

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

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

**STATEMENT OF POSITIONS**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Statement of Positions*, states as follows:

**I. Payroll**

- a. What are the appropriate job titles to be used in MERIC to compare and determine labor expense associated with Mr. Josiah Cox and Mr. Todd Thomas?

**Staff's position: Staff recommends the appropriate job title for MERIC purposes for Mr. Josiah Cox is Chief Executive and Construction Manager for Mr. Todd Thomas.**

- b. What are the appropriate MERIC salary wages?

**Staff's position: Staff recommends using the following MERIC salary wages:**

```
**           **
**           **
**           **
**           **
**           **
**           **
**           **
```

- c. Should the Employment Cost Index inflation rate be applied in setting such amounts?

**Staff's position: No.**

- d. What allocation factor (actual or assumed) should be used to determine payroll?

**Staff's position: Staff recommends using an assumed allocation factor to determine payroll.**

- e. What level of experience should be used to set the labor expense associated with each employee?

**Staff's position: Staff recommends using the mean level of experience in the Missouri Economic Research and Information Center (MERIC) to annualize CSWR payroll.**

**II. Auditing and Tax Preparation Fees**

- a. What is the appropriate amount of Indian Hill's auditing and tax preparation (accounting) costs to include in Indian Hill's cost of service?

**Staff's position: Staff recommends \$13,993 to be included in Indian Hill's cost of service for auditing and tax preparation fees.**

- b. Should accounting costs paid outside the test year be included in Indian Hill's cost of service?

**Staff's position: Yes. Indian Hills did not incur any tax preparation or auditing cost during the test year, but will incur these costs in the future on an ongoing basis. It is reasonable to include a known and measurable amount in rates for these costs.**

**III. Management Consulting Fees**

- a. Should a management consulting fee be included in the cost of service for Indian Hills?

**Staff's position: Yes.**

**IV. Bank Fees**

- a. What is the appropriate level of bank fees to include in the cost of service for Indian Hills?

**Staff's position: Staff recommends including eight months of bank fees in its cost of service totaling \$4,714.**

**V. Rate Case Expense**

- a. What is the appropriate rate case expense to include in the cost of service for Indian Hills?

**Staff's position: As of November 21, 2017, Staff recommends a normalized rate case expense of \$5,722 to be included in the cost of service for Indian Hills.**

**VI. Treatment of Leak Repair Costs**

- a. What are the appropriate accounts to book leak repair?

**Staff's position: Staff recommends booking the initial leak repair cost in rate base and amortizing this amount over three years. Future repair expense should be booked in operation and maintenance accounts.**

- b. What is the appropriate level of leak repair to include in the cost of service?

**Staff's position: Staff recommends \$56,969 be included in rate base and amortize this amount three years.**

**VII. Extension of Electric Service**

- a. Should the Company be able to capitalize the electric line extension?

**Staff's position: Yes.**

- b. If so, what are the appropriate accounts to book the extension of electric line service?

**Staff's position: Staff recommends booking \$23,000 for the extension of electric service to account 325 "Electric Pumping Equipment".**

**VIII. Rate Design**

- a. How should rates be developed based on the cost of service approved in this case?

<b>Water Charge</b>	<b>Proposed Rates</b>
Monthly Minimum Charge	\$52.04
Usage per 1,000 gallons	\$7.87

- b. Should a seasonal rate design be adopted in this case, and if so, what should be the structure of the seasonal and non-seasonal rates?

**Staff's position: Staff does not support a seasonal rate due to uncertainties in developing such a rate at this time. Less than one year of water sales data exists, therefore seasonal use patterns cannot be determined, and the impact of seasonal rates on the company cannot be known.**

**IX. Rate of Return**

- a. What capital structure should be used for determining rate of return?

**Staff's position: Staff recommends a hypothetical capital structure of 35 equity to 65 debt ratio. (35/65)**

- b. What cost of debt should be used for determining rate of return?

**Staff's position: As part of the Partial Disposition Agreement executed between the Company and Staff, Staff recommends a cost of debt of 14%.**

- c. What return on common equity should be used for determining rate of return?

**Staff's position: Staff recommends an ROE of 9.34%.**

Respectfully submitted,

**/s/ Nicole Mers**

Nicole Mers  
Associate Counsel  
Missouri Bar No. 66766  
P.O. Box 360  
Jefferson City, MO 65012  
(573) 751-6651 (Telephone)  
(573) 751-9285 (Fax)  
Nicole.mers@psc.mo.gov

**Attorney for the Staff of the  
Missouri Public Service Commission**

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 21<sup>st</sup> day of November 2017, to all counsel of record.

**/s/ Nicole Mers**