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Exhibit No.:
Issues: Rate Case Expense and
Annual PSC Assessment
Witness: V. William Harris
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
File No: SR-2010-0320
Date Testimony Prepared: November 23, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

V. WILLIAM HARRIS, CPA, CIA

TIMBER CREEK SEWER COMPANY

FILE NO. SR-2010-0320

Exhibit No. 13
Date 1-5-11 Reporter TM
File No. SR-2010-0320

Jefferson City, Missouri
November 2010

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Direct Testimony of
V. William Harris

1 an Internal Auditor and Training Supervisor with Volume Shoe Corporation
2 (d/b/a Payless ShoeSource).

3 Q. What are your responsibilities with the Commission?

4 A. I am responsible for directing, or assisting, in the audits and examinations of
5 the books and records of regulated utility companies operating within the state of Missouri.

6 Q. Have you previously filed testimony before the Commission?

7 A. Yes. I have attached a list of the cases in which I have filed testimony before
8 the Commission as Schedule VWH 1 of my direct testimony.

9 Q. With reference to Case with File No. SR-2010-0320, have you examined and
10 studied the books and records of Timber Creek Sewer Company (Timber Creek
11 or Company)?

12 A. Yes, in conjunction with other members of Commission Staff (Staff).

13 Q. What is the purpose of your direct testimony in this proceeding?

14 A. The purpose of my direct testimony in this proceeding is to present Staff's
15 recommendations concerning rate case expense and annual PSC assessment.

16 Q. What knowledge, skill, experience, training, or education do you have in these
17 matters?

18 A. I have acquired general knowledge of these topics through my experience and
19 analyses in prior rate, complaint and merger cases before the Commission. I also acquired
20 knowledge of these topics through the review of the Staff's work papers and testimony in
21 prior rate, complaint and merger cases. I have reviewed prior Commission decisions
22 regarding these areas. I also reviewed the Company's recordkeeping, invoices and
23 correspondence related to these topics. I have attended numerous rate schools and

1 training symposiums sponsored by the Commission, other state commissions and the National
2 Association of Regulatory Utility Commissioners (NARUC). I earned a Bachelor of Science
3 degree in Business Administration; with an emphasis on accounting (coursework included
4 auditing and advanced auditing classes). I successfully completed the Certified Public
5 Accountants Exam (which included sections on accounting practice, accounting theory, and
6 auditing) and the Certified Internal Auditors Exam. Finally, I am currently licensed in the
7 State of Missouri to practice these professions.

8 Q. What adjustments are you sponsoring in this case?

9 A. I am sponsoring the following Income Statement adjustments to the
10 Staff's Accounting Schedules:

11 Normalized Rate Case Expense: E-196

12 Annualized PSC Assessment E-169

13 **NORMALIZED RATE CASE EXPENSE**

14 Q. Please describe Adjustment E-196.

15 A. This adjustment normalizes rate case expense over a three-year period.

16 Q. What was the Company's rate case expense for the test year?

17 A. The Company has incurred no rate case expense since its last rate proceeding
18 in File No. SR-2008-0080, the 2007 rate case. The Company provided Staff with a list of
19 rate case expenses from Case with File No. SR-2008-0080 and sought their inclusion in this
20 rate proceeding.

21 Q. Is it appropriate to include rate case expense from a previous proceeding in
22 determining the proper amount of rate case expense to include in this proceeding?

Direct Testimony of
V. William Harris

A. No. The use of prior period expenses in this rate proceeding would violate the Matching Principle because same-period revenues and expenses would not be properly matched.

Q. Please summarize Staff's review of the Company list of prior rate case expense.

A. Staff analyzed the list of prior rate case expenses provided by the Company and formulated initial observations (apart from their timeliness) about their applicability to rate case expense. The Company's list and Staff's initial observations are as follows:

Vendor and/or Service	Date	Company	Staff	Reason/Explanation of Expense
Finnegan, Conrad & Peterson, LC	4/12/07	\$784	\$0	Included in SR-2008-0080 update
Finnegan, Conrad & Peterson, LC	5/22/07	\$384	\$0	Included in SR-2008-0080 update
Finnegan, Conrad & Peterson, LC	9/26/07	\$867	\$0	Included in SR-2008-0080 update
Derek Sherry/ Professional Services	12/17/08	\$18,175	\$0	Part of salaried duty as Co. GM/Pres.
Parking, 2 lunches and 2 dinners	8/19/07	\$81	\$0	Included in SR-2008-0080 update
Derek Sherry/Mileage-1471@\$.485	7/30/07	\$713	\$0	Included in SR-2008-0080 update
Derek Sherry/Mileage-368@\$.485	8/13/07	\$178	\$178	Disposition agreement / unanimous stip.
Finnegan, Conrad & Peterson, LC	11/20/07	\$13,944	\$13,994	\$13,775 legal/ \$165 miles/\$4 photocopy
Finnegan, Conrad & Peterson, LC	12/13/07	\$4,693	\$4,693	\$4,668 legal fees & \$5 transcript copy
Finnegan, Conrad & Peterson, LC	1/15/08	\$3,220	\$3,220	\$3,220 in legal fees
Finnegan, Conrad & Peterson, LC	2/14/08	\$780	\$780	\$780 in legal fees
Finnegan, Conrad & Peterson, LC	3/13/08	\$180	\$180	\$180 in legal fees

1 Q. Did Staff use the data above to normalize rate case expense in this proceeding?

2 A. Yes. Staff noted that most of the valid rate case expenses from the previous
3 rate case in SR-2008-0080, would normally be expected to occur again in this rate case
4 proceeding (Case with File No. SR-2010-0320). There is one significant difference between
5 the two rate cases. Case with File No. SR-2008-0080 included an intervener, Hunt Midwest
6 in Kansas City, who actively participated in the final resolution of the 2007 rate case,
7 including separate tariffs applicable to Hunt Midwest only. Case with File No. SR-2010-0320
8 will include an evidentiary hearing in Jefferson City. Staff used the valid rate case expenses
9 in Case with File No. SR-2008-0080 as a basis for its normalization of rate case expense in
10 this case with three notable exceptions:

- 11 1) Parking and meals in Jefferson City for the settlement conference in
12 Case with File No. SR-2008-0080 are now reasonably expected to
13 occur for the evidentiary hearing in Case with File No. SR-2010-0320.
- 14 2) Mileage reimbursement for the Jefferson City trip associated with
15 1) above is now at a rate of \$.50 per mile rather than \$.485 per mile.
- 16 3) A trip to Kansas City for settlement discussions with the intervener in
17 Case with File No. SR-2008-0080 can now reasonably be expected to
18 occur as a trip to Kansas City for legal consultation in preparation of
19 the hearing to be held in Case with File No. SR-2010-0320.

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Staff normalized rate case expense as follows:

Vendor and/or Service	Company	Staff	Reason/Explanation of Expense
Finnegan, Conrad & Peterson, LC	\$784	\$0	Normal (not rate case) legal expense
Finnegan, Conrad & Peterson, LC	\$384	\$0	Normal (not rate case) legal expense
Finnegan, Conrad & Peterson, LC	\$867	\$0	Normal (not rate case) legal expense
Derek Sherry/Professional Services	\$18,175	\$0	Part of salaried duty as Co. GM/Pres.
Parking, was 4 meals – now 2 meals	\$81	\$43	Settlement conference – now hearing
Derek Sherry/Mileage-1471@\$.485	\$713	\$29	Meet Intervener- now meet Counsel
Derek Sherry/Mileage-368@\$.485	\$178	\$184	Was \$.485 per mile-now \$.50 per mile
Finnegan, Conrad & Peterson, LC	\$13,944	\$13,994	\$13,775 legal/\$165 miles /\$4 photocopy
Finnegan, Conrad & Peterson, LC	\$4,693	\$4,693	\$4,668 legal fees & \$5 transcript copy
Finnegan, Conrad & Peterson, LC	\$3,220	\$3,220	\$3,220 in legal fees
Finnegan, Conrad & Peterson, LC	\$780	\$780	\$780 in legal fees
Finnegan, Conrad & Peterson, LC	\$180	\$180	\$180 in legal fees
TOTAL	\$44,000	\$23,073	3-yr normalization of \$7,691 per year

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Staff noted that in addition to the aforementioned normalized adjustments, the Company may incur more legal expense in this proceeding due to the nature of evidentiary hearings. Any additional cost that is a reasonably incurred rate case expense will be considered for inclusion later in the case. Some rate case costs such as consulting fees,

1 employee travel expenditures, and legal representation, are directly associated with the length
2 of the case through the prehearing and hearing process. The Staff will work with Timber
3 Creek to establish an ongoing normalized level of rate case expense for inclusion in rates.

4 **ANNUALIZED PSC ASSESSMENT**

5 Q. Please explain Adjustment E-169.

6 A. This adjustment to the test year annualizes the PSC assessment expense based
7 on the known and measurable Fiscal 2011 Commission assessment. This is the most current
8 assessment the Commission has authorized and Timber Creek is being billed. Therefore, it is
9 the proper amount to use in this case.

10 Q. Does this conclude your direct testimony?

11 A. Yes, it does.

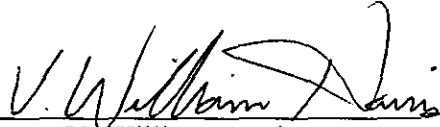
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Timber Creek Sewer Company Request for a) File No. SR-2010-0320
Rate Increase.)
)

AFFIDAVIT OF V. WILLIAM HARRIS

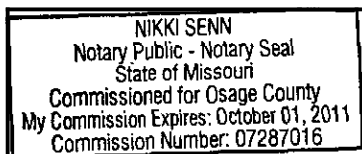
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

V. William Harris, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



V. William Harris

Subscribed and sworn to before me this 23rd day of November, 2010.





Notary Public

CASE PROCEEDING PARTICIPATION

V. WILLIAM HARRIS, CPA, CIA

Rate Cases

Date Filed	Case Number	Company Name	Exhibit	Issue
09/01/1995	ER-95-279	Empire District Electric Company	Direct	Payroll, Payroll Taxes, Incentive Pay, 401K Retirement Plan
	GR-96-285	Missouri Gas Energy (Southern Union Company)	Direct	Plant In Service, Depreciation Expense, Depreciation Reserve, Service Line Replacement Program
	GR-96-285	Missouri Gas Energy (Southern Union Company)	Rebuttal	Service Line Replacement Program
	GR-96-285	Missouri Gas Energy (Southern Union Company)	Surrebuttal	Service Line Replacement Program
06/26/1997	GR-97-272	Associated Natural Gas Company and Division of Arkansas Western Gas Company	Direct	Revenues, Plant in Service, Customer Billing Expense, Normalized Bad Debt Expense, Depreciation Expense, Depreciation Reserve
10/8/1998	EC-98-573	St. Joseph Light and Power Company	Direct	Fuel Expense Adjustment, Miscellaneous Administrative and General Expenses, PSC Assessment, Capacity Demand Costs, Rate Case Expense, Fuel Inventory
12/16/1998	EC-98-573	St. Joseph Light and Power Company	Additional Direct	Fuel Expense Adjustment, Fuel Inventory, Insurance and Other Admin. Expenses
05/13/1999	ER-99-247 – EC-98-573	St. Joseph Light & Power Company	Direct	Purchased Power Demand Cost, Fuel Expense, Fuel Inventory, PSC Assessment, Rate Case Expense
05/13/1999	HR-99-245	St. Joseph Light & Power Company	Direct	Steam Revenues
06/10/1999	HR-99-245	St. Joseph Light & Power Company	Rebuttal	Fuel Inventories, Rate Case Expense
06/10/1999	GR-99-246	St. Joseph Light & Power Company	Rebuttal	Rate Case Expense
06/10/1999	ER-99-247 – EC-98-573	St. Joseph Light & Power Company	Rebuttal	Fuel Price, Fuel Inventories, Rate Case Expense
06/22/1999	HR-99-245	St. Joseph Light & Power Company	Surrebuttal	Fuel Inventory, Possible Loss on the Sale of No. 6 Fuel Oil, Rate Case Expense
06/22/1999	GR-99-246	St. Joseph Light & Power Company	Surrebuttal	Rate Case Expense
06/22/1999	ER-99-247 – EC-98-573	St. Joseph Light & Power Company	Surrebuttal	Fuel Price, Fuel Inventories, Possible Loss on the Sale of No. 6 Fuel Oil, Rate Case Expense
05/2/2000	EM-2000-292	UtiliCorp United Inc. / St. Joseph Light and Power	Rebuttal	Merger Savings

CASE PROCEEDING PARTICIPATION

V. WILLIAM HARRIS, CPA, CIA

Rate Cases

Date Filed	Case Number	Company Name	Exhibit	Issue
06/21/2000	EM-2000-369	UtiliCorp United Inc. / Empire District Electric Company	Rebuttal	Merger Savings
10/11/2000	EO-2000-845	St. Joseph Light and Power Company	Rebuttal	Accounting Authority Order
10/23/2000	EO-2000-845	St. Joseph Light and Power Company	Revised Rebuttal	Accounting Authority Order
11/30/2000	TT-2001-115	Green Hills Telephone Corporation	Rebuttal	Revenue Requirements
2001	TC-2001-401	Green Hills Telephone Corporation	Direct	Revenue Requirement
04/03/2001	ER-2001-299	The Empire District Electric Company	Direct	Fuel Stock Inventory Levels
04/03/2001	ER-2001-299	The Empire District Electric Company	Direct	Fuel and Purchase Power Expenses
05/17/2001	ER-2001-299	The Empire District Electric Company	Surrebuttal	Fuel and Purchased Power
08/07/2001	ER-2001-299	The Empire District Electric Company	True-up Direct	Fuel and Purchased Power Expense
08/07/2001	ER-2001-299	The Empire District Electric Company	True-up Direct	Allowance for Funds Used During Construction
12/06/2001	ER-2001-672	UtiliCorp United Inc. d/b/a Missouri Public Service	Direct	Purchased Power Expense
01/08/2002	ER-2001-672/ EC-2002-265	UtiliCorp United Inc. d/b/a Missouri Public Service	Rebuttal	Purchase Power Expense, Fuel
01/22/2002	ER-2001-672/ EC-2002-265	UtiliCorp United Inc. d/b/a Missouri Public Service	Surrebuttal	Natural Gas Price
08/16/2002	ER-2002-424	The Empire District Electric Company	Direct	Rate Base, Plant in Service, Depreciation, Income Statement Adjustment, Income Taxes
12/09/2003	ER-2004-0034 HR-2004-0024	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks – L&P	Direct	Purchased Power Analysis, Off-System Interchange Sales, Income Tax Expense
01/06/2004	GR-2004-0072	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks – L&P	Direct	Revenue Annualization, Bad Debt Expense, Income Tax Expense
02/13/2004	GR-2004-0072	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks – L&P	Rebuttal	Bad Debt Expense

CASE PROCEEDING PARTICIPATION

V. WILLIAM HARRIS, CPA, CIA

Rate Cases

Date Filed	Case Number	Company Name	Exhibit	Issue
03/11/2004	GR-2004-0072	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks – L&P	Surrebuttal	Bad Debt Expense
10/14/2005	ER-2005-0436	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks – L&P	Direct	Purchased Power Analysis, Off-System Interchange Sales, Income Tax Expense
10/14/2005	HR-2005-0450	Aquila, Inc. d/b/a Aquila Networks – L&P	Direct	Income Tax Expense
04/13/2006	HA-2006-0294	Trigen-Kansas City Energy Corporation	Rebuttal	Staff's Position on Expansion
08/08/2006	ER-2006-0314	Kansas City Power and Light	Direct	Incentive Compensation, Supplemental Executive Retirement (SERP), Other Executive Bonuses, Maintenance Expense, Regulatory Expense, Accumulated Deferred Income Taxes – Rate Base Offset
10/6/2006	ER-2006-0314	Kansas City Power and Light	Surrebuttal	Incentive Compensation, Maintenance Expense
01/18/2007	ER-2007-0004	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks – L&P	Direct	Purchased Power Analysis, Off-System Interchange Sales, Incentive Compensation
02/11/09	ER-2009-0089	Great Plains Energy, Inc. - Kansas City Power & Light Company	Direct	Fuel and Purchased Power costs, Fuel Inventories, Off-system Sales
02/13/09	ER-2009-0090	Great Plains Energy, Inc. – Greater Missouri Operations Company	Direct	Fuel and Purchased Power costs, Fuel Inventories, Off-system Sales
03/11/09	ER-2009-0089	Great Plains Energy, Inc. - Kansas City Power & Light Company	Rebuttal	Off-system Sales Margin
03/13/09	ER-2009-0090	Great Plains Energy, Inc. – Greater Missouri Operations Company	Rebuttal	Off-system Sales Margin
01/14/10	SR-2010-0110 WR-2010-0111	Lake Region Water and Sewer Company	Direct	Executive Management Oversight
03/12/10	SR-2010-0110 WR-2010-0111	Lake Region Water and Sewer Company	Surrebuttal	Executive Management Oversight
11/10/10	ER-2010-0355	Kansas City Power & Light Company	Direct	Fuel and Purchased Power costs, Fuel Inventories, Off-system Sales

CASE PROCEEDING PARTICIPATION

V. WILLIAM HARRIS, CPA, CIA

Rate Cases

Date Filed	Case Number	Company Name	Exhibit	Issue
11/17/10	ER-2010-0356	KCPL – Greater Missouri Operations Company	Direct	Fuel and Purchased Power costs, Fuel Inventories, Off-system Sales

CASE PROCEEDING PARTICIPATION

V. WILLIAM HARRIS, CPA, CIA

List of Informal Cases Processed Under the Commission Informal Rate Case Procedure

(Served as Lead Auditor or in a supervisory capacity on all but U.S. Water/Lexington and Raytown Water.)

<u>Company Name</u>	<u>Case No.</u>	<u>Other Auditors</u>
Valley Woods Water Company	WR-2010-0139	Karen Herrington
	SR-2010-0140	
West 16 th Street Sewer Company	SR-2008-0389	Bret Prenger
WPC Sewer Company	SR-2008-0388	Bret Prenger
Spokane Highlands Water Company	WR-2008-0314	Karen Herrington Keith Majors
Timber Creek Sewer Company	SR-2008-0080	Graham Vesely (left) (then) Phil Williams
Timber Creek Sewer Company	SR-2004-0532	None
Taney County Utilities	WR-96-418	David Mansfield
	SR-96-418	David Mansfield
Ozark Mountain Water Company	WR-96-237	None
Hickory Hills Water and Sewer Co.	WR-95-432	Robert O'Keefe
	SR-95-432	Brett Peter
Raytown Water Company	WR-92-85	Phil Williams (Lead)
U.S. Water / Lexington	WR999	Phil Williams (Lead)

CASE PROCEEDING PARTICIPATION

V. WILLIAM HARRIS, CPA, CIA

Other Non-Rate Case Assignments

List of assigned cases with primary responsibility for the Auditing Department scope of work, but for which testimony was not required. (NOTE: Did not have primary responsibility in Cass County Telephone Company Case Nos. TO-2005-0237 and TC-2005-0357 which were performed by a team of several auditors and other Staff.)

<u>Company Name</u>	<u>Case No.</u>	<u>Docket / Case Type</u>
Canyon Treatment Facility	SA-2010-0219	Certificate
Timber Creek Sewer Company	SA-2010-0100	Certificate
Timber Creek Sewer Company	SA-2010-0063	Certificate
Savannah Heights Industrial Treatment	SO-2008-0094	Sale
Aquila, Inc.	EO-2006-0309	Certificate
Missouri Gas Energy	GO-2006-0201	ISRS
Aquila, Inc.	EO-2006-0036	Sale
Missouri Gas Energy	GO-2005-0273	ISRS
Kansas City Power & Light	EO-2005-0270	Sale
Cass County Telephone Company	TC-2005-0357	Complaint
Cass County Telephone Company	TO-2005-0237	Investigation
Sendero SMGC	GM- 2005-0136	Acquisition
Missouri Gas Energy	GA-2005-0107	Certificate
Missouri Gas Energy	GA-2005-0053	Certificate
Missouri Gas Energy	GO-2005-0019	Acquisition
Trigen-Kansas City Energy Corp.	HM-2004-0618	Sale
Atmos Energy Corporation	GM-2004-0607	Acquisition
Emerald Pointe Utility Company	WA-2004-0582	Certificate
Emerald Pointe Utility Company	WA-2004-0581	Certificate
DOD-CO Enterprise / Shell Rock	WM-2004-0449	Sale (Water & Sewer)
Missouri Gas Energy	GA-2003-0492	Certificate
Wilden Heights Water Company	WO-2003-0086	Sale
Aquila, Inc.	EM-2003-0091	Sale
Missouri Public Service Company	EM-99-551	Sale
Savannah Heights Industrial Treatment	SA-98-294	Certificate
Kansas City Power & Light Co.	EM-97-305	Sale
Oregon Farmer's Mutual Telephone	TO-00-049	Investigation