

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

In the Matter of the Application)
Of a Rate Increase) Case No. WR-2017-0259
For Indian Hills Utility)
Operating Company, Inc.)

**RESPONSE OF THE OFFICE OF THE PUBLIC COUNSEL
TO PARTIAL DISPOSITION AGREEMENT
AND REQUEST FOR EVIDENTIARY HEARING**

COMES NOW the Missouri Office of the Public Counsel (“OPC”), by and through undersigned counsel, and for its response to the Partial Disposition Agreement and Request for Evidentiary Hearing, states as follows:

1. On April 4, 2017, Indian Hills Utility Operating Company, Inc. (“Company”), filed a Request for Increase. In its Request, the Company purports to need an increase of \$750,280 in its annual water system operating revenues.

2. On September 1, 2017, the Staff of the Missouri Public Service Commission (“Staff”) filed, among other things, its audit findings, which recommend a revenue requirement calculation for Indian Hills of \$641,435. This is an increase of five hundred and sixty-four percent (564%) over current rates. Within the same filing, Staff and the Company signed a document styled as a “Partial Disposition Agreement of Small Water Company Revenue Increase Request” (“Partial Disposition”).

3. In the Partial Disposition the Company and Staff jointly request an evidentiary hearing on remaining disputed issues of repair expense, salaries, auditing expense, capital structure, return on equity, and tax preparation expense. OPC agrees that these disputed issues should be considered at an evidentiary hearing. The Company and the Staff accurately described

these disputed issues as being insufficiently defined, and both signatories agreed that these issues will “be further defined and filed separately in EFIS.”¹ OPC agrees that the parties will have the opportunity to separately define the scope of these issues in their respective pre-filed testimony.

4. OPC is uncertain if the Company and Staff consider rate design a disputed issue or a resolved issue under the terms of the Partial Disposition. OPC, therefore, requests the issue of rate design be determined at the evidentiary hearing.

5. The Partial Disposition purports to resolve ten enumerated issues. OPC does not dispute issues 2, 4, and its subparts 4(a-f), 5, 7, with the exception that under issue 7, the Disposition should state that no Plan shall be deemed to be pre-approval of the investments for ratemaking purposes, 8, and 9. OPC does not see issue 10 as an issue, but OPC agrees that a statement helps provide the foundation for the validity of the agreement.

6. OPC disputes issues 1, 3, and 6. OPC, therefore, requests an evidentiary hearing on those issues. In an attempt to clarify OPC’s list of issues related to issue 1, OPC requests an evidentiary hearing to determine the sub-issues of treatment of: (1) pre-acquisition engineering fees, (2) treatment of initial service fee for electric expense, (3) accounting treatment of major leak repairs, which OPC has capitalized, (4) employee benefits, (5) AFUDC treatment, (6) interest expense and cost of debt, (7) treatment of intercompany transfers, treatment of accumulated loan interest, rate base, and (8) outside services – Management Consultant fees. Issues of the amount of rate base and depreciation expense are dependent on resolution of the accounting treatment of leak repairs and pre-acquisition engineering fees. Employee benefits is also dependent on resolution of employee salaries.

¹ Small Company Revenue Increase Partial Disposition Agreement, Page 4 of 5 (August 31, 2017).

7. OPC is working with the parties to coordinate a procedural schedule to include a timeframe for a local public hearing.

WHEREFORE, OPC respectfully submits its Response of the Office of the Public Counsel to Partial Disposition Agreement and Request for Evidentiary Hearing.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Lera L. Shemwell
Lera Shemwell, Mo. Bar No. 43792
Senior Counsel
Ryan Smith, Mo. Bar No. 66244
Senior Counsel
PO Box 2230
Jefferson City, MO 65102
P: (573) 751-4857
F: (573) 751-5562
E-mail: ryan.smith@ded.mo.gov

CERTIFICATE OF SERVICE

On this 11th day of September, 2017, I hereby certify that a true and correct copy of the foregoing motion was submitted to all relevant parties by depositing this motion into the Commission's Electronic Filing Information System ("EFIS").

/s/ Lera L. Shemwell