

Exhibit No.: 103
Issue: *Capitalized Expenses*
Witness: *Stephen B. Moilanen, P.E.*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *WR-2017-0259*
Date Testimony Prepared: *October 13, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

**COMMISSION STAFF DIVISION
WATER AND SEWER DEPARTMENT**

DIRECT TESTIMONY

OF

STEPHEN B. MOILANEN, P.E.

INDIAN HILLS UTILITY OPERATING COMPANY

CASE NO. WR-2017-0259

Staff Exhibit No. 103
date 11-27-17 Reporter XF
File No. WR-2017-0259

*Jefferson City, Missouri
October 2017*

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1 **DISTRIBUTION SYSTEM AND SERVICES REPAIR EXPENSE**

2 Q. Please explain your method for assigning repair and replacement expenses to
3 maintenance and plant accounts.

4 A. Staff requested documentation of leak repairs from IHUOC via Data Request
5 001. In response, IHUOC submitted copies of invoices from contractors. A short description
6 of the work was included on the invoices. The invoices indicated that some of the expense
7 was associated with repairing a service line or main, while in other cases the service line
8 or main was replaced instead. Guidance provided within the 1973 edition of the Uniform
9 System of Accounts, published by the National Association of Regulatory Utility
10 Commissioners, was used to appropriately assign expenses. If the work was characterized as
11 a "repair", I placed the costs into maintenance accounts. If the work was characterized as a
12 "replacement", the costs were placed into the Utility Plant Accounts.

13 **PRE-ACQUISITION ENGINEERING FEES**

14 Q. Please explain your rationale behind capitalizing Pre-Acquisition Engineering
15 Fees.

16 A. CSWR incurred certain expenses related to engineering investigation and
17 design related to IHUOC before the purchase date of March 31, 2016, as documented by
18 responses to Data Request 001. The assets that IHUOC constructed were of such a nature that
19 a detailed investigation, design, and bidding process was required prior to construction. Also,
20 prior to the start of construction, the state of the existing water distribution system was in such
21 disrepair that the reliability and safety of water service to customers was in question, and this
22 need for system upgrades and repairs is discussed in the Direct Testimony of Staff Witness
23 David A. Spratt.

1 An engineering design process can take several months to be completed due to the
2 amount of detail and caution exercised while formulating a design. Starting the design process
3 early (i.e., prior to closing on the assets) expedited the restoration of safe and reliable service
4 to the customers of IHUOC. Because the early initiation of an engineering design benefited
5 the customers of IHUOC, and because the engineering design was necessary, I included the
6 associated pre-acquisition engineering fees as a part of capital expenses.

7 Q. What do you recommend in relation to these issues?

8 A. I recommend that distribution system repair and replacement costs be
9 incorporated into cost of service as described in Appendix A of the Company/Staff
10 Agreement Regarding Disposition of Small Water Company Revenue Increase Request of
11 August 2, 2017. In addition, I recommend that the pre-acquisition engineering fees be
12 incorporated into cost of service as described in the same Appendix.

13 Q. Does this conclude your testimony?

14 A. Yes, it does.

Stephen B. Moilanen, PE

Education and Employment Background and Credentials

I am currently employed as a Utility Regulatory Engineer for the Missouri Public Service Commission (“Commission”). I have been employed by the Commission in this position since January 2017.

I am a graduate of Michigan Technological University where I earned the degree of Bachelor of Science in Civil Engineering. I graduated with high honors (Magna Cum Laude). In addition, I am licensed as a Professional Engineer in Missouri.

Prior to working for the Commission, I was employed by Barr Engineering Company between 2011 and 2016 as a Water Resources Specialist. My task work included environmental permitting, surface water investigations, wastewater treatment design, wastewater treatment operation and maintenance development, construction observation, quality control/assurance coordination, hydraulics/hydrology modeling, drilling, soils testing and investigation, and cost estimating. Prior to 2011, I was also employed by Bechtel Corporation as a Civil Field Intern, the Michigan Department of Transportation as a Mobility Intern, and Soils and Materials Engineers, Inc., as a Construction Materials Technician.

This is the first case at the Commission in which I have provided testimony. Other cases I have been assigned to or that I have participated in are listed below.

Case Number	Company
EO-2018-0062	Kansas City Power and Light Company
EO-2018-0051	Union Electric Company-Ameren Missouri
WM-2018-0023	Liberty Utilities LLC
SA-2018-0019	Missouri American Water Company
GR-2018-0013	Liberty Utilities Corporation
WR-2017-0343	Gascony Water Company
WR-2017-0285	Missouri American Water Company
WA-2017-0278	Missouri American Water Company
WR-2017-0259	Indian Hills Utility Operating Company
GR-2017-0216	Missouri Gas Energy
GR-2017-0215	Laclede Gas Company
WR-2017-0206	TUK LLC