALL: Thank you.

7 JUDGE JONES: So at this point as we go
8 through -- through these time sheets and these figures
9 and numbers, should we be en camera? I mean -- is --
10 whether or not these documents are proprietary sounds
11 like some decision the Commission's going to have to
12 make now.

13 MR. THOMPSON: I don't think there's any
14 contest over the professional amounts. So those are
15 the ones that are marked proprietary.

16 JUDGE JONES: Okay.

17 MR. THOMPSON: I don't think the company's
18 bills are proprietary. Are they? Or am I wrong about
19 that?

20 MR. COOPER: I think they got filed that
21 way, and they were not intended to be filed that way.

22 MR. THOMPSON: So you -- you would not --
23 you would be willing that they be treated as public?

24 MR. COOPER: Yes.

25 JUDGE JONES: Okay. So we don't have an

1 issue, then. Today, we don't have an issue.

2 MR. THOMPSON: Thank you very much.

3 JUDGE JONES: Thank you. Mr. Cooper, you
4 can call your first witness.

5 MR. COOPER: Well, before -- before I get
6 to that, I would like to mark and offer the three
7 affidavits and associated statements that -- that are
8 referred to in my opening statement. What -- what
9 convention would you like to use, Your Honor, for
10 the --

11 JUDGE JONES: Just Lincoln County Sewer &
12 Water, or LSCW-1, 2, 3 --

13 MR. COOPER: LSCW-1, I would -- would be
14 the affidavit of Dean Cooper and associated invoices.
15 LS -- or LCSW-2 would be the affidavit of Jim Burlison
16 and the associated invoices. Then LCSW-3 would be
17 affidavit of Dale Johansen and associated invoices.

18 THE COURT: Are there any objections to the
19 affidavits?

20 MR. THOMPSON: None by staff.

21 MS. BAKER: No objections to them coming
22 in, again, with the caveat that -- that the date range
23 apply.

24 MR. COOPER: And again, all three of these
25 are still marked as proprietary for the time being.

1 JUDGE JONES: Okay. LSCW-1, 2 and 3 are
2 admitted into the record.

3 MR. COOPER: As I stated -- I think I heard
4 a question here. As I stated in my opening, on my
5 time, there's one additional statement that's on
6 there. And it would have been attached to the e-mail
7 that I sent to both Ms. Baker and Mr. Thompson earlier
8 this week when we proposed this method, so --

9 MR. THOMPSON: Okay.

10 MR. COOPER: At this time, we would call
11 Mr. Kallash to the stand.

12 JUDGE JONES: Mr. Kallash, would you
13 solemnly affirm that the testimony you're about to
14 give is the truth.

15 THE WITNESS: Yes, sir.

16 DENNIS KALLASH,
17 OF LAWFUL AGE, HAVING BEEN DULY SWORN TO TELL THE
18 TRUTH, TESTIFIED AS FOLLOWS:

19 JUDGE JONES: Thank you, sir. And feel
20 free to stand whenever you need to.

21 THE WITNESS: I'm going to try to sit for a
22 while. Okay. Thank you very much.

23 JUDGE JONES: Okay.

24 DIRECT EXAMINATION
25 QUESTIONS BY MR. COOPER:

1 Q. Please state your name.

2 A. Dennis Kallash.

3 Q. Are you the same Dennis Kallash that's
4 testified previously in Commission Case SR-2013-0321?

5 A. Yes.

6 MR. COOPER: Your Honor, I'd like to mark
7 another exhibit. This will be LCSW-4. And it will be
8 the Appendix D that was previously attached to our
9 motion.

10 JUDGE JONES: We all have copies here.

11 Q. (BY MR. COOPER.) Mr. Kallash, do you have
12 before you what's been marked as LCSW-4?

13 A. Yes, sir.

14 Q. Do you recognize that?

15 A. Yes, sir.

16 Q. What is it?

17 A. It is a document that Mr. Dean Johansen
18 prepared and sent in on our behalf.

19 Q. What does it represent?

20 A. It represents our expense in the rate case
21 for -- for this particular rate case.

22 Q. The time that you spent in regard to the rate
23 case?

24 A. The times. He's got the dates and the times
25 that I spent, that Toni spent. And you've got some

1 invoices and invoices. Yes.

2 **Q. Do the -- what are the invoices, just**
3 **generally?**

4 A. There's an invoice from Wal-Mart. There's an
5 invoice from -- from our Visa, and for hotel bills and
6 stuff like that. And then there's one for my
7 surveying company.

8 **Q. And -- and what do those expenses or those**
9 **invoices represent, then? Is that expenses that you**
10 **had relating to the rate case?**

11 A. Yes, sir.

12 MR. COOPER: Your Honor, I want to mark
13 LCSW-5 at this time, which will be Mr. Kallash's
14 notes.

15 JUDGE JONES: Is that something we have
16 here? And did you file that already, or --

17 MR. COOPER: It has not been filed.

18 JUDGE JONES: Okay.

19 **Q. (BY MR. COOPER.) Do you have before you**
20 **what's been marked as LCSW-5?**

21 A. Yes, sir.

22 **Q. Do you recognize that document?**

23 A. Yes, sir. These are my handwritten notes.

24 **Q. And what are they notes of?**

25 A. The notes of the time we spent on the rate

1 case.

2 Q. Is that different from the time you spent
3 operating, managing the -- the utility systems?

4 A. Yes. We was told to keep separate notes.

5 Q. At some point during this case, did you
6 provide those notes to staff or members of staff?

7 A. Yes. They were sent to -- they were sent to
8 Jim Busch.

9 Q. Approximately when would that have happened?

10 A. Before the court date.

11 Q. And by the court date, you mean the
12 evidentiary hearing in this matter?

13 A. Yes, sir.

14 Q. During the course of this case, have you
15 changed the method you use to record your time?

16 A. Yes, sir.

17 Q. How -- how do you record your time now?

18 A. I have a smart phone, and it's got a calendar
19 on it, and I hit it and type in what subdivision I'm
20 at, and just if I'm working on the well or the
21 treatment plant.

22 Q. And then are you able to later print those
23 records?

24 A. Yes, sir. My secretary is. I can't do it on
25 the computer.

1 Q. And -- and is that something that's changed
2 as a result of your experience in this case?

3 A. Yes, sir.

4 Q. Did anyone on the Staff suggest that your
5 time working on the rate case would be compensated in
6 the rate to be set?

7 A. I was told by Jim Busch, Lisa Hanneken, Jim
8 Russo, Jim Merceil to keep track of the rate case time
9 and I would be compensated for all of it.

10 Q. Do you believe that the time reflected in
11 exhibits -- well, let me back up. The time reflected
12 in Exhibits LCSW-4 and LCSW-5, those are not two
13 different sets of time; are they?

14 A. I believe it's what Dale took from my sheets
15 and put it in and made it in a spreadsheet in his
16 computer.

17 Q. So LCSW-5 is a -- sort of a summary -- or
18 excuse me. LCSW-4 is a summary of the notes in LCSW
19 5?

20 A. Yes, sir.

21 Q. Do you believe that the time that's reflected
22 in those exhibits was necessary for you to respond to
23 the various requests for information and explanations
24 that you had to provide, as well as for you to
25 understand and participate in this rate case process?

1 A. Yes, sir.

2 Q. Is this the first rate case you ever
3 initiated for Lincoln County?

4 A. Yes, sir.

5 Q. Are you anxious to start another one?

6 A. No way.

7 Q. But you and I have spoken a little bit. And
8 have you done some thinking as to what factors may
9 cause you to come back for another rate case in the
10 future?

11 A. Yes. You want me to tell you what they are?

12 Q. Yeah. What are those?

13 A. Well, last week, we got a notice from our
14 contracted -- our -- our contractor for the utilities
15 that he will be raising the monthly cost --

16 Q. Let me back up. When you say a contractor,
17 is that the -- the licensed operator?

18 A. He's the -- I'm sorry. He's the licensed
19 operator that you have to have in DNR's requirements
20 for the facilities. And we just got a new thing
21 mailed to us last week, he's going to be increasing
22 that \$100 a month. I talked to DNR about two weeks
23 ago. And when we get to 120 lots in Rockport, we have
24 to put in a new well, which will be over \$300,000.
25 Since Staff and OPC and the Commission didn't let us

1 use storage, we're now having to pump a lot more,
2 because before, we stored the sludge in -- in the part
3 that we was not using. So I just got a call two weeks
4 ago that both Bennington and Rockport have to be
5 completely pumped, which will be happening a lot more
6 with the population. And then finally, we're going to
7 have to -- they haven't set the date yet, but we're
8 probably going to have to put disinfectant on
9 Bennington. We have it on Rockport, but it was not
10 required when I built Bennington. So there's going to
11 be a lot of additional costs in the next couple years.

12 **Q. Have you gotten kind of a warning letter in**
13 **regard to the Bennington disinfectant? Is that --**

14 A. Yes. When I -- I don't know if I got a
15 letter on that one, because we have three systems.
16 But I talked to him two weeks ago -- Jim Rhodes at
17 DNR -- about it. I can check and see if I have a
18 letter. But I think I do.

19 **Q. Yeah. Let's back up just a little bit on the**
20 **sludge hauling. When you -- you talk about not being**
21 **able to use part of your -- your facility, what you're**
22 **referring to is capacity adjustment that was made in**
23 **this case. Right?**

24 A. That is correct.

25 **Q. Okay. How soon might these factors that you**

1 **identified bring you in for another rate case?**

2 A. The way it looks right now, if this well goes
3 in and costs \$300,000, we'd be in -- and I don't know
4 exactly how we have to file -- how quick I'd want to
5 do it with the well, because I don't want it to get
6 depreciated out where we can't get a return. It could
7 be as quick as two years, three at the most.

8 MR. COOPER: At this time, Your Honor, I
9 would offer LCSW-4 and LCSW-5 into evidence.

10 JUDGE JONES: Any objection to LCSW-4?

11 MS. BAKER: No objections to that one.

12 MR. THOMPSON: Staff has no objections.

13 JUDGE JONES: Any objection to LCSW-5?

14 MS. BAKER: I do object to that one.

15 That's something that we have never seen before. It's
16 brand-new today. We have no ability to document the
17 information that's there. And you can take it as it
18 is, which is just sprawled out, handwritten notes.
19 But I do want it in the record that we have never seen
20 this document before.

21 JUDGE JONES: Mr. Thompson, do you have any
22 objection?

23 MR. THOMPSON: I have no objection.

24 JUDGE JONES: Okay. Do you have a legal
25 objection? That sounds more of a practical,

1 logistical objection.

2 MS. BAKER: I mean, the legal objection is
3 if we are supposed to give live testimony based on
4 evidence like this, then I don't see how, legally, we
5 can do that. Because you're giving us information
6 that we have never been given before, and have -- have
7 no ability to look at, other than the two minutes that
8 we've had.

9 JUDGE JONES: Okay. Objection is
10 overruled. Lincoln County Sewer & Water Exhibits 4
11 and 5 are admitted to the record.

12 MR. COOPER: That's all the questions I
13 have at this time, Your Honor.

14 JUDGE JONES: Do you all have a preference
15 on who crosses first?

16 MS. BAKER: I would prefer to go last.

17 JUDGE JONES: We'll go with Staff.

18 MR. THOMPSON: I'll go first, Judge, if you
19 prefer.

20 JUDGE JONES: I do. Yes, please.

21 MR. THOMPSON: Okay.

22 CROSS-EXAMINATION

23 QUESTIONS BY MR. THOMPSON:

24 Q. Good morning, Mr. Kallash.

25 A. Good morning, sir.

1 Q. Nice to see you again. You testified that
2 this was your first rate case. Is that correct?

3 A. The first time I filed for a rate case.

4 Q. Yes, sir. Isn't that what you testified --

5 A. Yes, sir.

6 Q. -- a few moments ago? But it's not your
7 first case; is it? Wasn't there a certificate case?

8 A. That's not a rate case; is it?

9 Q. I understand.

10 A. Okay.

11 Q. But there was a certificate case.

12 A. Yes, sir.

13 Q. Okay. And when was that, if you can give me
14 a ballpark idea.

15 A. I know the final date was July, I think,
16 20th, 2012.

17 Q. Okay. So it wasn't all that long ago; was
18 it?

19 A. Couple years.

20 Q. Couple years. Thank you. And in the course
21 of that certificate case, did staff come and audit
22 your records?

23 A. Yes.

24 Q. Because you would agree with me part of what
25 staff did in that certificate case was determine what

1 **your rates ought to be. Isn't that right?**

2 A. That's correct.

3 **Q. Set up your depreciation schedules? Correct?**

4 A. I guess.

5 **Q. You guess. Okay.**

6 A. Right.

7 **Q. But they did do an audit.**

8 A. That's correct.

9 **Q. So Staff looked at the records that you had.**

10 A. That's correct.

11 **Q. And so you -- you knew going into this rate**
12 **case what an audit by Staff was like. Isn't that**
13 **correct?**

14 A. No. Not for a rate case.

15 **Q. Okay. And in the course of that certificate**
16 **case, isn't it true that Staff advised you to keep**
17 **detailed time sheets?**

18 A. They told me -- can -- for 16 years when we
19 ran this company, there was no time sheets ever kept.
20 They told me after we had got through the process that
21 there was going to be some things we had to do. And
22 that's when I met with Lisa Kremer and stuff like that
23 and talked about that. That is correct.

24 **Q. Okay. So you agree they told you to keep**
25 **detailed time sheets?**

1 A. They told me I was going to have to keep
2 track of my time. And I talked to -- and I talked to
3 Steve Latham, who approved my notes. I talked to Lisa
4 Kremer, who approved my notes.

5 Q. Mr. Kallash, isn't it true they even gave you
6 a form as a template to use?

7 A. They gave me a form. That's correct.

8 Q. Thank you.

9 A. But said I did not have to use it.

10 Q. And in fact, you did not use it; did you?

11 A. I did not use it.

12 Q. Okay.

13 A. Because they told me I didn't have to.

14 Q. Thank you, Mr. Kallash. Now, do you have up
15 there with you LCSW-4?

16 A. Yes, sir.

17 Q. You would agree with me, would you not, that
18 the earliest date noted on here is August 19 of 2012?

19 A. That is correct.

20 Q. And isn't it true that you didn't file the
21 rate case until December 4th of 2012?

22 A. That is correct.

23 Q. Okay. What did you do on the rate case on
24 August 19th of 2012?

25 A. That could be a typo on Dale Johansen. I

1 didn't prepare this document, sir.

2 Q. I see. Okay. Well, how about the third date
3 down? It says -- would you agree with me that that's
4 October 15 of 2012?

5 A. That is correct.

6 Q. And did you work on the rate case on October
7 15 of 2012?

8 A. No, sir. Probably a typo. Because I didn't
9 prepare this document.

10 Q. I understand. I've -- you realize I have to
11 go through these dates?

12 A. That's fine.

13 Q. Okay. So would -- would it be the same
14 response as to October 17 of 2012?

15 A. Yeah. I don't know if it's a typo for '13,
16 but I -- in '12, I will state I did not work on this
17 rate case --

18 Q. Okay.

19 A. -- in '12.

20 Q. In '12. Okay.

21 A. And -- on those dates in '12.

22 Q. Same thing for October 14?

23 A. October 14th, 15th and 17th.

24 Q. Okay. Thank you. Okay. Let's look at
25 January 17th of 2013. You see that date?

1 A. Yes, sir.

2 Q. And it says -- it indicates five hours for
3 you. Do you see that?

4 A. Yes, sir.

5 Q. And three hours for Mrs. Kallash. Do you see
6 that?

7 A. Yes, sir.

8 Q. What did you do on that date?

9 A. Hang on and I'll look at my notes.

10 Q. Now, when you say look at your notes, are you
11 referring to Exhibit LCSW 5?

12 A. Yes. This is what I sent to Jim Busch. And
13 that's what I'm looking at.

14 Q. Would you agree with me that this is
15 essentially what that looked like when received by
16 Mr. Busch? Do you want to examine it?

17 A. Well, I need to see.

18 MR. THOMPSON: May I approach, Your Honor?

19 JUDGE JONES: Yes, you may.

20 THE WITNESS: Okay. So now what's your
21 question, sir?

22 Q. (BY MR. THOMPSON.) I was simply asking if
23 the document that I have handed to you includes what
24 you're referring to as your notes, which has been
25 received as LCSW Number 5. Do you see those notes in

1 **there as part of that document?**

2 A. I see these -- yeah -- these notes. And this
3 is my handwritten.

4 **Q. Okay.**

5 A. But I can't say who --

6 **Q. And -- and would you agree with me that that**
7 **was faxed to Mr. Busch at the Water & Sewer Department**
8 **on November 4th of 2013?**

9 A. This was faxed when I was in -- when Mr. Dean
10 Cooper -- that my secretary had faxed it to him before
11 this. This is when I was sitting in the office the
12 day before we had the hearing.

13 **Q. Okay.**

14 A. Okay.

15 **Q. Could that have been November 4th, 2013?**

16 A. What now? What could be November 4th? This
17 date on here says November 4th, 2013. But it come
18 from Brydon -- and I can't say it, but England. It
19 came from the law firm.

20 **Q. Okay. Very good. That's fine. Could I have**
21 **that back?**

22 A. Sure.

23 **Q. Thank you. Now -- now, let me show you a**
24 **page -- and this is out of that fax. This is not out**
25 **of LCSW-5. May I approach again, Your Honor?**

1 JUDGE JONES: Yes, you may.

2 MR. THOMPSON: Thank you.

3 Q. (BY MR. THOMPSON.) Do you recognize that
4 page?

5 A. Yes. That's an invoice from Fitch &
6 Associates to Lincoln County Sewer & Water.

7 Q. And what is that an invoice for?

8 A. Ink cartridges. The secretary went to
9 Wal-Mart and bought \$327.79 worth of ink cartridges,
10 and then run 486 copies at fifty cents per copy.

11 Q. And how did you come up with the fifty cents
12 per copy figure?

13 A. Number one, I had to pay the secretary to do
14 it, because I didn't run them myself. And that's what
15 they -- most people charge around there, if I'm going
16 go get a copy. If I call somebody, I want a copy,
17 it's fifty cents a copy.

18 Q. Well, if I told you that it's possible to get
19 copies in that area for as low as seven cents a copy,
20 would you be surprised to hear that?

21 A. No. If you go down to the -- to what used to
22 be Wilcoxon, and is not no more -- an office supply --
23 and take all your stuff down there. But these weren't
24 run just 486 copies. This was run over several days.
25 This -- this ain't something where we just go put it

1 on the machine and walk away. This is when they fax
2 something, we have to run maybe ten copies, then you
3 have to fax them to Jim Busch. Then you have to give
4 them to Dean. Then the next day, you've got to run
5 six more. It's stuff all the time. This is not a
6 one-time deal.

7 **Q. Okay. Wonder if I could retrieve that from**
8 **you.**

9 A. You betcha.

10 **Q. Thank you, sir. Did you do any type of**
11 **calculation to determine what your cost per copy was,**
12 **including the use of the machine, the secretary's**
13 **time?**

14 A. Yeah. It's a lot more than fifty cents a
15 copy. I can tell you that right now.

16 **Q. So you think it actually cost you more than**
17 **fifty cents a sheet?**

18 A. I'll guarantee I have more time in there
19 than -- and money spent than what's on that sheet of
20 paper.

21 **Q. Do you remember, during the course of Staff's**
22 **audit prior to the first hearing in this case -- do**
23 **you remember receiving requests from staff for your**
24 **time sheets?**

25 A. I took -- yes, I do. And I took care of

1 those time sheets that we worked. Because when Lisa
2 said she was putting this in for the -- for the -- to
3 set the rates, the time sheets that we gave her and
4 the times we gave her were for running the plant, not
5 for rate case. Didn't have nothing to do with rate
6 case.

7 **Q. What if I told you she had requested rate**
8 **case time sheets prior to the original hearing in this**
9 **case? Would you be surprised to hear that?**

10 A. I don't know. I've got a bunch of DRs here.
11 I guess I'll have to go through and see where they're
12 at in there.

13 **Q. You would agree with me that you did not**
14 **provide rate case time sheets to staff prior to the**
15 **first hearing in this case?**

16 A. No. I do not agree with that. Because I
17 provided -- I quit providing stuff to Lisa, because
18 she would call up and say she didn't get it, so I had
19 to send it to Jim Busch so that he would send it to
20 her. Because there's several times she called up and
21 said she didn't get it, and then we proved that she
22 did get it, so we didn't have to resend it. And I
23 have the notes from my secretary to prove all that.

24 **Q. Let me go back to my actual question. Did**
25 **you or did you not provide any rate case time sheets**

1 to staff prior to the original hearing in this case?

2 A. Yes, I did.

3 MR. COOPER: I would object -- I would
4 object to the question, just in that I think
5 Mr. Thompson established that at least time sheets
6 were provided on November 4th, which is indeed prior
7 to the hearing in this matter.

8 MR. THOMPSON: I appreciate that
9 correction, Mr. Cooper.

10 Q. (BY MR. THOMPSON.) With the exception of the
11 time sheets --

12 JUDGE JONES: Let me rule on the
13 objection. Objection's overruled.

14 MR. THOMPSON: Thank you, Judge. Let me
15 refine my question, if I may.

16 Q. (BY MR. THOMPSON.) With the exception of the
17 time sheets which were faxed to Mr. Busch on November
18 4th of 2013 -- with the exception of that, did you
19 provide any rate case time sheets to staff prior to
20 the original hearing in this case?

21 A. To answer that, I asked Mr. Busch to send me
22 everything I've sent him a copy of -- because I've had
23 thousands of pages. So I can't say under oath exactly
24 what was sent. I've asked, since the rate case, to
25 get a copy of everything that Lisa took out of my

1 office and everything that we sent Jim Busch. And
2 I've never been provided with that, and we're talking
3 several months later. So I can't sit here on the
4 stand and tell you -- I've sent them thousands and
5 thousands of pages. And I can't sit here and tell you
6 under oath exactly what was on every page, unless you
7 all give it back to me, and then I'll -- and then I'll
8 tell you what's on it.

9 Q. Thank you, Mr. Kallash. Going back to
10 Exhibit LCSW-4, I'm looking at the first page -- well,
11 excuse me. I guess it's actually the third page.
12 Pages, again, from the front. The pages are not
13 numbered. It's the first page of the time record.
14 There's an array of time listed for the month of
15 April, 2013. Do you see that?

16 A. Yes, sir.

17 Q. Can you tell me what you were doing in April,
18 2013 for the case?

19 A. In April 4th, I contacted Jim Busch. I
20 cannot tell you everything we talked about. On April
21 5th, I met with Jim Burlison. On April 9th, I met
22 with Jim Burlison. On April 9th, I got a fax from
23 Lisa Hanneken, which I have a copy of.

24 Q. Keep going. You're doing fine. How about
25 April 15th?

1 A. Wait a minute. Is this 2013? Hang on a
2 second. Because this might be '14 in my notes.
3 Okay. So what -- yeah. Because the fax is on April
4 9th, 2013.

5 **Q. Well, let's talk about April 9th, 2013.**
6 **There's actually -- would you agree with me there's**
7 **two entries on here for April 9th? Do you see that?**
8 **One above the other.**

9 A. Yes.

10 **Q. And the first entry for April 9th is three**
11 **hours for you and three hours for Mrs. Kallash.**

12 A. That's correct.

13 **Q. Do you see that?**

14 A. That's correct.

15 **Q. Okay. And then just below that, there's an**
16 **additional entry for April 9th showing eight hours for**
17 **you and eight hours for Mrs. Kallash.**

18 A. That is correct.

19 **Q. So did it require 22 hours of company time to**
20 **process that fax for Mr. Busch?**

21 A. It wasn't processing a fax. This -- this --

22 **Q. What were you doing?**

23 A. Well, I'm going to tell you. On April 9th,
24 they sent this -- a copy of this over. And it's got a
25 bunch of stuff she required. So we went home, and in

1 fact, we even worked on this late, late, late at
2 night. A lot of nights, we worked until 1:00 and 2:00
3 in the morning. Then we had to take and go through
4 all the files. And I sent her back -- on all these
5 checks, she wanted something wrote. And we sat
6 there -- and she should have a copy of all the stuff.
7 And yes, it takes a lot of time.

8 Q. So is it your testimony you were responding
9 to a data request?

10 A. Yes.

11 Q. Okay. Now, when you were reading from your
12 notes a moment ago, Mr. Kallash, you skipped April
13 8th. Let me direct your attention to the entry for
14 April 8th on Exhibit LCSW-4. Do you see that?

15 A. Wait a minute. On Number 4? Okay.

16 Q. And for April 8th, you have eight hours for
17 you and eight hours for your wife. Do you see that?

18 A. No, I don't. I ain't got a very -- can you
19 come and point that out?

20 MR. THOMPSON: May I approach, Your Honor?

21 JUDGE JONES: Yes, you may.

22 THE WITNESS: Oh. I'm looking at the wrong
23 one.

24 Q. (BY MR. THOMPSON.) Yeah.

25 A. Okay.

1 Q. Do you see that? April 8th.

2 A. Yes.

3 Q. Okay. I wonder if you could tell me what you
4 and your wife were doing on the rate case on April 8th
5 of 2013.

6 A. We have here April 8th, PSC conference call,
7 and a fax from Erin.

8 Q. Okay.

9 A. And --

10 Q. Is it your testimony today --

11 A. -- a letter from -- and wait a minute. A
12 letter from -- I have a letter from Lisa, but I don't
13 have that wrote all the way down. Go ahead.

14 Q. Okay. Is that everything you have listed for
15 April 8th?

16 A. I have April 8th, PSC conference call, fax
17 from Erin.

18 Q. Okay. How long did that conference call
19 last?

20 A. I don't have the time wrote down. PSC was on
21 the phone. I figured they kept track of that.

22 Q. Okay. And then you have a fax listed. Is
23 that correct?

24 A. A fax from Erin where she wanted a bunch of
25 stuff.

1 Q. So part of her costs for that copying is in
2 the invoice for Fitch & Associates?

3 A. Is in the invoice. Correct.

4 Q. And part of her time is also in your listing
5 on the first page of LCSW where you are claiming her
6 time?

7 A. That's a totally different time that has
8 nothing to do with the copies.

9 Q. Are -- are there any dates that show that?
10 Because there are no dates on the Fitch & Associates.

11 A. Okay. What is your question, now?

12 Q. Are there any dates for when the copies
13 happened on the Fitch & Associates invoice?

14 A. No. There's no dates on the invoice.

15 MS. BAKER: No further questions.

16 EXAMINATION BY THE PANEL:

17 JUDGE JONES: Mr. Chairman, do you have
18 questions?

19 CHAIRMAN ROBERT KENNEY: I don't have any
20 questions, Mr. Kallash. Thank you.

21 THE WITNESS: Thank you.

22 JUDGE JONES: Commissioner Hall?

23 COMMISSIONER HALL: No questions.

24 JUDGE JONES: Commissioner Rupp?

25 COMMISSIONER RUPP: Yeah. One. On the

1 LCSW-4, you have Toni's time at \$20 per hour. Who set
2 that -- that rate?

3 THE WITNESS: Me and Toni did, way back
4 when, when we first -- when -- for 16 years, I never
5 took a dime out of this company. And Toni would get
6 paid minimal for doing deposits and keeping the books
7 and everything like that. When -- after we did the
8 first audit, they said you need to be -- keep track of
9 your time and everything, because Lisa came up -- we
10 didn't have no time, so we wasn't getting compensated
11 nothing. So I called around and talked to different
12 places to see what they pay. And for everything she
13 does, I couldn't hire somebody for \$20 an hour.
14 Because there's no taxes taken out. That's a lump sum
15 figure. So that's how we came up with that.

16 COMMISSIONER RUPP: Okay. Did the Staff or
17 anyone suggest you use \$20, or did anyone refer you to
18 the \$15.34 figure that was calculated for Toni's time,
19 according to staff?

20 THE WITNESS: No. That was never
21 discussed. Never discussed until we got to --

22 COMMISSIONER RUPP: Great. Thank you, sir.

23 THE WITNESS: -- court.

24 JUDGE JONES: Any recross based upon
25 Commissioner Rupp's questions?

1 MR. THOMPSON: No, thank you, Judge.

2 JUDGE JONES: Redirect?

3 MR. COOPER: Thank you, Your Honor.

4 REDIRECT EXAMINATION

5 QUESTIONS BY MR. COOPER:

6 Q. Following up on those last questions, is it
7 your understanding that the -- that the -- the fifteen
8 dollars and some odd cents per hour was a result of
9 the Commission's report and order in this case?

10 A. That is -- yeah. That's what it is. Yeah.
11 They -- the Commission set that.

12 Q. Did the Commission also set an hourly rate
13 for you in that report and order?

14 A. Yes, sir.

15 Q. Was that hourly rate higher than the \$25 per
16 hour that you have utilized on this calculation?

17 A. Yes, sir.

18 Q. Okay. You were asked about time in 2012.
19 And I think you made the statement that -- that you
20 didn't have any time related to the rate case in
21 2012. Is that correct?

22 A. I made that statement on the -- on the months
23 that they have on this. I had time in --

24 Q. Yeah. Let's -- let's -- let's back up,
25 then. When you filed the case, what -- what signified

1 the filing of the case? Is it the letter to the
2 Commission?

3 A. I honestly don't know. I know I talked to
4 Jim Russo a bunch on the phone, and they wanted to
5 wait until all the meters were in. And once we got
6 them all in, we was going to file it in November. And
7 he helped me with the paperwork and told me it's about
8 a two-month process. And I think we ended up getting
9 it filed on December 4th, is what everybody's saying.

10 Q. And -- and -- and not that you'll remember
11 the specific dollar amounts, but -- but do you
12 remember generally that the rate case request had some
13 dollar amount of increase reflected in it for water
14 and sewer? Did it identify a number for a water
15 increase and a sewer increase?

16 A. Yes. That Jim Russo prepared, he sent out,
17 it had an increase.

18 Q. You didn't calculate that? That was
19 calculated through conversations with Staff members?

20 A. I sent all the information, Staff calculated
21 it all themselves and came up with the increase.

22 Q. So how much back and forth do you think you
23 had with -- with Staff people prior to the filing of
24 the -- of the rate case in December of 2012?

25 A. Prior to the filing? I talked to Jim Russo,

1 Jim Merceil several times on the phone.

2 Q. You -- you, in one of your answers, talked
3 about time sheets in response to a question from
4 Mr. -- Mr. Thompson. And I think you started to
5 explain that -- that you'd had several conversations
6 about time sheets. Correct?

7 A. Several. Several.

8 Q. And was there a difference of opinion in
9 terms of how detailed your time records needed to be
10 amongst the various folks you spoke to?

11 A. Very much difference.

12 Q. Okay. And so for example, I think one of the
13 people that you -- you mentioned was Steve Latham.
14 Who is Steve -- Steve Latham?

15 A. Steve used to work for the PSC. And he was
16 the one guy that came in the field, and probably knew
17 more about my systems, and knew more about how we
18 operated than any other people at the staff. He was a
19 good guy.

20 Q. Yeah. And what did he think of the way you
21 were keeping the records?

22 A. At first, he thought everything was great. I
23 had a notebook. We jotted down stuff. He said
24 everything was fine. And then right before he quit
25 PSC, me and him had a talk, and he said you're going

1 to have to probably make some changes. And that was
2 right before the evidentiary hearing, if I remember
3 correctly.

4 **Q. You talked -- you've mentioned several staff**
5 **members. Do you differentiate between staff members**
6 **that are in the water and sewer department, or in the**
7 **auditing department, or any of the other staff**
8 **departments? Do those distinctions make any**
9 **difference to you?**

10 A. I think it makes a big -- it makes a big
11 difference. It makes a big difference.

12 **Q. When you started this case, did you have any**
13 **appreciation, or did you believe staff members were**
14 **staff members?**

15 A. At first -- say that again.

16 **Q. Never mind. I'll withdraw the question.**
17 **That's all the questions I have, Your Honor.**

18 JUDGE JONES: Thank you, Mr. Kallash. You
19 may step down. I'm assuming that's your only witness,
20 Mr. Cooper.

21 MR. COOPER: It is.

22 JUDGE JONES: Let's go ahead and see if we
23 can get Staff witnesses in before lunch.

24 MR. THOMPSON: Thank you, Judge. Staff
25 calls Lisa Hanneken.

1 JUDGE JONES: Can you raise your right
2 hand. Do you solemnly affirm that the testimony
3 you're about to give is the truth?

4 THE WITNESS: Yes.

5 LISA HANNEKEN,
6 OF LAWFUL AGE, HAVING BEEN DULY SWORN TO TELL THE
7 TRUTH, TESTIFIED AS FOLLOWS:

8 JUDGE JONES: Thank you. You may be
9 seated.

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. THOMPSON:

12 Q. Ms. Hanneken, could you tell the Commission
13 who you are and what you do.

14 A. My name is Lisa Hanneken. I'm a utility
15 regulatory auditor for the Missouri Public Service
16 Commission, and I audit the books and records of
17 various utility companies in the state of Missouri in
18 conjunction with rate cases and other types of cases.

19 Q. How long have you been doing that work?

20 A. Approximately 13 years.

21 Q. And which of the Commission offices do you
22 work out of?

23 A. I work out of the St. Louis satellite office.

24 Q. Did you have occasion, Ms. Hanneken, to audit
25 the books and records of Lincoln County Sewer & Water

1 **Company?**

2 A. Yes. I actually have done that twice.

3 **Q. When you say you've done it twice, did you do**
4 **it in connection with the certificate case that we**
5 **heard mentioned?**

6 A. Yes. In cases where the company has a prior
7 history of operating prior to becoming regulated, we
8 are able to look at their historical records and
9 therefore use it as a guideline for setting their
10 initial rates.

11 **Q. And you undertook that work?**

12 A. Myself, as well as other members of the
13 auditing staff, as well as other members of the
14 Commission.

15 **Q. I wonder if you could tell me if you formed**
16 **an impression on that occasion as to the state of the**
17 **records of Lincoln County.**

18 A. Yes. Initially, as with most --

19 MR. COOPER: I -- well, before she finishes
20 her answer, I want to object to that question as being
21 irrelevant to our inquiry here today.

22 JUDGE JONES: That seems like a lot of what
23 we've been talking about, Mr. Cooper, is the records,
24 and -- the objection is overruled.

25 THE WITNESS: I'm sorry. Go ahead and

1 repeat the question, please.

2 Q. (BY MR. THOMPSON.) I believe what I asked
3 was whether or not, during that audit you performed in
4 the certificate case, if you had formed an opinion as
5 to the state of the records maintained by Lincoln
6 County Sewer & Water.

7 A. Yes. In some areas, there were adequate
8 records kept. However, in other areas, the records
9 were either sort of sketchy or they did not exist at
10 all. As part of the certificate case, we tried to
11 provide guidelines to the company, and in fact,
12 included recommendations which were agreed to by all
13 parties in the disposition agreement regarding certain
14 plant records, time sheet records and such, in that
15 those things would need to be kept according to
16 Commission rule going forward.

17 Q. Now, you testified that in some areas, the
18 records were adequate. Could you explain to me what
19 you mean by adequate.

20 A. In that first certificate case, the company
21 was able to produce things like bank statements --
22 historical bank statements, a check register, some
23 invoices and things like that.

24 Q. Okay. Did you examine any time records
25 during that first audit?

1 A. During that first case, none existed.

2 **Q. None existed at all?**

3 A. To my recollection, no. That is the reason
4 that Staff recommended and was ultimately placed in
5 the disposition agreement that the company should
6 begin keeping time records.

7 **Q. Okay. Now, you indicated you performed two**
8 **audits on Lincoln County's books and records.**
9 **Correct?**

10 A. Correct.

11 **Q. And what was the second audit?**

12 A. The second audit is in this immediate rate
13 case that we are discussing today.

14 **Q. And if you recall, about how long after the**
15 **first audit did this second audit occur?**

16 A. The first certificate case was finalized in
17 July of 2012. The second case was filed in December
18 of 2012. So approximately five months later.

19 **Q. And did you find any improvements in the**
20 **state of the records when you did the second audit?**

21 A. Actually, it sort of went the other way. For
22 example, bank statements -- several items were not
23 available to Staff. Bank statements being one of
24 them. Utility bills being one. Those things were not
25 available to Staff in this case.

1 **Q. When you say they were not available to**
2 **Staff, what do you mean, exactly?**

3 A. We asked the company for them. The company
4 had stated they did not have them, and therefore they
5 had to go to the specific utility company or the bank
6 to get copies of those records.

7 **Q. Were you surprised to find that a business**
8 **was not keeping bank statements, utility bills and**
9 **other records of that sort?**

10 A. Yes.

11 **Q. With respect to time records, did you examine**
12 **any time sheets during your second audit?**

13 A. Yes, we did.

14 **Q. And what was the state of those time sheets?**

15 A. We had two sets of time sheets, one for
16 Mrs. Kallash and one for Mr. Kallash. Mrs. Kallash,
17 as you have already shown the Commission, was set on a
18 calendar page. So day by day, she'd write down 9:00
19 to 11:00 or 3:00 to 4:00, whatever hours she worked.
20 And in some cases, she would write down who she met
21 with or what the particular task was for that day. So
22 those seemed to be adequate enough, although we
23 suggested that she try and notate all of her tasks,
24 not just some of them. But other than that, it was --
25 it was a reasonable time sheet, we -- you know, not as

1 formal as some companies, but it was adequate.
2 Mr. Kallash, however, the time sheets that we were
3 provided for him, in a lot of cases, did not have
4 dates, did not have hours, did not have times. It had
5 descriptions of things that were done, but I don't
6 know how long it takes Mr. Kallash to do a project at
7 a sewer, you know, station or whatever it is that he
8 may have been doing for that day. Auditing could not
9 determine to any adequate, reasonable amount what
10 those times were. Therefore, in the case, Staff's
11 position was that we did base Mrs. Kallash's time on
12 hours, but for Mr. Kallash, we went with the approach
13 we did in the certificate case, which also lacked time
14 records, that we would give an overall annual salary
15 amount.

16 **Q. And that was because you didn't know -- you**
17 **didn't have the detail in terms of time and -- spent**
18 **doing different activities. Is that correct?**

19 A. That is correct.

20 MR. THOMPSON: May I approach, Your Honor?

21 JUDGE JONES: Yes, you may.

22 **Q. (BY MR. THOMPSON.) I'm going to show you a**
23 **document. Is -- do you recognize that?**

24 A. Yes. This is what we were provided
25 throughout the -- well, for most of the case -- the

1 rate case for Mrs. Kallash. It's her calendar pages,
2 her time sheets.

3 **Q. Okay. Now, I see what appear to be**
4 **handwritten notations on there. Can you tell me what**
5 **those are.**

6 A. It's my understanding from speaking with
7 Mrs. Kallash that those are her times which she had
8 recorded every day for her time spent.

9 **Q. And that's the record that you've just**
10 **characterized as adequate?**

11 A. Yes.

12 **Q. Okay. And is it adequate because it shows**
13 **you the date, the activities, and the time spent?**

14 A. In most cases, yes. In some cases, there
15 were no activities listed. However, when I talked to
16 Mrs. Kallash when she provided these, we both agreed
17 that in essence, her time is spent in the office doing
18 billing, collections, customer service type of duties,
19 and that we would just attribute those hours that were
20 not listed to those events, and do an equal split
21 between the water and sewer utilities.

22 **Q. Okay.**

23 A. Or -- or based on customers. So it goes --
24 that was the kind of discussion we had with
25 Mrs. Kallash about that.

1 Q. If I could recover that from you. Thank
2 you.

3 A. Sure.

4 Q. So you did not disallow those times that were
5 noted without detail as to the activity.

6 A. No. I did not, based on the conversations
7 with Mrs. Kallash and, you know, the reasonableness of
8 the rest of her time sheets.

9 Q. But you've indicated that you had a different
10 experience with Mr. Kallash's time sheets.

11 A. Yes.

12 Q. Now, how many time sheets for Mr. Kallash did
13 you obtain during your audit in this case?

14 A. We actually were provided two -- two sets of
15 time sheets. They -- in essence, they cover two
16 different time periods. But there is an overlap
17 between the two documents.

18 Q. Now, let me just make sure that it's clear.
19 The document that Mr. Kallash referred to as his
20 notes, part of which has been marked as LCSW-5, is
21 that one of the two time sheets you're referring to,
22 or is that yet a different one?

23 A. That's yet a different one.

24 Q. So in the course of this case so far, you've
25 received three time sheets for Mr. Kallash?

1 A. Correct.

2 Q. Okay. With respect to that third one, LCSW-
3 5, is there any overlap, as far as you know, between
4 it and either of the other two?

5 A. Yes.

6 Q. Okay. With respect to the overlap between
7 LCSW-5 and the first two time sheets, were they
8 consistent?

9 A. No, they were not.

10 Q. In what way were they inconsistent?

11 A. When we received the original time sheets, we
12 knew that they did not have -- all of the items did
13 not maybe have dates, or they didn't have times. So I
14 did try to correlate them, to see if they would match
15 up. Some of them did, but I cannot say for certain as
16 to hours. For example, on the one provided today,
17 which has the notes that were exhibited today --

18 Q. LCSW-5?

19 A. LCSW-5. Those would list hours -- well, let
20 me back up here. This document as well is missing
21 some names and some hours on it. It's cut off the
22 left-hand side of the page. I asked for a clear copy
23 from Mr. Johansen, the company's consultant, in
24 April. He said he actually was provided the same
25 document from Staff's water and sewer department. So

1 his numbers were also cut off on the left-hand side of
2 the page. So -- but trying the best I could with the
3 limited data I had to correlate these three documents,
4 they don't correlate.

5 **Q. Okay.**

6 A. There's several instances where I can point
7 to that they don't correlate.

8 MR. THOMPSON: May I approach again, Your
9 Honor?

10 JUDGE JONES: Yes, you may.

11 **Q. (BY MR. THOMPSON.) Let me show you a**
12 **document and ask you if you recognize it.**

13 A. Yes. This is part of my attempt to correlate
14 Mr. Kallash's hours.

15 **Q. Okay. And does that list certain dates that**
16 **appeared on more than one of these three time sheets?**

17 A. It lists dates that I was trying to
18 correlate.

19 **Q. And does it indicate that you were unable to**
20 **correlate them?**

21 A. In some cases, that's correct. In other
22 cases, the information for the days did not
23 correlate. For example, there's one day where, on the
24 rate case notes, LCSW-5, states that there was six and
25 a half hours spent on rate case duties. The other

1 time sheet, while it does show those rate case duties
2 being on the time sheets, it also shows other duties
3 being performed that day for a total of six and a half
4 hours.

5 **Q. Is that the same total number of hours?**

6 A. It's the same total number of hours. But on
7 one sheet, it's being claimed all rate case. On the
8 other sheet, some of it's rate case and some of it is
9 utility operations related.

10 **Q. Okay. Do you have Exhibit LCSW-4 in front of**
11 **you?**

12 A. I'm sorry. Which one is that?

13 **Q. Let me hand it to you. If I may, Judge?**

14 JUDGE JONES: Yes, you may.

15 MR. THOMPSON: Thank you.

16 **Q. (BY MR. THOMPSON.) Okay. Do you recognize**
17 **that document?**

18 A. Yes. This is Appendix D to the company's
19 filing on May 8th of 2014.

20 **Q. And does that include a listing of what are**
21 **purportedly rate case hours for Mr. Kallash?**

22 A. Yes. It's my understanding that what is
23 included, starting on page 3 of the document, is an
24 Excel sheet that was created by Mr. Johansen, the
25 company's consultant, which he indicated to me he was

1 going to provide to try and delineate the hours
2 provided in LCSW-5. Because when I was questioning
3 whose time this was and how many hours there were,
4 because the -- the information was cut off, he said he
5 would provide something, and this is what he provided.

6 **Q. Now, Ms. Hanneken, as a regulatory --**
7 **regulatory auditor with 13 years experience, are you**
8 **able to form a professional opinion as to the adequacy**
9 **of the time record presented in Exhibit LCSW-4?**

10 A. In LC -- in LCSW-4, the only thing on here is
11 a date and a number of hours for most -- for both
12 Mr. Kallash and Mrs. Kallash. However, there is no
13 descriptions listed on this particular document.
14 So --

15 **Q. When you say no descriptions, do you mean**
16 **detail as to what activities were performed?**

17 A. Correct. There's no detailed activities
18 listed here. It's just a number of hours and dates
19 those hours supposedly took effect.

20 **Q. In your professional opinion, is that a**
21 **significant omission?**

22 A. For this document, yes. Now, that will not
23 be adequate for me to do an audit on this document.

24 **Q. I wonder if you could look at the time there**
25 **on that -- I think it's page number 3, just taking**

1 that as an example.

2 A. Uh-huh.

3 Q. Are there some entries where the time for
4 Mr. and Mrs. Kallash is exactly the same?

5 A. Yes. On page 3, there are several instances
6 where the time is exactly the same.

7 Q. As an auditor, does that cause you some
8 concern?

9 A. It does.

10 Q. Why is that?

11 A. In general, we don't see the same employee
12 spending the same amount of time on the same duty.
13 And knowing what other documents exist, it's hard for
14 me to, as an auditor, rely on these numbers.

15 Q. Did you compare the times set out in that
16 document, LCSW-4, with the times noted by Mrs. Kallash
17 on her time sheet that we looked at a moment ago?

18 A. Yes, I did.

19 Q. And did you find any corroboration? Any
20 agreement between the two?

21 A. Actually, yes, I did.

22 Q. I wonder if I can recover that from you.

23 A. Sure.

24 Q. Now, after the first hearing in this case,
25 did you receive any additional time sheets or time

1 records for Mr. and Mrs. Kallash?

2 A. I'm sorry. Can you repeat that.

3 Q. Well, let me rephrase. Are you aware that a
4 claim has been made for additional hours after the
5 first hearing in this case? Or including that time
6 and perhaps through the time of briefing?

7 A. There is an additional filing that Staff
8 received that has what I classified as hearing and
9 post-hearing time for most -- for both Mr. and
10 Mrs. Kallash. Yes.

11 Q. And with respect to the time claimed in that
12 document for Mrs. Kallash, do you have any objections
13 or problems with those times?

14 A. Well, for this -- this time frame, I have no
15 other documentation to rely upon, other than this
16 document on the face of it, because those time sheets
17 that were provided during the rate case stopped at a
18 certain point in time. For example, Mrs. Kallash's
19 stopped at the end of March of 2013. So any rate case
20 time that was recorded subsequent to that, I have
21 nothing to correlate with, nothing to verify with.
22 So -- however, in looking at this document, it sort of
23 alleviates my concern with the duplicate simultaneous
24 time between Mr. and Mrs. Kallash. This one looks
25 more like what you would see with two separate people

1 working on things, and the time very rarely
2 intersects.

3 **Q. So if I understand your answer, you're**
4 **confident that the hours claimed for Mrs. Kallash are**
5 **accurate?**

6 A. On the hearing and post-hearing document.

7 **Q. Okay. How about for Mr. Kallash?**

8 A. On the hearing and post-hearing document,
9 again, I don't know. I have nothing to correlate it
10 to. But on the face of just this document, you know,
11 I -- I don't necessarily have a problem with the
12 hours.

13 **Q. Okay. Now, in a pleading filed by**
14 **Mr. Cooper, there is an accusation made of a -- that**
15 **you essentially threatened the Kallashes by telling**
16 **them you could make the audit process very difficult**
17 **for them. Do you recall that?**

18 A. No. I believe there was something about an
19 auditor had made some statements to them.

20 **Q. I see. Did you understand that to mean you?**

21 A. I -- I do not know.

22 **Q. You don't know?**

23 A. No. I was subsequently told by someone else
24 that they thought it had related to me.

25 **Q. Did you make any such statement at any time**

1 to the Kallashes?

2 A. No, I did not.

3 Q. As far as you know, did any other employee of
4 the Missouri Public Service Commission make such a
5 statement to the Kallashes?

6 A. Not to my knowledge, no.

7 Q. And there was also, as I recall, a statement
8 that it was necessary for Mr. Johansen to convey
9 information from the water and sewer department to the
10 auditing department. Do you recall some such
11 statement?

12 A. Yes, I do.

13 Q. And this was being held out, as I recall, as
14 an example of staff dysfunction. Is that correct?

15 A. Correct.

16 Q. What do you know about that event, if there
17 was such an event?

18 A. The only event I'm aware of is when I
19 contacted Mr. Johansen asking him for a clean copy of
20 LCSW-5, because it was cut off, and I already checked
21 with the water and sewer department, and they said
22 that their copy that was faxed to them was cut off.
23 And Mr. Johansen stated that he, in fact, had the same
24 copy, because he had also received it from Staff's
25 water and sewer department, and that he would check,

1 though, to see if he could get me a clean copy. But
2 what was provided to Staff was the other spreadsheet
3 that Mr. Johansen created, based on, I'm presuming,
4 the document that we had all received from the water
5 and sewer department with the cut-off names and times.

6 **Q. And that -- and that spreadsheet document is**
7 **the one that's been received as LCSW-4. Isn't that**
8 **correct?**

9 A. Correct.

10 MR. THOMPSON: Okay. If I may approach,
11 Judge.

12 JUDGE JONES: Yes, you may.

13 **Q. (BY MR. THOMPSON.) I'm going to show you a**
14 **page from LCSW-4. Do you recognize that?**

15 A. Yes.

16 **Q. What is it?**

17 A. It is the invoice for Fitch & Associates for
18 the ink cartridges and the copies.

19 **Q. Now, as an auditor, would you allow that**
20 **cost?**

21 A. As an auditor, there are several steps,
22 processes that we go through. One thing is is it
23 reasonable, is it prudent, did it occur. And then
24 another side process in the event that it's with an
25 affiliate, there are additional steps that we take to

1 insure that the costs are reasonable.

2 **Q. Is Fitch an affiliate of Lincoln County?**

3 A. In the sense that they have the same owners.

4 Yes.

5 **Q. Does Mr. Kallash own Fitch, as far as you**
6 **know?**

7 A. As far as I know.

8 **Q. Okay. So do you have a professional opinion**
9 **as to whether the fifty cent per page copy cost is**
10 **reasonable?**

11 A. In general, we do not see fifty cents per
12 copy being charged in other companies. I personally
13 contacted some people -- some businesses in Troy,
14 Missouri to determine what kind of the going rate
15 was. They were all kind of between six cents and ten
16 cents a copy. The particular office supply place --
17 BD Office Supply -- that Lincoln County Sewer & Water
18 has used on occasion charges seven cents per copy.

19 **Q. So is Lincoln County located in or close to**
20 **Troy, Missouri?**

21 A. Yes.

22 **Q. What about the cost -- the charge on there**
23 **for ink cartridges?**

24 A. I've never been given clarification as to
25 what those ink cartridges are for, if they were for

1 this copier, if they were for the utility printer. I
2 do know the utility printer's cartridges are around
3 \$22 a piece. So if this were for the utility printer,
4 then they must have bought a case of ink cartridges or
5 more.

6 **Q. Now, were you present for Mr. Kallash's**
7 **testimony?**

8 A. Yes.

9 **Q. And did you hear Mr. Kallash say he had been**
10 **told by various members of staff that all of his time**
11 **would -- on the rate case would be recoverable?**

12 A. Yes, I did.

13 **Q. Did you have any conversation with**
14 **Mr. Kallash on that topic?**

15 A. Yes, I did.

16 **Q. What was that, if you can recall?**

17 A. It was in conjunction with all rate case
18 costs, in that if costs were incurred, they should
19 keep proper documentation, provide it to staff for
20 consideration in this case, according to our proper
21 methodology that we use.

22 MR. THOMPSON: Judge, may I recover my
23 exhibit?

24 JUDGE JONES: Yes, you may.

25 MR. THOMPSON: Thank you. I have no

1 further questions of Ms. Hanneken at this time.

2 JUDGE JONES: Cross-examination from the
3 Office of Public Counsel?

4 MS. BAKER: Thank you.

5 CROSS-EXAMINATION

6 QUESTIONS BY MS. BAKER:

7 Q. Good afternoon, now, Mrs. Hanneken.

8 A. Good afternoon.

9 Q. Sorry. I was going to say morning. All
10 right. Do you still have in front of you LCSW-4?

11 MR. THOMPSON: That's the one I just got
12 back.

13 THE WITNESS: Yes. I have a copy similar
14 to that. Let me find it here.

15 JUDGE JONES: Just go ahead and give her
16 that one.

17 Q. (BY MS. BAKER.) I'll bring you back the
18 other one.

19 A. Thank you.

20 Q. Looking at the -- the first page of that
21 document, where there is a listing of -- of separate
22 items there, could you go through those items and tell
23 me which one of those you were able to actually do an
24 audit on.

25 A. Okay. So number one is for Dennis' time. I

1 think as we've already discussed, his time sheets, I
2 was unable to correlate things. The document that was
3 provided as a detail has some things cut off. I was
4 not provided a clean copy of that. So that particular
5 time, I was not able to audit in a complete fashion.
6 Toni's time, again, yes, based on her time sheets, I
7 was able to come up with a correlation factor for
8 her. And the correlation factor is that for the rate
9 case time versus the time sheets that she originally
10 provided, for which Staff based its original rate case
11 position on, and for which the Commission subsequently
12 used for its records -- I mean for its decision in the
13 case on her salary -- the rate case time sheet only
14 correlated 60 percent of the time. So there is 40
15 percent of the time where the amounts did not match.
16 For example, there was definitely a time when, on her
17 original time sheet, it said rate case, and on the
18 rate case, it was -- it was a match, where she had
19 notated she had rate case. But there were some
20 instances where she had no time listed on her time
21 sheet, and there were times listed for her identical
22 to Mr. Kallash's time for the rate case expense.

23 **Q. All right.**

24 A. For Patty's time, we've never been provided
25 anything other than the handwritten note that Patty

1 had a certain amount of hours spent on the rate case.
2 So I mean, for Staff, for this small of amount of
3 time, we do know that she spent some time doing some
4 various items. So it's not unreasonable for Staff to
5 say that some of Patty's time could be included.

6 **Q. Okay. But it was not an auditable thing?**

7 A. It was not an auditable -- I could not verify
8 to you, sitting here today, what hours she spent doing
9 what. Fitch & Associates, again, that's affiliated
10 transaction. We do not know what the ink cartridges
11 are for, how many there were. You know, we were never
12 given an idea of what the copying was for. I actually
13 did a calculation, and came out basically two sheets
14 per customer on this copying. So I was thinking maybe
15 it was a customer notice or something like that. But
16 again, on the face of it, you have an invoice, with
17 some additional information being helpful. The hotels
18 and meals. Originally, Staff was provided a Visa
19 statement that had four items listed on it. Let me
20 pull that out.

21 **Q. Would that be on what is pages 10, 11, 12 and**
22 **13 of LCSW-4? I know they're not numbered at the**
23 **bottom.**

24 A. Right. Yes. There is a few pages of Visa
25 statements listed.

1 **Q. Okay.**

2 A. Which had four items, one for \$162.35, one
3 for \$26. And two of them for the same amount of
4 \$119.31. Staff asked for additional information as to
5 what these amounts were for. Received some
6 information from Mr. Johansen and Mr. Cooper that they
7 believed that Mr. Kallash had gotten a hotel for the
8 hearing, and as well had paid for Mr. Burlison, their
9 attorney, for a hotel room. But that was all the
10 information Staff had to go on until this filing made
11 by the company on May 8th where Staff discovered they
12 also attached two itemized hotel receipts which Staff
13 had previously asked for and was not provided. But
14 they did provide these in that filing. And those show
15 the amounts of the \$119.31, Mr. Burlison and
16 Mr. Kallash, for a hotel stay. To date, I've not been
17 provided any back-up for the other two numbers on that
18 Visa statement. However, looking at it, it appears
19 that it could possibly be the meals portion of this
20 hotel and meals section.

21 **Q. Okay. Sticking -- sticking with this for the**
22 **hotel and the meals, do you have any agreements**
23 **between Mr. Kallash and Mr. Burlison that states that**
24 **Mr. Kallash will pay for Mr. Burlison's expenses?**

25 A. No.

1 Q. Okay. And then -- and then looking at the --
2 the numbers on the Visa statement, the first one,
3 \$162.35, you're assuming that that is -- is a meal on
4 November the 4th? Is that correct?

5 A. I -- it could be one meal. It could be two
6 meals. I don't know how many meals that encompasses.
7 Sometimes a hotel will just charge a room for the
8 total for the day. I don't know.

9 Q. Okay. And so it's Staff's opinion that --
10 that these would be acceptable meal costs to go into
11 rate case expense?

12 A. On the face of it, when you look at the --
13 you know, they were here on November 4th and November
14 5th. Knowing that it was Mr. and Mrs. Kallash, and if
15 you total up the total meals, you know, it's not
16 unreasonable to assume that that would be an adequate
17 meal cost.

18 Q. Okay. Now, for the hearing, only Mr. Kallash
19 appeared at the hearing. Is that correct?

20 A. Correct.

21 Q. So Mrs. Kallash came along for the ride? Is
22 that your opinion?

23 A. I don't know. I don't know if she was here
24 in the event that she was called as a witness. I
25 don't know. I assume -- I know she didn't provide

1 testimony in the case. But I don't know if there may
2 have been an occasion where she may have had to give
3 testimony.

4 Q. Okay. All right. Well, going back to the
5 \$162.35, you're aware of the CONUS rate. Is that
6 correct?

7 A. Yes.

8 Q. Okay. Do you have any CONUS rate for a
9 single day here in Jefferson City that is \$162.35?

10 A. No.

11 Q. So you would -- you would consider that to be
12 excessive, as far as the CONUS rate is concerned?

13 A. It is in excess of the standard CONUS rate.
14 Yes.

15 Q. All right. And then the next one is \$26.
16 Again, you don't know what that is for, how many
17 people, nothing. Is that correct?

18 A. Correct. But, you know, in the context of
19 this unique case, and given the circumstances, Staff
20 is willing to waive its normal reliance upon
21 documentation for these costs, in the -- you know,
22 given the fact that the circumstances being what they
23 were -- I know the prices at the Doubletree. I
24 understand that in some circumstances, it may be
25 possible to go to other locations to eat. However, in

1 this case, given that they were likely prepping for
2 hearing, I don't know the circumstances, it may be
3 logistically it was just -- you know, worked out that
4 they ate at the hotel.

5 **Q. Now, I stopped you on the list on the first**
6 **page. I think we're past the hotels and the meals.**

7 A. Okay.

8 **Q. Keep going with the mileage, please.**

9 A. Okay. For the mileage, let me get my sheet
10 on this, because this is a little odd. As -- okay.
11 There we go. Okay. Staff was actually provided two
12 items related to mileage. In a fax that auditing
13 received on December 2nd of 2013, there was an
14 attachment that listed out some mileage for the
15 utility. In addition to that, Staff was provided the
16 mileage listing as appears in the -- or the --

17 **Q. In LCSW-4?**

18 A. Yes. In the exhibit we're looking at. So
19 Staff had two documents related to mileage.
20 Correlating this, some of it correlated, some of it
21 didn't. It looked to be that on the December 12th
22 document, not all things had been incurred yet, or
23 that it was omitted from this document. What staff
24 did was Staff looked at the mileage on both documents,
25 and found that several of the items were indeed rate

1 case related, and reimbursable. There are round trips
2 to Jefferson City for a meeting where Mr. Kallash came
3 to Jefferson City to meet. There was another one for
4 the actual hearing. There's the attendance of the
5 local public hearing. Various other items. And in
6 addition to that, there is the item that Staff is not
7 contemplating as part of the mileage reimbursement,
8 and that would be for the commuting to the office. In
9 total, staff had given a Mapquest calculation of the
10 miles to be 512 miles at the standard federal rate of
11 fifty six cents, which came out to be \$287. Staff was
12 in complete agreement with the itemization for the
13 hearing mileage that was provided on the December 2nd
14 document. In addition, they were in agreement with
15 the other item on that document related to some system
16 tour. In addition, we gave additional consideration
17 for the LCSW Exhibit 4 for some of the additional
18 items that did not previously appear, such as for
19 taking Staff on a tour of the system.

20 **Q. Now, for attendance at the local public**
21 **hearing, you would agree that the local public hearing**
22 **was in Troy, Missouri. Right?**

23 A. Correct.

24 **Q. And the office for Lincoln County is in Troy,**
25 **Missouri?**

1 A. Correct.

2 **Q. I think the last thing on the list is the ink**
3 **cartridges.**

4 A. Yes. And that is a \$48 receipt from Wal-Mart
5 for two ink cartridges at approximately \$22 a piece,
6 plus tax. And Staff is aware that these are the
7 actual ink cartridges that go to the utility printer.
8 Staff is aware that the company did have to print some
9 items as required by data requests and -- for other
10 items related to the rate case, so we did include that
11 at the \$48 requested.

12 **Q. Did they provide any information on these ink**
13 **cartridges, that they are not the ones that are**
14 **already included in office supplies?**

15 A. We do have other receipts for the office
16 supplies. You mean the normal office supplies in the
17 rate case?

18 **Q. Yes.**

19 A. We had separate receipts for those. But I do
20 not know how they relate to the Fitch & Associates ink
21 cartridges.

22 **Q. All right. One question back to -- to Toni's**
23 **time. Is there time for Toni that's already in**
24 **Staff's recommendation, as far as rate case expense?**

25 A. Yes, there is.

1 MS. BAKER: No further questions.

2 JUDGE JONES: Cross-examination from
3 Lincoln County?

4 MR. COOPER: Thank you, Your Honor. Be
5 just a second.

6 CROSS-EXAMINATION

7 QUESTIONS BY MR. COOPER:

8 Q. Ms. Hanneken, if I understand your testimony
9 correctly, and Mr. Thompson's opening statement
10 correctly, there are dollars associated with the
11 company's own time and expenses that Staff recommends
12 be included in rate case expense. Correct?

13 A. Yes.

14 Q. Have you ever -- well, have you shared with
15 the company any EMS run since the issuance of the
16 report and order in this case that included any time
17 or any expenses associated with the company time or
18 the company's expenses?

19 A. I shared with Mr. Johansen, the company's
20 consultant, Staff's updated rate case spreadsheet.
21 Not the EMS. Not the total accounting schedules.
22 However, if you have the auditor's ones, and then you
23 have the -- I mean the -- the -- the original ones,
24 and then you -- you simply have to add in the amount
25 of rate case expenses different than was previously

1 agreed to.

2 Q. But what you shared with Mr. Johansen, when
3 you talk about the update of rate case expense, that
4 would have been my time, Mr. Burlison's time and
5 Mr. Johansen's time. Correct?

6 A. Yes. I think at that time, I did not have
7 all the documentation from the various other
8 miscellaneous items to include in that.

9 Q. And so at that time, what you reflected for
10 the company's time and expense was -- was zero.
11 Right?

12 A. Right. Because at that time, I did not have
13 all the documentation.

14 Q. Okay. Now, you were asked some questions
15 about I think LCSW-5, and an allegation that
16 Mr. Johansen had to get it from the water and sewer
17 department and provide it to you. Do you remember
18 that?

19 A. Yes.

20 Q. But I take it from your -- your response that
21 you had those notes prior to when Mr. Johansen
22 forwarded them -- forwarded them to you. Correct?

23 A. Yes.

24 Q. Okay. So you had them for -- for a while.
25 Correct?

1 A. Yes.

2 Q. What's the difference between auditing a
3 small water and sewer company of 200 customers or less
4 and AmerenUE?

5 A. There are general guiding principles applied
6 to both that are, you know, not different. There are
7 some mechanical differences. For example, we don't
8 look at each and every time sheet turned in by an
9 Ameren employee. But we do look at that in a small
10 case. There are several reasons for that. One, it's
11 because it is possible to do so in a small case,
12 because the impact that those hours have on an
13 individual customer is greatly different than what it
14 would impact an Ameren customer. As well, the small
15 water and sewer company does not have their records
16 audited by external auditors such as Deloitte or Ernst
17 Young, where Staff can have a reliance upon the
18 internal accounting procedures and internal controls
19 that those bigger corporations have in place to ensure
20 the documentation is kept and it's correct and
21 accurate.

22 Q. So in some ways, you really dig down even
23 deeper in a small company than you would for an
24 Ameren, just because -- because the smaller size
25 allows you to do so, as well as some other factors.

1 **Correct?**

2 A. And also the necessity to do so in order --
3 we don't -- for example, some of the -- some of the
4 items don't exist at a larger level. And in some
5 cases, they do. And in some cases, we do dig down
6 into the large cases. I get invoices for all the
7 legal attorneys, for outside legal costs for large
8 companies. I look at every one of those invoices,
9 just like I looked at yours for this case.

10 **Q. Now, generally, would you say that across the**
11 **state of Missouri, the records kept by large utilities**
12 **are going to be in better shape than those for the**
13 **small utilities?**

14 A. In most cases.

15 **Q. Now, you were asked some questions by**
16 **Mr. Thompson, I believe, about the two -- the two**
17 **audits that you described, one for the certificate**
18 **case and then the second for this rate case. Correct?**

19 A. Correct.

20 **Q. And I think you pointed out that there was**
21 **five months difference between the end of the first**
22 **case and then the start of this rate case. Correct?**

23 A. Correct.

24 **Q. And you were focused on some bank statements**
25 **that you said were available to you in the first case,**

1 but were not available to you in the second case. Why
2 didn't you have your version of those records from the
3 first case?

4 A. Well, I don't mean they were exactly the same
5 date. I'm just talking about bank statements in
6 general, and the fact that yes, we have bank
7 statements from the first case, but then when we asked
8 for a continuance from that point in time forward to
9 get to the test year and update period in this case,
10 there were bank statements that were missing.

11 Q. So you're really talking about just -- you're
12 talking about a gap. You're not talking about all
13 those bank statements.

14 A. We didn't ask for the ones prior, because we
15 already had them.

16 Q. You had them. Correct.

17 A. Right. But we were told that there were
18 several items that were not available to us for this
19 current case.

20 Q. And let's talk about one more thing that
21 happened in that interim period. Lincoln County Sewer
22 & Water, LLC was created along with -- or generally
23 contemporaneously with the certificate case. Correct?

24 A. I believe so.

25 Q. And prior to that time, the bank records that

1 would have existed for these systems would not have
2 been Lincoln County Sewer & Water, LLC bank records.

3 Correct?

4 A. No. They were for the individual
5 subdivisions for --

6 Q. Checking.

7 A. -- the utility --

8 Q. Yeah.

9 A. Yeah. The utility records for those
10 individual subdivisions.

11 Q. Right. So when you're talking, again, about
12 this gap, you're talking about something other than
13 Lincoln County Sewer & Water, LLC. You're talking
14 about the prior bank accounts that had to do with
15 those -- those four individual bank accounts that had
16 to do with the systems in a prior day. Correct?

17 A. All the records pertaining to the test year
18 in this rate case, whether they had been for Lincoln
19 County Sewer & Water, LLC or for those prior
20 subdivisions. Because we -- we audit for an entire
21 test year. And that entire test year has to have
22 documentation in order for us to conduct a proper
23 audit.

24 Q. Now, you talked about your inability to
25 correlate some of these time sheets along the way.

1 Did you personally have interaction with Mr. Kallash
2 during the course of the rate case?

3 A. Yes.

4 Q. Would you have had personal association with
5 him at his offices in Troy at various times?

6 A. I believe in this case, it was once.

7 Q. Okay. Would you have had -- spoken to him
8 over the telephone about this rate case?

9 A. Yes.

10 Q. Several times?

11 A. Yes.

12 Q. Would you have participated in a meeting
13 where Mr. Kallash came to Jefferson City to talk about
14 the rate case?

15 A. I -- I participated by phone. I didn't make
16 the trip up here.

17 Q. But did you recognize his voice on that call?

18 A. Yes.

19 Q. Do you remember Mr. Kallash being present for
20 the hearing in this case?

21 A. Yes, I do.

22 Q. Is there any doubt in your mind that
23 Mr. Kallash was involved in this case from the
24 beginning through today?

25 A. No.

1 Q. Generally -- well, Ms. -- Ms. Baker asked you
2 a question about Mrs. Kallash's presence at the
3 hearing. Do you remember her being present at the
4 hearing?

5 A. Yes, I do.

6 Q. Was it common for her to be present when
7 there were meetings or telephone calls with -- with
8 Mr. Kallash?

9 A. Not all the time.

10 Q. But some of the time?

11 A. Some of the time.

12 Q. Do you agree with me that she is an owner of
13 the company?

14 A. I believe she is.

15 Q. Is it expensive for a small water or sewer
16 company to hire either a consultant or an attorney to
17 assist with a rate case?

18 A. That would depend on the company, and the
19 consultants and attorneys they hire.

20 Q. But let's say as a matter of -- or just
21 magnitude, is it more significant for a small water
22 and sewer company to hire an attorney or consultant
23 than it is for AmerenUE?

24 A. On the individual basis, I would say it's the
25 same cost. I mean, you know, they have one attorney,

1 and a small company has one attorney. In general, the
2 cost incurred would be the same.

3 Q. But in general, the large utility has more
4 customers, it's going to be spread out over more
5 customers, and like a lot of things in the utility
6 business, there are economies of scale associated with
7 rate case expense. Correct?

8 A. Correct.

9 Q. And so the longer a small company rate case
10 goes, and the greater their expenses are, would you
11 agree with me that it -- it really impacts them and
12 their bottom line to a much greater extent than it
13 does at AmerenUE?

14 A. I would say it greatly impacts them and their
15 customers.

16 Q. Ultimately their customers.

17 A. Yes.

18 Q. In the first instance, it impacts the
19 owners. Correct?

20 A. Yes. It impacts the utility. Yes.

21 Q. The utility. Because they have to pay for
22 those costs. Correct?

23 A. Correct.

24 Q. Whether their customers end up having to
25 provide something in rates for them or not, the

1 company's going to have to pay those costs. Correct?

2 A. Correct.

3 Q. And I think your description of the
4 recoverability of some of those things is that you're
5 going to look at it later and make a decision on
6 reasonableness at a later date. Correct?

7 A. We're -- we applied our standard methodology
8 as we apply to all expenses in the case.

9 Q. So as those funds are being expended by the
10 company, they really don't have a guarantee that
11 they're ever going to recover them. Correct?

12 A. I don't know that they have a guarantee that
13 any of their cost would be recovered.

14 Q. So as a small company moves from the
15 beginning of its case to the end of its case, would
16 you agree with me that -- that the costs they're
17 expending along the way become a serious consideration
18 for -- for proceeding with that case? Correct?

19 A. I -- I guess it would depend on the
20 circumstances.

21 Q. Could you see a situation where that bill
22 would get so great that a company would just want out,
23 rather than incurring the remainder of the cost that
24 they needed to expend to get through a hearing?

25 A. I don't know.

1 Q. Have you ever seen that situation in -- in
2 your experience as an auditor?

3 A. No.

4 Q. You've never seen a small company have to or
5 feel like they needed to back out because their costs
6 might get too great?

7 MR. THOMPSON: Asked and answered.

8 JUDGE JONES: Sustained.

9 Q. (BY MR. COOPER.) Is that something you ever
10 think about?

11 A. Could you rephrase that.

12 Q. Well, you've done a lot of audits, as I
13 understand, over the years. Is that correct?

14 A. Yes.

15 Q. To include audits of small water and sewer
16 companies. Correct?

17 A. Correct.

18 Q. What do you think about -- what do you think
19 about the process for small water and sewer
20 companies? Is it a good one?

21 A. I think it was set up as an informal process
22 in order to save the utility, and ultimately the
23 customer's cost. Whenever possible, Staff helps to
24 mitigate those costs, to come to the company, using
25 its own equipment and materials at times to -- well,

1 now, we scan documents rather than copying them. But
2 we try and mitigate costs as much as possible for the
3 company and the utility.

4 **Q. Does it still become expensive, in your mind,**
5 **for a small company on a per-customer basis to --**

6 A. It depends on the -- it depends on the
7 situation. It depends on the rate case. In most
8 cases, you know, we are all able to come to an
9 agreement, a disposition agreement is filed, it never
10 comes to hearing. I've been party to certain cases
11 where no consultants and no attorneys were necessary.
12 So in that respect, the cost was minimal.

13 **Q. What does the State charge for a copy? Do**
14 **you know?**

15 A. The State?

16 **Q. Uh-huh. State of Missouri.**

17 A. I -- I've never encountered that.

18 **Q. So you don't know if it's fifty -- fifty**
19 **cents per page?**

20 A. I don't know.

21 **Q. You made mention that you weren't aware of**
22 **whether there was any agreement for Lincoln County**
23 **Sewer & Water to pay Mr. Burlison's expenses. In your**
24 **experience, is it common for attorneys to bill for**
25 **expenses?**

1 A. I've not seen attorneys bill for external
2 expenses such as hotel and meals. Typically,
3 everything is within their per-hour rate, on the
4 invoices I have looked at.

5 **Q. Okay.**

6 A. Now, I've seen consultants do that in some
7 cases. But I honestly have not seen attorneys do
8 that. That doesn't mean it doesn't happen. I just
9 have never actually seen documentation.

10 MR. COOPER: That's all the questions I
11 have at this time, Your Honor.

12 JUDGE JONES: Thank you.

13 EXAMINATION BY THE PANEL:

14 JUDGE JONES: Commissioner Hall, do you
15 have any questions?

16 COMMISSIONER HALL: I do not.

17 JUDGE JONES: Commissioner Rupp?

18 COMMISSIONER RUPP: I do. This is Document
19 Number 5. Did -- did I hear you correctly? You said
20 that you had had this document before today's hearing?

21 THE WITNESS: Yes.

22 COMMISSIONER RUPP: Okay. But I thought
23 that OPC had not. Do you not share the documents with
24 OPC or -- or --

25 THE WITNESS: No. Not -- I mean, in some

1 occasions, we do, if it's -- if the company has given
2 us permission to do so. But in general -- it really
3 just kind of depends. But in general, if something is
4 provided to us, it either needs to be provided to OPC
5 or the data request process. For example, Staff may
6 issue data requests to the company, the company is
7 therefore required to give us a response. They're
8 not, however, necessarily required to give OPC the
9 response simultaneously.

10 COMMISSIONER RUPP: So it's up to the
11 company to know ahead of time that if they give it to
12 you, being Staff of the PSC, that they also need to
13 provide it to the different departments, or -- and are
14 they told that?

15 THE WITNESS: Well, OPC is not a different
16 department. OPC is a completely different party to
17 the case.

18 COMMISSIONER RUPP: But I think it gets
19 back to the questioning of Mr. Kallash of is Staff --
20 is -- is he dealing with Staff, is he dealing with one
21 entity, two entities, three entities, and if he
22 provides information to, in his mind, the PSC, is he
23 then informed he needs to provide it to other
24 divisions or other --

25 THE WITNESS: Well, PSC -- the Missouri

1 Public Service Commission is the PSC. OPC is outside
2 of that. They are a completely different party to the
3 case. Now, in large cases, they have access to our
4 data request responses on EFIS.

5 COMMISSIONER RUPP: My question is --

6 THE WITNESS: Sure.

7 COMMISSIONER RUPP: -- do you -- when --
8 when you receive this, do you inform the company that
9 they also need to send it to OPC?

10 THE WITNESS: In the initial part of the
11 case -- in this case, for water and sewer -- those
12 discussions are done between the company and water and
13 sewer department. And they kind of guide them as to
14 the process of what needs to be done. And I do know
15 in this particular case, Mr. Kallash was aware for
16 other documents that OPC had not been given those and
17 he had to provide them.

18 COMMISSIONER RUPP: But you're not aware in
19 this --

20 THE WITNESS: Particular document? No.
21 I -- I was e-mailed the document. I don't know, you
22 know, the origins of it, other than the water and
23 sewer department e-mailed it to me a day or two after
24 they had received it.

25 COMMISSIONER RUPP: All right. Thank you.

1 JUDGE JONES: The time sheets that you
2 spoke of earlier, are those in the record?

3 THE WITNESS: No.

4 JUDGE JONES: They're not?

5 THE WITNESS: No. Other than the one --
6 the one week for which the Commission based its time
7 for salary calculations for Mr. Kallash. I know
8 that's in the record, which contains -- over half of
9 it is for rate case expense. And then I don't believe
10 any of Mrs. Kallash's are.

11 JUDGE JONES: Well, I should be more
12 specific. Mr. Kallash's time sheets, including this
13 time sheet, there are three total. Right?

14 THE WITNESS: Correct. The only other
15 thing that I'm aware of is out of the other one,
16 there's one week that's in the record, because the
17 Commission used it as part of its calculation.

18 JUDGE JONES: Is that one we considered one
19 whole time sheet? Or is there another -- or are there
20 other parts to that?

21 THE WITNESS: No. That -- that is part of
22 a larger document.

23 JUDGE JONES: So we don't have the benefit
24 of the time sheets that you've viewed.

25 THE WITNESS: No. The -- the one that you

1 had, that one sheet, actually had hours and dates.

2 But a lot of mine don't.

3 JUDGE JONES: Okay. Well, I'd like those
4 to be in the record, then.

5 THE WITNESS: Okay.

6 MR. THOMPSON: Staff will --

7 JUDGE JONES: Right. The time sheets --

8 MR. THOMPSON: -- submit them.

9 JUDGE JONES: -- that are not in the
10 record, submit them as Commission exhibits.

11 MR. THOMPSON: Late-filed exhibit. Will do
12 so.

13 JUDGE JONES: And one more question.

14 MR. THOMPSON: Only the ones for
15 Mr. Kallash?

16 JUDGE JONES: Correct. One more question.
17 When going through the time sheets in LCSW-4, did you
18 compare them to the professional records? For
19 instance, if -- if meetings with Brydon, Swearngen or
20 McIlroy, Millan or Johansen include references to
21 Mr. Kallash, then that should also be reflected
22 somewhere on his time sheet. It may not be described,
23 but that date should be consistent with the --

24 THE WITNESS: Right.

25 JUDGE JONES: Did you do that?

1 THE WITNESS: In most cases, it did match
2 up. However, sometimes the descriptions weren't
3 exactly the same. But however, that is a small part
4 of the activities listed.

5 JUDGE JONES: Okay. So you did compare
6 those to see if they were --

7 THE WITNESS: I attempted that. Yes.

8 JUDGE JONES: Okay. Any recross based on
9 questions from the bench?

10 MS. BAKER: No.

11 JUDGE JONES: No? Mr. Cooper?

12 MR. COOPER: Yeah. I'm going to try -- try
13 something here.

14 RECROSS-EXAMINATION

15 QUESTIONS BY MR. COOPER:

16 **Q. You made a comment in response to the Law**
17 **Judge's question that there was a time sheet page upon**
18 **which the Commission based its report and order. Do**
19 **you say that based upon your reading of the report and**
20 **order, or something else?**

21 A. No. It was -- the report and order
22 specifically cited a particular page. And I was able
23 to find that page and correlate it to the report and
24 order.

25 **Q. Okay. Well, we'll take a look at that.**

1 **Thank you.**

2 A. Uh-huh.

3 JUDGE JONES: Any redirect?

4 MR. THOMPSON: Why, thank you, Judge.

5 REDIRECT EXAMINATION

6 QUESTIONS BY MR. THOMPSON:

7 **Q. Ms. Baker asked you about the meal expenses.**

8 **Do you recall those questions?**

9 A. Correct.

10 **Q. She asked about the CONUS rate.**

11 A. Correct.

12 **Q. Now, one of those meal -- one of those**
13 **charges that you assumed was a meal expense was over a**
14 **hundred dollars. Do you remember that?**

15 A. Correct.

16 **Q. Now, if that was a meal expense, do you know**
17 **how many people ate?**

18 A. No, I do not.

19 **Q. Do you know how many separate meals it**
20 **represented?**

21 A. I don't know if it was three meals for that
22 day, one meal. I don't know.

23 **Q. Is there any way to apply the CONUS rate to**
24 **that number when you don't know those details?**

25 A. No.

1 Q. And there was a smaller amount as well, I
2 think about \$26. Do you recall that?

3 A. Yes.

4 Q. And again, do you know how many meals that
5 reflected?

6 A. No, I do not.

7 Q. So is there any way to apply the CONUS rate
8 to that meal charge?

9 A. No.

10 Q. If it even is a meal charge.

11 A. No.

12 Q. Okay. And with respect to Mr. Burlison's
13 expenses -- his hotel and meals -- you testified that
14 you had never seen an attorney bill for those items.
15 Isn't that correct?

16 A. Not to my recollection, in items I've been
17 involved with.

18 Q. And you have also testified, did you not,
19 that you look at all of the legal expense invoices for
20 the cases that you work on, large and small.

21 A. Correct.

22 Q. But did Staff disallow Mr. Burlison's hotel
23 and meals?

24 A. No, we did not. Because we did not know the
25 circumstances of the agreement between Lincoln County

1 and Mr. Burlison.

2 Q. They were -- they were part of Mr. Burlison's
3 invoice. Correct? Or were they not?

4 A. No, they were not.

5 Q. They were additional?

6 A. They were just a credit charge -- credit card
7 charge on Mr. Kallash's charge.

8 Q. Okay. Now, Commissioner Rupp was asking you
9 about whether LCSW-5 was shared with the Office of the
10 Public Counsel. Correct?

11 A. Correct.

12 Q. And I think you testified that you received
13 that by e-mail from the water and sewer department.
14 Correct?

15 A. Correct.

16 Q. If you know, was that received by the water
17 and sewer department as a fax?

18 A. I believe it was.

19 Q. So would you have had any way of knowing
20 whether or not the water and sewer department shared
21 it with the Office of the Public Counsel?

22 A. No. That's generally the duties of the case
23 coordinator, which resides in the water and sewer
24 department.

25 Q. And based on the document itself, if you

1 recall it or have it there, is there anything on it
2 that shows whether or not it was shared with the
3 Office of Public Counsel?

4 A. I could not tell you that. No.

5 MR. THOMPSON: Okay. Those are all the
6 questions I have. Thank you very much.

7 JUDGE JONES: Okay. You may step down,
8 Ms. Hanneken. Let's go ahead and take a lunch break.
9 We will come back here at 2:00.

10 (OFF THE RECORD.)

11 JUDGE JONES: Okay. Let's -- let's go
12 ahead and go on the record with Case Number
13 SR-2013-0321. I believe Office of Public Counsel has
14 a witness to call.

15 MS. BAKER: Public Counsel calls William
16 Addo.

17 JUDGE JONES: Can you raise your right
18 hand. Do you solemnly affirm the testimony you're
19 about to give is true?

20 THE WITNESS: Yes, I do.

21 WILLIAM ADDO,
22 OF LAWFUL AGE, HAVING BEEN DULY SWORN TO TELL THE
23 TRUTH, TESTIFIED AS FOLLOWS:

24 JUDGE JONES: Thank you, sir. You may be
25 seated.

1 THE WITNESS: Okay.

2 DIRECT EXAMINATION

3 QUESTIONS BY MS. BAKER:

4 Q. Okay. Would you state and spell your name
5 for the court reporter.

6 A. My name is William Addo. Addo it is spelled
7 A-D-D-O.

8 Q. And did you do an audit of the books and
9 records of Lincoln County Sewer & Water?

10 A. Yes, I did.

11 Q. And are you the same William Addo that filed
12 the rebuttal and surrebuttal in this case?

13 A. Yes, I did.

14 Q. Starting with the -- the issue of what is an
15 appropriate date range for rate case expense, what
16 beginning date for rate case expense do you believe is
17 reasonable?

18 A. I believe that 4th of December, 2012, which
19 is the day the company actually filed for a rate
20 increase.

21 Q. Okay. And why do you believe that that is a
22 reasonable date?

23 A. I truly believe the company actually
24 requested for -- without the 60-days notice to file,
25 which is actually stated that where a company file for

1 a rate increase, they should issue 60-days notice
2 before they actually file for. And I believe that the
3 company was --

4 THE REPORTER: I'm sorry? What? I
5 couldn't hear you.

6 Q. (BY MS. BAKER.) Slow it down a little bit.

7 A. I believe the company was to utilize the --
8 the small rate case procedure in filing. Did you get
9 the first one? Sorry.

10 Q. All right. Anything else?

11 A. I know the -- I mean, if you want to follow
12 the small rate case procedure, for instance, it
13 actually requires -- it doesn't require any analysis
14 from the company, you know, like filing direct
15 testimony. Get to analysis that other companies --
16 that require them to try to hire the services of an
17 attorney. You know, some of the requirements that
18 comes with a small rate case.

19 Q. All right. And what ending date for rate
20 case expense did you see as reasonable?

21 A. I believe the November 26th date, which is --

22 THE REPORTER: I'm sorry?

23 THE WITNESS: Was the hearing brief date of
24 the 26th of November, 2013.

25 Q. (BY MS. BAKER.) And moving on to what costs

1 are reasonable to include in rate case expense, did
 2 you have any issues with the rate case expense that
 3 was claimed by Johansen Consulting Services, Brydon,
 4 Swearngen & England, and McIlroy & Millan?

5 A. Besides the fact that some of it was
 6 presented out of the -- the proposed date, you know,
 7 the December 4th, 2012 date, and then the 26th of
 8 November, 2013 date, I think that what is presented
 9 were auditable. So I do not have any issues.

10 Q. And what issues do you have with the company
 11 time and expenses?

12 A. For Dennis' time, I believe is unauditabile.
 13 And the fact that some of the dates were actually
 14 outside the -- the reasonable dates range. And
 15 likewise, the amount for Toni -- for Mrs. Kallash,
 16 those ones, some of those were not auditable as well.

17 Q. Okay. Do you have in front of you LCSW
 18 Number 4?

19 A. Yes, I do.

20 Q. Okay. And looking -- looking at the -- the
 21 listing of the costs on page 1 of the exhibit, what
 22 costs were you able to audit?

23 A. The invoice for Fitch & Associates, the
 24 hotel, and the ink cartridges --

25 Q. Okay.

1 A. -- was what I was able to audit.

2 Q. And so what costs on page 1 were you not able
3 to audit?

4 A. As I stated, Mr. Kallash's time, Mrs. Toni
5 Kallash's time, Patty's time, and then meals, the
6 mileage. I believe those are the --

7 Q. Okay. All right. Let's start with the Fitch
8 & Associates cost, which I believe -- it's not
9 numbered, but I believe it is on page 8 of LCSW-4.
10 And this is one that you stated that you were able to
11 audit. What was the result of your review of these
12 costs?

13 A. When I reviewed the statement that was
14 presented, I mean, it's -- there's no date on it for
15 the ink cartridge, no quantity stated, the cost by
16 unit wasn't stated, and to me, the costs are excessive
17 compared to invoice that the company actually provided
18 from Wal-Mart for the -- the company's own printer. I
19 think the costs for \$327.79 is excessive. And for the
20 copies, it's also -- there was no date stated, nothing
21 like what was actually copied, and what the copies
22 were for. That is stated that -- only number given
23 was 486 copies made, and the cost of fifty cents per
24 one. Actually, I know they are going -- going to do
25 like a copy from the Commission, they charge you

1 separately for the ink cartridge, they charge you for
2 whatever you copied. So when I tried to add the cost
3 on the ink cartridge to the copies, I think I had
4 about seven hundred -- 571. And then when I divided
5 by the 468 copies, that resulted about one dollar
6 approximately twenty cents per copy, which I think is
7 kind of excessive.

8 **Q. All right. And you were in the room earlier,**
9 **and you heard the testimony about costs in the area**
10 **being somewhere between seven and ten cents. Does**
11 **that match with your -- your understanding of costs in**
12 **that area for copies?**

13 A. Not at all. No. It hasn't. Because from my
14 calculation, as I stated, it's \$1.20, approximately.
15 That doesn't match with seven cents.

16 **Q. So seven cents is nowhere near fifty cents.**

17 A. I don't believe so.

18 **Q. All right. Going on to the next that you**
19 **said that was able to be audited, the hotel costs.**
20 **And I think that's on page 10 through 12 of LCSW-4.**
21 **What hotel cost did you find to be reasonable?**

22 A. I think I -- the -- the hotel for
23 Mr. Kallash, I think that is reasonable.

24 **Q. All right. And why did you find these costs**
25 **to be reasonable?**

1 A. I think that he actually incurred this
2 expense when he attended the hearing, I think on the
3 5th of November, 2013. And this is a day prior to
4 that date, so I believe that was what that charge was
5 for.

6 **Q. Okay. And what hotel cost did you find to be**
7 **unreasonable?**

8 A. The hotel for Mr. Burlison, the second
9 attorney.

10 **Q. And why did you find those to be**
11 **unreasonable?**

12 A. Well, besides the fact that OPC thinks the
13 cost for a second attorney is excessive, I don't know
14 why or -- can't understand why the company should pay
15 the cost for Mr. Burlison, if he was actually footing
16 the bill. And I don't have any contractual agreement
17 between the company and Mr. Burlison to the fact that
18 they were going to reimburse him his hotel cost. So
19 the reason why I find that his cost is not reasonable.

20 **Q. All right. So based on your audit, what**
21 **amount of rate case expense for hotel costs should be**
22 **included in rates?**

23 A. I believe the \$119.31 is reasonable, for
24 Mr. Kallash.

25 **Q. Okay. All right. Thank you. And moving on**

1 to the ink cartridge costs, which are located on page
2 17 of LCSW-4, what were your findings of that cost?
3 Of the audit of that receipt?

4 A. Give me a second.

5 Q. Sure. The very last page.

6 A. Yeah. I believe they received the -- the
7 actual numbers and no other data as to what the ink
8 was used for. Could be part of normal office
9 supplies. And there's no note attached for me to
10 determine whether that is actually a rate case expense
11 or not.

12 Q. Okay. And so given your audit, what ink
13 cartridge cost did you find reasonable to be included
14 as rate case expense?

15 A. None.

16 Q. Moving on to meal costs, I believe they are
17 part of the receipts on page -- is it 12 and 13?

18 A. Yes. Yeah.

19 Q. And you stated that meal costs could not be
20 audited. Why was that?

21 A. I mean, I just -- the documentation that was
22 presented to me is just a credit card statement that
23 actually stated Doubletree Hotel F&B Jefferson City,
24 \$62.35, and another one for \$26.00. And then I think
25 on the next page, it's another for \$40. I mean, I

1 don't know what the component of this cost -- I don't
2 know how many people were served. I mean, on regular
3 business, I don't think it would take somebody to
4 actually consume a meal over, you know, this amount.
5 So I kept wondering as to how many people were served
6 on that day, and if -- whether it was a legitimate
7 cost that should be recouped from customers. I know
8 on that day, Mr. Kallash was the only company
9 representative that testified on that day, so his cost
10 then is a legitimate cost. But as to any other
11 component of this, I don't know. I don't know if
12 there were other parties involved, and Mr. Kallash
13 actually paid this amount with his credit card bill
14 and the other parties reimbursed him. I'm not privy
15 to those information, so I can't include it in the
16 rates. The only estimate I came up with, to use the
17 CONUS rate for Mr. Kallash. And for my -- my
18 calculation, that adds up to about \$46 for breakfast,
19 lunch and dinner.

20 **Q. Okay. So let me make sure that we're clear**
21 **about this. Because you were not able to -- to**
22 **perform an audit of the meal costs in the**
23 **documentation that was provided by the company, you**
24 **used another method?**

25 **A. Yes.**

1 **Q. Explain that method specifically.**

2 A. I actually went on the GSA web site --
3 general administrative service web site -- and pulled
4 up the CONUS rates, which I tried to think for
5 Jefferson City. So actually allowed \$8 per breakfast,
6 and then \$12 for lunch, and then \$26 for dinner. So
7 that's what I used in my calculations.

8 **Q. Okay. So how much did you include for meal**
9 **costs as rate case expense?**

10 A. The total is \$46.

11 **Q. All right. Moving on to mileage cost, you**
12 **also said that mileage costs couldn't be audited. I**
13 **believe those are -- are somewhat listed on page 1,**
14 **and also on page 15. What concerns did you have about**
15 **them?**

16 A. The -- as I stated, this document lacks
17 proper and detailed documentation. So some of the
18 description, attended local public hearing. I mean,
19 that one I know it is a -- would be Troy. So I mean,
20 I didn't see the reason for allowing anything for
21 that. And there are some descriptions here that I --
22 I'm not privy of whether they actually occurred or
23 not. You know, there's no description as to the
24 mileage that was actually incurred on that trip.
25 There's nothing like that stated. So it's going to

1 make it difficult for me to make any analysis, you
2 know. So the process I could come up with for the
3 date of the hearing, I know Mr. Kallash was here. And
4 I'm a witness to that. So actually what I did was to
5 pull out the Google map and actually calculate the
6 distance from his office from Troy to this building,
7 and -- and then allow six extra miles, you know, for
8 him to drive for preparation of driving around while
9 he's in town. So that's the only cost I feel I should
10 allow -- or the customers should pay. And my
11 calculation came out to about \$110.85 cents.

12 **Q. Okay. So for that one, you came up with**
13 **for -- for the one hearing date --**

14 A. Yes.

15 **Q. -- the mileage -- did you have a specific**
16 **rate that you applied to that mileage?**

17 A. I applied the IRS rate, which is \$0.56, I
18 suppose. Yeah.

19 **Q. All right. So for mileage cost, what is --**
20 **what is your recommendation?**

21 A. There should be allowed \$110.85 cents.

22 **Q. And you also stated that the costs that were**
23 **claimed for the time of Dennis, Toni and Patty shown**
24 **on page -- pages 3 through 6 of the exhibit could not**
25 **be audited. Why were you unable to audit those costs?**

1 A. The document provided only listed dates and
2 hours that Mr. Kallash and Mrs. Kallash supposedly
3 worked. There is no other description for me to know
4 whether those days are actually rates case related or
5 not. I mean, there's nothing else to look at. So I
6 believe that the burden lies with the companies to
7 actually prove that these hours are actually proven,
8 by giving me a description enough for me to know that
9 this actually occurred. But under the circumstances,
10 I was unable to -- you know, my only source of
11 documentation as an accountant is to rely on those
12 documents, which should be detailed enough for me to
13 carry out my analysis and calculations. But nothing
14 of the sort was provided me, so I was unable to audit
15 it.

16 **Q. And for the same time frame that's shown**
17 **on -- on these pages, were you provided time sheets or**
18 **any documentation for non-rate-case activities for**
19 **Dennis, Toni or Patty?**

20 A. No, I wasn't.

21 **Q. And did the lack of time sheets make you**
22 **question the rate case time that was claimed by the**
23 **company in this document?**

24 A. Actually, yes. Because all attempts to
25 actually gets dates or time sheets from the company

1 at also the time we were processing the actual case, I
2 mean, proved futile. I mean, I didn't have enough,
3 you know, documentation or whatever. So my
4 recommendation, I remember in my direct testimony, I
5 used a different methodology based on the certificate
6 case that the company came in for before this rate
7 case. And then think of those amounts that were
8 allowed those -- as of that time, which are
9 reasonable. So what I did was to adjust those amounts
10 with -- by customer number increase, and that was what
11 I based my recommendations on. So definitely it was a
12 problem for me. So I don't know how the company was
13 able to come up with all these numbers, you know, that
14 this is the hours they actually spent regarding the
15 rate case expenses. They were not able to provide me
16 with the regular time sheet hours.

17 **Q. All right. Given the fact that you were not**
18 **able to audit the information that was provided in**
19 **this particular document, what procedures did you**
20 **follow throughout the rate case to determine rate case**
21 **expense?**

22 A. I believe I sent the company a data request
23 at the start of the case, you know, requesting
24 specifically for information, and to actually list
25 detailed, you know, like vendors, you know, and

1 that -- and then that cost that they -- the company
2 actually incurred in relation specifically to the
3 filing, you know, which is -- with the current filing
4 as of that time, the quantity expended on that, which
5 is like the rate case expenses. I asked for that, but
6 I didn't receive anything.

7 **Q. And then did you do an analysis of the**
8 **information that you were provided?**

9 A. Yes, I did. And I did -- and let me clarify
10 this one, that after the hearing -- I think on the day
11 of the hearing, I actually had about three invoices as
12 of the time of filing of direct testimony. So my
13 recommendation was that -- I think it added up to
14 about \$6000 plus. You know, so my recommendation as
15 of that time was to allow that amount in rate. On the
16 day of the hearing, I believe Staff filed post-
17 surrebuttal recommendation. I believe that they
18 actually included about \$14,000, you know, for rate
19 case expense. So then I questioned it, as to why
20 they -- I mean, that amount, because I don't have any
21 information or documentation to substantiate that
22 cost, you know, that staff is proposing to include in
23 rates.

24 **Q. Okay.**

25 A. So staff maybe -- I mean, probably they used

1 technique and documentation that they relied on, so
 2 they actually did. And I did my own audit and I found
 3 out my figure, I tried to correlate with that of
 4 staff.

5 MS. BAKER: Okay. I have an exhibit. I
 6 assume this will be OPC-1?

7 JUDGE JONES: Yes, it will.

8 (BY MS. BAKER.) Okay. Can you explain
 9 what this exhibit is.

10 A. Yeah. As I stated from the beginning as of
 11 the time of filing rebuttal, the \$6116 amount was a
 12 total of the invoices that were received as of that
 13 time, as of filing surrebuttal -- the rebuttal.
 14 Sorry. Then the \$8495 is what I -- is what I guess
 15 they did -- actually provided me with the
 16 documentation after the -- the hearing. Then it was
 17 hearing time -- after we had the hearing, I received
 18 this, more invoices that total about \$16,388. A
 19 portion of that amount is an amount of \$3813.04 from
 20 the company. And that's all the information I had,
 21 until the company actually presented of when they
 22 filed the May 8th expedited motion, that's where I got
 23 \$34,778.46 from.

24 Q. Okay. So this is -- this is basically a time
 25 line of the information you received and at what time?

1 A. At what time I received the information.

2 Exactly.

3 Q. All right. And I notice on here that you
4 jump from rebuttal to post-surrebuttal.

5 A. Yes.

6 Q. At the time of surrebuttal, did you not have
7 any information?

8 A. No. I didn't have any information as of the
9 time of surrebuttal. And as I stated, on the date of
10 the hearing -- actually, I think staff actually
11 revised the EMS run and filed it as post-surrebuttal
12 EMS. That's where I got this -- got this figure
13 from. And I think if I remembered correctly, we were
14 trying to kind of look over the issues that we think
15 we can just settle that would not be contested. So I
16 believe that was where this figure came up. And I
17 sort of said well, I will accept, subject to me
18 verifying the invoices that Staff promised to send me
19 later.

20 Q. All right. And on that line of questioning,
21 were you ever provided the information that is in the
22 exhibit that was entered today, LCSW-5?

23 A. No, I wasn't.

24 Q. Okay. And if you had been given that
25 information, looking at how it is presented, would you

1 **have been able to audit that document?**

2 A. I mean, though it would have been a difficult
3 process, trying to actually match those dates with
4 what is on it, I think it's something that is doable.
5 So I think I could. Yeah.

6 **Q. All right. So based on -- on your -- your**
7 **review of the information on OPC-1, did you come up**
8 **with a -- a final audited recommendation of the amount**
9 **of rate case expense for the company to include in**
10 **rates?**

11 A. Yes. As of the time of post-hearing, the --
12 the amount of \$3813.04, I -- those ones with a little
13 description, I would say, of company time of what
14 Mr. Dennis and -- Mr. Dennis Kallash and Mrs. Kallash
15 actually spent, I mean, related to rate case expense.
16 So those were enough for me to be able to audit the
17 three thousand amount that actually came from the
18 hotel cost, the cost for --

19 THE REPORTER: I'm sorry? The cost for
20 what?

21 THE WITNESS: The hotel and Fitch &
22 Associates, the consulting company for Mr. Kallash.
23 Yeah. So I've been able to audit that amount. So the
24 hours actually added up to \$2330.

25 **Q. (BY MS. BAKER.) So based on -- on this, that**

1 **\$3833 is what you would have had in the case audited**
2 **as of the time that the post-hearing briefs were**
3 **filed?**

4 A. Exactly.

5 **Q. All right. And then I have another exhibit.**
6 **And this one will be OPC-2. Okay. Can you explain**
7 **what this document is.**

8 A. From my analysis, this is the amount that I
9 feel -- believe is reasonable to allow the company to
10 recover in rates. They can -- Public Counsel also
11 recommended rate case expense cut-off dates into
12 consideration. That's running from the December 4th,
13 2012 up to November 26th, 2013. In between that time,
14 these are the listing of invoices that fell between
15 that time span. I allowed for the attorneys and the
16 consultants and -- out of the audit of the company's
17 time -- then a hotel, the meals, and then the mileage,
18 I was able to come up to \$2606.16 and \$39,662.16.
19 That is what I'm recommending for the company to
20 recover in rates.

21 **Q. Okay. So these are based on your audit, on**
22 **auditable numbers --**

23 A. Yes.

24 **Q. -- that -- that make up your recommendation?**

25 A. Yes.

1 **Q. All right. And so going down, what is your**
2 **recommendation as far as the mechanism for this to be**
3 **recovered in rates?**

4 A. I'm recommending five years normalization of
5 the amount of the \$39,662.16, and that should add up
6 to seven thousand nine hundred and thirty two --
7 thousand -- forty three cents.

8 **Q. Okay. And why do you feel that a five-year**
9 **normalization is just and reasonable?**

10 A. Well, thinking history of small companies and
11 the time they actually come in for rates after --
12 after like say current case, takes them actually --
13 one of the companies since 1990, they've not been in
14 for a rate increase before. So then to balance it
15 over I think five years would be a reasonable time for
16 this expense to be normalized.

17 **Q. All right. And do you agree with the**
18 **company's request for amortization of the rate case**
19 **expense?**

20 A. No. I don't.

21 **Q. And what is the difference between normalized**
22 **and amortized in this setting?**

23 A. I believe a normalization is -- a rate
24 adjustment where reasonable and non-recurring costs
25 that are incurred spread over a number -- period of

1 time, you know, so that the rate shall be -- the
2 quantum that customers would actually have to pay is
3 not -- it's not recurring. It's not actually every-
4 day expenses that -- for instance, rate case expense
5 doesn't occur until a company comes in for a rate. So
6 it's not something that -- it's not recurring over
7 time, so I believe the normalization mechanism should
8 be appropriate.

9 **Q. Okay. Well, explain what amortization is,**
10 **then.**

11 A. Amortization, from an accountant's
12 perspective -- perspective, I believe, is writing off
13 of costs probably like financial instruments like
14 loans and mortgages, and write it over a period of
15 time until the final dollar is recorded.

16 **Q. And so in this case, this is not a loan**
17 **document?**

18 A. I don't believe so.

19 **Q. All right. And were you aware of staff's**
20 **proposal to go with amortizing the five-year -- for**
21 **five years with a tracker before you came in to the**
22 **hearing today?**

23 A. No. No.

24 **Q. Okay. Do you know what the tracker entails?**

25 A. No.

1 must -- well, in order to file a small company rate
2 case, there are certain requirements in the rule.

3 Correct?

4 A. Yes.

5 Q. In your experience, do most small water and
6 companies -- water and sewer companies come up with
7 those items on their own, or do they call the water
8 and sewer department and work with them on that list
9 or on those items that need to be included in their
10 letter?

11 A. I'm not specifically privy to what they do,
12 but I think -- and I believe the small water company
13 can actually take it upon themselves to just write a
14 letter based on what they think the cost level is, or
15 if they -- final -- if they have difficulty, I believe
16 they can contact staff to try to get them through that
17 process.

18 Q. But my question's not whether they can or
19 not. My question is do they commonly do it on their
20 own, or do they commonly talk to the water and sewer
21 department before they do that.

22 A. I don't know.

23 Q. You just don't have enough experience to know
24 the answer to that?

25 A. It's not about experience, but I'm not privy

1 to that information. I don't -- I -- we -- when they
2 file, we get a letter, and nothing states -- or nobody
3 signs on that, that these recommendations are actually
4 from Staff or Staff actually recommended that number,
5 so I can't tell.

6 **Q. And I think the back end of your -- your**
7 **period of time, you identified as 26 November, 2014.**
8 **Correct?**

9 A. Yes.

10 **Q. You would agree with me that work on the rate**
11 **case has taken place after that date. Correct?**

12 A. Yes. But then effectively, the rate case
13 supposed to end after post-hearing briefs are filed,
14 so that is --

15 **Q. But there's been work, and there's been**
16 **charges for Lincoln County Sewer & Water after that**
17 **date. Correct?**

18 A. I don't believe those -- those costs should
19 be -- I think those were to be to the benefit of the
20 company, not to -- because effectively, the process of
21 rate making, the process has come to an end as soon as
22 the post-hearing briefs are filed. So anything beyond
23 that is for the benefit of the company, like what
24 we're doing here today. I mean, there are costs on
25 the hearing, I wasn't privy to this information, and I

1 can't -- so some of the information, I only got them
2 when the company actually filed for expedited motion
3 for rate case expense, so --

4 Q. How about -- how about reviewing the
5 Commission's order? Does that have some -- are there
6 real -- is there real time and expense associated with
7 that part of the process?

8 A. I would say yes.

9 Q. Is there time and expense associated with,
10 for example, Mr. Johansen analyzing the order and
11 working with Staff to come up with a reconciliation of
12 the result of -- of the Commission's order?

13 A. Yeah.

14 Q. Ultimately, is there time going to be spent
15 deriving rates, creating tariff sheets, filing tariff
16 sheets to complete this case?

17 A. Yes. I believe so.

18 Q. And until we do those things, the case
19 doesn't end. Correct?

20 A. I presume so.

21 Q. Did you have the occasion, during the course
22 of this case, to have a meeting or meetings with
23 Mr. Kallash down in Troy?

24 A. Yes, I did.

25 Q. And the subject of your meeting would have

1 **been your questions about his operations?**

2 A. Yes.

3 **Q. And they would have related to the rate case?**

4 A. Yes.

5 **Q. And did you have occasion to have telephone**
6 **conferences with Mr. Kallash along the way for the**
7 **same purpose?**

8 A. No.

9 **Q. No telephone conversations ever?**

10 A. Do you mean -- yeah. I called him regarding,
11 you know, data requests that I was expecting from
12 him. You know, that's --

13 **Q. So discussions about -- about the rate case,**
14 **about information?**

15 A. Couple of minutes.

16 **Q. How about the hearing? Were you in the**
17 **hearing room when Mr. Kallash was here?**

18 A. Yes.

19 **Q. Did you at any time for -- throw those items**
20 **into your -- your rate case recommendation?**

21 A. I allowed for mileage, because I was a
22 witness to the fact that he actually took part in a
23 hearing. But my point is my -- the point I'm making
24 is with that description, if he has any dates and
25 hours, I mean, I can control the figure and know that

1 well, he actually had to do the activity, so he's
2 driving on that date, what he did on a particular
3 day. But I cannot just say well, and assume that --
4 as I -- my point -- I can just rely on
5 documentation -- such documentation.

6 **Q. But even beyond the documentation, you've got**
7 **just some personal contact with him, don't you, in**
8 **this case?**

9 A. You mean I've contacted Mr. Kallash?

10 **Q. Yeah.**

11 A. Yes, I did.

12 **Q. So whether he --**

13 A. As I stated --

14 **Q. Whether he wrote it down on a piece of paper**
15 **or not, you -- you know at least to some extent --**

16 A. As I stated, I allowed some amounts for his
17 time with descriptions, and that would be one of
18 those -- I mean, the ones without description, I
19 cannot include in rates.

20 **Q. Now, I think in regard -- there was a meal**
21 **expense that you were pecking around at on -- oh, from**
22 **the hotel here in town. In -- did I -- did I hear you**
23 **correctly say that you did not know who would have**
24 **been involved with -- with that meal?**

25 A. Yeah. What I -- what I stated is I think

1 \$119.31 is -- is just too much for one person -- even
2 more than that, it's additional \$26, and then another
3 \$40. So from my experience, I don't think one person
4 can consume that much.

5 Q. And -- and the date of that -- that charge
6 was November 4th. Correct?

7 A. Yes.

8 Q. Have you looked at the statements that were
9 provided for Mr. Johansen's work or for Mr. Burlison's
10 work in this case?

11 A. Can you restate that. Can you ask the
12 question --

13 Q. Yeah. Earlier in this proceeding, we
14 admitted I guess LCSW-2, which are the -- the invoices
15 that Mr. Burlison provided, and then LCSW-3, which are
16 the invoices Mr. Johansen provided. Have you seen
17 those invoices previously?

18 A. Yes.

19 Q. Okay. Do you have them with you, even?

20 A. The hotel costs for -- or just the attorney
21 costs?

22 Q. Just those -- those two exhibits. Do you
23 have those two exhibits with you? If not, I'm going
24 to hand them to you.

25 A. Okay. That'll be fine.

1 Q. Now, I've opened those to a specific page,
2 because that's where my question is going to be,
3 but -- but what I've handed you is LCSW-3 and LCSW-2.
4 Both of those pages reflect time around the November
5 time frame. Correct?

6 A. Yes.

7 Q. At least in part. Would you agree with me
8 that this case was tried on November the 5th?

9 A. Yes.

10 Q. And so November 4th would have been the day
11 before. Correct?

12 A. Uh-huh. Yes.

13 Q. And you'd agree with me that the hotel charge
14 that -- that is included in the company's -- the two
15 hotel charges are both for the night of November 4th.
16 Correct?

17 A. Yes.

18 Q. And if you were to look at let's say the
19 Johansen Consulting Services bill, and go down to the
20 line item November 4 --

21 A. Yeah.

22 Q. -- did you see there that Mr. Johansen has
23 cited a hearing preparation meeting with Dennis, Toni,
24 Jim B. and Dean C.?

25 A. Yes.

1 Q. Okay. And if we look at Mr. Burlison's
2 statement, if you also have that -- that's going to be
3 LCSW-2 -- and you see his entry for November 4?

4 A. Yes.

5 Q. And he also talks about having had
6 conferences with Dennis, Toni, Dean Cooper and Dale
7 Johansen. Correct?

8 A. Yes. Correct.

9 Q. So while you don't have a specific listing on
10 your -- your meal tab for how many people might have
11 been involved, you've got a couple other pieces of
12 evidence that indicate there was a meeting going on in
13 preparation for the hearing which would be the next
14 day, involving a group of five people?

15 A. Right. The question, is the company supposed
16 to pay for those.

17 Q. Now, if I understand OPC-2, your exhibit,
18 you've recommended a normalization for a five-year
19 period. Correct?

20 A. Yes.

21 Q. And I think you also testified that you based
22 that on just kind of a general idea of when small
23 water and sewer companies may come back for rate
24 cases. Correct?

25 A. Yes. That -- that's my -- that's my thought

1 process.

2 Q. Right. So your -- your -- your reasoning for
3 using five years doesn't have anything to do with a
4 specific review of Lincoln County Sewer & Water, LLC,
5 or its conditions, or what may happen to that specific
6 utility; does it?

7 A. I was just using the guiding principle that
8 taking history of small water companies -- I mean,
9 they don't usually come in for a rate -- so then if
10 you go below five years, with three years, could be
11 that a company will not come in for a rate, and will
12 continue to recoup that amount in rates.

13 Q. And I don't know whether -- I don't think I
14 understood your answer there. I think my question was
15 when you identify five years as the right time period,
16 are you specifically looking at Lincoln County Sewer &
17 Water?

18 A. When I'm looking at the amount involved, and
19 then the impact that will have on rate payers of
20 Lincoln County, that's one of the -- of the criteria I
21 used.

22 Q. But it has nothing to do with when you think
23 Lincoln County Water & Sewer -- or Sewer & Water
24 specifically will come back for a rate case; does it?

25 A. I -- I -- I look at that in the context of

1 other small water companies -- water and sewer
2 companies.

3 **Q. But you didn't look at this company and its**
4 **specific numbers. Correct?**

5 A. I mean, sometimes you just make a decision
6 based on -- you actually want to look at what
7 applies -- I mean, logistically, you know, I mean,
8 according to one bracket, you know that generally it
9 takes a company -- small water company about ten,
10 twelve, fifteen years to come and do a rate, you want
11 to put this into bracket when making a decision.

12 MR. COOPER: Judge, can I --

13 JUDGE JONES: Yes.

14 MS. BAKER: I mean --

15 MR. COOPER: -- ask that --

16 MS. BAKER: -- I think he's already asked
17 and answered this.

18 MR. COOPER: -- you instruct the witness to
19 answer --

20 THE REPORTER: I'm sorry. You're both
21 talking at once.

22 MS. BAKER: He has already asked and
23 answered this about three times.

24 JUDGE JONES: Well, I don't think he's
25 answered. It's a yes or no question. And I haven't

1 heard it either, so --

2 Q. (BY MR. COOPER.) Hopefully this is a yes or
3 no question. Did your recommendation of five years
4 involve a specific review of Lincoln County Sewer &
5 Water and when you thought Lincoln County Sewer &
6 Water would return for its next rate case?

7 A. No.

8 MR. COOPER: Give me just one minute, Your
9 Honor.

10 Q. (BY MR. COOPER.) In regard to that copy bill
11 that -- that you referred to that has both copy costs
12 on it and ink cartridges, did you ever have any
13 conversation with anybody from the company asking for
14 an explanation of what those -- those represented?

15 A. No, I did not. But I served the company the
16 data request requesting for details, so I don't think
17 I should call the company every single time asking for
18 details when I already did my data request.

19 MR. COOPER: That's all the questions I
20 have, Your Honor.

21 JUDGE JONES: Mr. Chairman, do you have any
22 questions?

23 CHAIRMAN ROBERT KENNEY: I don't have any
24 questions. Thank you very much for your testimony.

25 THE WITNESS: Thank you.

1 JUDGE JONES: I don't have any questions
2 either. So that takes us to redirect.

3 MS. BAKER: Just a couple of questions.

4 REDIRECT EXAMINATION

5 QUESTIONS BY MS. BAKER:

6 Q. You were -- you were asked several times
7 about whether your recommendation was based on Lincoln
8 County or -- or not. And you stated that it was not.
9 Explain exactly what your recommendation for the five
10 years was based on.

11 A. I mean, as I stated, based on the amount --
12 even with my recommendation of \$39,000 for small
13 utility, I mean, think about 123 customers, I mean,
14 adjust for -- it's just too much for them -- I mean,
15 you need to -- when you work with a company, you have
16 to know the unique circumstances under which you're
17 working. It's a large company, I mean, they have a
18 lot of customers, so this amount is spread over a
19 period of time that will actually not hurt the
20 customers that much. You know.

21 Q. So how does rate case expense here affect the
22 possibility of rate shock for these customers?

23 A. I mean, it's -- it's -- it's -- if I can do a
24 quick calculation, talking about -- talking about
25 additional \$64.48, based on my recommendation of for

1 five years.

2 Q. For how many customers?

3 A. For 123.

4 Q. And could you do that calculation the same if
5 your recommendation was for three years.

6 A. It's about \$107 --

7 Q. All right.

8 A. -- per customer.

9 Q. Okay. And Mr. Cooper asked you about all of
10 the time that may have been incurred by the company
11 throughout this case. But what's your understanding
12 of whose burden it is to prove those -- that time
13 that's been spent?

14 A. I believe it's the company's.

15 MS. BAKER: No further questions.

16 JUDGE JONES: You may step down.

17 COMMISSIONER HALL: Did you offer --

18 MS. BAKER: Oh, I'm sorry. No. Thank you.

19 I do need to offer OPC-1 and OPC-2.

20 JUDGE JONES: Any objection to either
21 exhibit?

22 MR. THOMPSON: No objection from Staff.

23 MR. COOPER: No, Your Honor.

24 JUDGE JONES: OPC Exhibits 1 and 2 is
25 admitted into the record. You may step down. Okay.

1 I don't think we are going to need post-hearing briefs
2 in this case.

3 MR. THOMPSON: No briefs?

4 JUDGE JONES: No briefs.

5 MR. THOMPSON: Okay.

6 JUDGE JONES: Well, time being the issue,
7 primarily. But you all can make closing statements in
8 lieu of briefs. And in making those statements, we'd
9 appreciate it if you would state the amount that you
10 propose should be a rate case expense. I believe the
11 company's amount may have changed from the time of its
12 motion. And just for clarity, I'd like each of the
13 parties to do that also. Do you all need time before
14 you do closing arguments?

15 MR. COOPER: I will. Yes.

16 JUDGE JONES: Okay. How much time do we
17 need?

18 MR. COOPER: Fifteen minutes.

19 JUDGE JONES: Okay. We'll take a fifteen-
20 minute break. I'll see you at -- let's just say a
21 quarter after 3:00.

22 MR. THOMPSON: Thank you, Judge.

23 (OFF THE RECORD.)

24 JUDGE JONES: Okay. Let's go ahead and go
25 on the record. Just a minute. All right. You may

1 proceed.

2 MR. COOPER: Judge, I apologize. This will
3 be even more disjointed than I normally am, but we'll
4 work our way through it. To -- to provide us with a
5 context, if you recall, Lincoln County Sewer & Water
6 made significant investment in a plant that was
7 installed back in August of 2012. As has been
8 testified to here today, this rate case was filed in
9 December of 2012, primarily for the purpose of getting
10 that plant into rates and getting recognition of the
11 time that -- that the members spend running their
12 companies. Lincoln County attempted to process the
13 case without hiring a lawyer or a consultant.
14 However, once they got the Staff's initial position,
15 before the Public Counsel even expressed its view of
16 things, there was a proposal that the company should
17 accept a rate decrease of some almost \$8000. And
18 essentially, its meters were deemed to not be
19 prudent. It certainly should surprise no one that at
20 that point, the company thought maybe they better hire
21 an attorney, maybe they better hire somebody else -- a
22 consultant -- to help them with -- with the case.
23 Lincoln County certainly did not desire an evidentiary
24 hearing. As I said before, what it was looking for
25 was just and reasonable rates that reflected the

1 amount of time its members spent on the system and the
2 recognition of their investment. The only option
3 available to the company at that time to pursue that
4 goal was to borrow and expend what were significant
5 funds and to spend a considerable amount of their own
6 personal time and energy on the process, which they
7 did. This situation, to some extent, repeated itself
8 in regard to rate case expense. As we've mentioned
9 previously, when Mr. Johansen filed his direct
10 testimony, he raised the issue of company time and
11 expense as a part of rate case expense. In his
12 testimony, in part he said the company's prudently
13 incurred legal fees and consulting fees related to the
14 resolution of its -- of its operating revenue,
15 increase request -- he's talking about the things that
16 should be included -- the cost of time spent directly
17 on rate case activities by office personnel other than
18 Ms. Kallash, and the cost of time spent directly on
19 rate case activities by Mr. Kallash and Ms. Kallash
20 should be included in determining the company's cost
21 of service. So certainly as far back as direct
22 testimony, that issue had been put on the table by the
23 company. When we got to rate case expense, some of
24 the early -- or experience of the company repeated
25 itself. As Ms. Hanneken testified today, the only

1 position that the company got from Staff was that
2 there should be zero dollars for the company time and
3 expense included as rate case expense. No matter
4 that -- that -- no matter what you think of the
5 records, it's clear that both OPC and Staff had plenty
6 of interaction with the Kallashes, and plenty of
7 personal experiences, the time they spent into this
8 case. But what the company was given at that point
9 was zero dollars. Faced with that, again, not much of
10 a choice for the company. We filed the motion for
11 rate case expense that's led us here today. Even
12 without that, I'll -- I'll point out to you much of
13 the attorney time and consultant time spent on a rate
14 case -- and this is just about any rate case -- is
15 going to take place -- or a big -- certainly a big
16 bunch of it is going to take place preparing for the
17 hearing, appearing at the hearing, writing the brief,
18 and then the aftermath of the hearing, reading the
19 report and order, working the way through
20 reconciliations as to where the rates should be,
21 coming up with the rates, filing the rates, that sort
22 of thing. The Commission's recognized that situation
23 several times in the past. Accordingly, calculation
24 of rate case expense must necessarily take place after
25 the conclusion of the evidentiary hearing. I don't

1 think that the fact that we're talking about
2 statements that have dates after the evidentiary
3 hearing is unique. I don't think the fact that --
4 that the calculation of this number is taking place
5 after the evidentiary hearing is unique in -- in any
6 sort of way. So I think that's -- that's to be
7 expected, and it's just a part of the process.
8 Ultimately, if I understood the party's positions
9 right, we've got Staff, who doesn't challenge
10 Mr. Johansen's time, my time, Mr. Burlison's time --
11 and they'll explain those, but they have some amount
12 of time for company time and expense that they -- they
13 identify. OPC has the timing that we talked about.
14 They want to start on day one with the filing of the
15 case, well, that's not really realistic, because you
16 don't just get up in the morning and file the case.
17 You have calls with the water and sewer departments
18 that have to take place. If -- if you don't have your
19 own attorneys or consultants on your staff, you talk
20 with them about what numbers should be included in
21 that letter, whether they kind of agree that -- that
22 generally, you're in the ballpark to want to go
23 forward. There's a lot of things that happen prior to
24 the -- or there are things that happen prior to the
25 filing of the case. The back-end date, again, we've

1 got things that we know are going to happen in every
2 case after that date that's been chosen and proposed
3 by the OPC. Even if we hadn't had this issue, I mean,
4 we're still talking about the report and order rates,
5 filing of rates, those sort of things. So there is
6 going to be time spent and expenses incurred after
7 that date. The company's proposal in this case is to
8 include in rate case expense the \$10,106 reflected by
9 Mr. Johansen's invoices, the \$27,990 reflected in the
10 Brydon, Swearingen & England invoices, the \$3220
11 reflected in the McIlroy & Millan -- Mr. Burlison's
12 invoices -- and the \$25,194 reflected in the company
13 time expense calculation. That's a total of \$66,510.
14 The company would then propose that a three-year
15 amortization be used to then convert that to a \$22,170
16 annual amount. As I stated in my opening statement, I
17 think that the amortization is a -- is a tool,
18 especially if -- if, as I would understand a -- a
19 tracker as proposed by the -- the Staff in its
20 opening, it would protect both the company and its --
21 and its customers, in terms of how long it does take
22 the company to come back for its next rate case. The
23 three years, I think is a recommendation, as you
24 heard, based upon the items that the company already
25 knows about, and its system, and the anticipated items

1 they've got -- they've got the -- the licensed
2 operator fees, they've got sludge hauling already.
3 Their growth appears that it's going to drive another
4 well within a couple years. And as most of the
5 utilities -- or many of the small water utilities
6 around the company, they've got -- around the state --
7 they've got disinfectant issues that may be addressed,
8 or may have to be addressed sooner rather than later.
9 So again, that three years is based upon actual
10 examination of circumstances and facts surrounding
11 this particular company. Thank you very much.

12 CHAIRMAN ROBERT KENNEY: Mr. Cooper, could
13 you just -- could you repeat the amounts again. I'm
14 sorry. You delineated the \$66,510, and I was trying
15 to keep up. Could you just repeat that again.

16 MR. COOPER: I can.

17 CHAIRMAN ROBERT KENNEY: Please. Thank
18 you.

19 MR. COOPER: Do you want the underlying
20 numbers as well, Chairman, or --

21 CHAIRMAN ROBERT KENNEY: Yeah. You said
22 you started with the \$10,106 --

23 MR. COOPER: Which is Mr. Johansen. Twenty
24 seven -- I'm sorry.

25 CHAIRMAN ROBERT KENNEY: No. Go ahead.

1 I'm sorry.

2 MR. COOPER: \$27,990 for my invoices.

3 Three --

4 CHAIRMAN ROBERT KENNEY: Got you.

5 MR. COOPER: Three -- \$3220 for the McIlroy
6 & Millan, Mr. Berlison.

7 CHAIRMAN ROBERT KENNEY: And then the
8 company?

9 MR. COOPER: Then the company is \$25,194.

10 CHAIRMAN ROBERT KENNEY: One ninety four.
11 Okay.

12 MR. COOPER: And then you've got the total,
13 I guess. \$66,510.

14 CHAIRMAN ROBERT KENNEY: Yes. Got the
15 total. Thank you. Sorry about that.

16 MR. COOPER: Any other questions?

17 JUDGE JONES: Commissioner Rupp?

18 COMMISSIONER RUPP: No.

19 JUDGE JONES: No questions. And from Staff
20 of the Commission.

21 MR. THOMPSON: Thank you, Judge. May it
22 please the Commission. I'll repeat what I said at the
23 opening statement, which is that Staff is sorry that
24 we're here for this proceeding. We're sorry that this
25 could not have been worked out the way it normally is,

1 and tariffs could not have been put into effect quite
2 a few months ago, shortly after the first hearing in
3 this case. But that's not what happened. This may be
4 an unusual event for our small water and sewer cases,
5 but it's not all that unusual in other types of law
6 practice. Before I came here, I -- I sued state
7 officials, school districts, state agencies on behalf
8 of Missourians with Disabilities in federal district
9 court. And under federal fee shifting statutes,
10 regularly, ordinarily you would come before the
11 federal judge after it was all over seeking your fees
12 in a proceeding very much like this one. So in the
13 general realm of law practice, it's not that unusual,
14 but it's certainly unusual for what we do, and I think
15 we'd like to keep it unusual. Staff's position is
16 still that all of the fees tendered by the
17 professionals in this case, Brydon, Swearingen &
18 England and Mr. Berlison and Mr. Johansen, should be
19 recovered dollar for dollar in rates, and that a
20 figure of \$5799 should be recovered for the company.
21 Now, let me clarify that. I -- Staff does not doubt
22 for a minute that significant time was put into this
23 case by Mr. and Mrs. Kallash. We do not doubt that.
24 We just don't know exactly how much of it there was.
25 And I will also point out to you in the original

1 hearing of this case, Staff's recommendation for the
2 annual salary of Mr. Kallash for running this water
3 company was \$7800. \$7800. The Commission, in its
4 report and order, gave Mr. Kallash \$23,710.70, a
5 significantly larger amount. We believe that amount
6 which he will receive on ongoing basis every year
7 until he comes back in for a new rate case and it is
8 reset -- we believe that amount is -- was partially
9 intended by the Commission to compensate Mr. Kallash
10 for his expenditures of time and expenses in this
11 case. So we don't feel bad about not including a
12 specific hourly amount for Mr. Kallash, which as I
13 said, we've been unable to determine from the time
14 sheets that we've seen, and which you will see when we
15 provide them to you as a late-filed exhibit after the
16 hearing is over. So with the bill we've just seen
17 from Mr. Cooper for May of sixteen sixty, that would
18 be an amount of \$47,115 in total to the company for
19 its expenses in this rate case. Staff recommends that
20 it be amortized over five years with a tracker. By
21 amortizing it, the company is protected, in that it
22 will all be recovered. None of it will be lost, no
23 matter when they come in for another rate case.
24 Because of the tracker, the rate payers will be
25 protected. There will be no over recovery. Only that

1 amount will be recovered. And when the next rate case
2 comes along, if there has been more recovered, then
3 that will be adjusted out, because it will have been
4 tracked. Those dollars will have been individually
5 counted. If Staff's recommendation is -- is followed
6 in terms of amount, and in terms of the method of
7 recovery and interval of recovery, the impact will be
8 \$9423 a year over five years, which will be \$76.61 per
9 household -- is that monthly? Yearly -- on an annual
10 basis. \$76.61 on an annual basis. And when you
11 include the rest of the increased revenue requirement
12 from this case, the impact would be \$185.93 on an
13 annual basis per household. We think the company
14 should recover its reasonable, necessary, prudent and
15 calculable costs. But we also think there should be
16 some consideration given to the rate payers, in terms
17 of rate shock. In terms of how much are they going to
18 be asked to shoulder as an increase at one time.
19 Thank you very much.

20 JUDGE JONES: Any questions, Mr. Chairman?

21 CHAIRMAN ROBERT KENNEY: Thank you.

22 JUDGE JONES: Thank you, Mr. Thompson.

23 MR. THOMPSON: Thank you.

24 JUDGE JONES: Ms. Baker?

25 MS. BAKER: As we said, this is a small

1 rate case procedure, which provides numerous options
2 and opportunities for settlement. The parties went to
3 hearing because the company wanted to. Interaction
4 does not mean cooperation on the part of the company.
5 You have heard the Staff say that at the evidentiary
6 hearing, there was \$14,600 included in the case at
7 that point. No party objected to that. It went
8 through the rate case hearing basically as an agreed-
9 upon number by all of the parties. All of the parties
10 today in the hearing room also stated that they
11 assumed at the rate case -- or at the evidentiary
12 hearing that rate case expense would end with the
13 filing of briefs. There has to be an end date. We
14 can keep going on this forever. A five-year
15 normalization is just and reasonable. Customers are
16 at the -- at the mercy of the utility and the
17 Commission. And we're asking the Commission to step
18 in today with reasonable numbers for rate case
19 expense, in something that, quite frankly, is already
20 unreasonable. Public Counsel has given their position
21 on the time frame for this. The start of the rate
22 case through the filing of the briefs is just and
23 reasonable. The company had the ability to file a
24 sixty-day waiver notice -- or sixty-day notice ahead.
25 They waived that. They decided to just file the

1 single letter and waive the ability to work on the
2 case for 60 days. That was their choice. The company
3 had the ability to work with the parties, even after
4 the evidentiary hearing, to come up with a reasonable
5 number. And believe me, we did. But here we are
6 today with brand-new numbers given out by the company
7 on May 8th, six months after the hearing. So what we
8 have before us is a set of numbers that are auditable
9 and a set of numbers that are not auditable. We have
10 two experts here, one for Staff, one for Public
11 Counsel, who have done audits of the system, setting
12 aside the -- the -- the filings that were done by the
13 company on the 8th of May. Audits were done. They
14 were verifiable audits with information that was
15 provided by the company, whose burden it is to provide
16 that information. Public Counsel gave an exhibit,
17 OPC-2, where we have, unfortunately, a recommendation
18 of a total rate case expense of \$39,662.16 with a
19 five-year normalization, giving an annualized amount
20 of \$7932.43 for the 123 customers, leading to an
21 annual amount per customer of \$64.49 for rate case
22 expense alone. Thank you.

23 JUDGE JONES: Any questions, Mr. Chairman?

24 CHAIRMAN ROBERT KENNEY: Can you just
25 repeat the dollar amount. I'm sorry.

1 MS. BAKER: The total amount recommended in
2 OPC-2 is \$39,662.16, with a five-year normalization,
3 for an annual amount, \$7932.43 for 123 customers,
4 \$64.49 per year.

5 CHAIRMAN ROBERT KENNEY: Got you. Thank
6 you.

7 JUDGE JONES: Thank you, Ms. Baker. Okay.
8 I guess that does it. Let's go ahead and go off the
9 record.

10

11 (LCSW-1 THROUGH LCSW-5 AND OPC 1 AND OPC 2 MARKED FOR
12 THE RECORD.)

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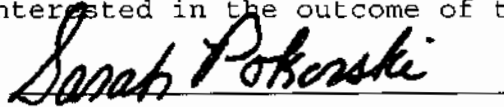
CERTIFICATE OF REPORTER

STATE OF MISSOURI)

) ss.

COUNTY OF FRANKLIN)

I, Sarah J. Pokorski, Certified Court Reporter within and for the State of Missouri, do hereby certify that the proceedings appearing in the foregoing transcript were taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.



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