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Issue: Corporate Payroll
Employee Benefits
Auditing Expense/Tax Preparation
Customer Numbers

Witness: Ashley Sarver

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

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

ASHLEY SARVER

INDIAN HILLS UTILITY OPERATING COMPANY, INC.

CASE NO. WR-2017-0259

*Jefferson City, Missouri
October 2017*

** Denotes Confidential Information **

Staff Exhibit No. 104
Date 11-27-17 Reporter AF
File No. WR-2017-0259

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1 **DIRECT TESTIMONY**

2 **OF**

3 **ASHLEY SARVER**

4 **INDIAN HILLS UTILITY OPERATING COMPANY, INC.**

5 **CASE NO. WR-2017-0259**

6 Q. Please state your name and business address.

7 A. Ashley Sarver, Governor Office Building, 200 Madison Street, Suite 440,
8 Jefferson City, Missouri 65101.

9 Q. By whom are you employed and in what capacity?

10 A. I am employed by the Missouri Public Service Commission (“Commission”)
11 as a Utility Regulatory Auditor IV in the Auditing Department, Commission Staff Division
12 of the Commission Staff (“Staff”).

13 **BACKGROUND OF WITNESS**

14 Q. Please describe your educational background, work experience and any cases
15 in which you have previously filed testimony before this Commission.

16 A. My credentials and a listing of cases in which I have filed testimony
17 previously before this Commission are attached to this direct testimony as Schedule AS-d1.

18 **EXECUTIVE SUMMARY**

19 Q. What is the purpose of your direct testimony?

20 A. The purpose of my direct testimony in this case is to sponsor Staff’s positions
21 regarding some of the unresolved issues between Staff and Indian Hills Operating Company,
22 Inc. (“Indian Hills” or “Company”) in this proceeding. These issues are rate treatment of

1 corporate payroll, employee benefits, auditing expense, tax preparation expense and the
2 customer numbers for Indian Hills.

3 **CORRECTION TO THE PARTIAL DISPOSITION AGREEMENT**

4 Q. Does Staff have any corrections to make to the *Partial Disposition Agreement*
5 filed on September 1, 2017?

6 A. Yes. Staff has made two corrections to the *Partial Disposition Agreement*,
7 referencing Attachment A and Attachment B. They are attached to this testimony as Schedule
8 AS-d2 (Auditing Department Recommendation Memorandum) and Schedule AS-d3 (Staff's
9 EMS report). These corrections support Staff's water cost of service calculation referenced in
10 Attachment A and Attachment B of the *Partial Disposition Agreement*. The *Partial*
11 *Disposition Agreement* is attached to Natelle Dietrich's Direct Testimony.

12 **CORPORATE PAYROLL**

13 Q. Please provide a brief discussion of Indian Hills' corporate payroll.

14 A. First Round CSWR, LLC ("First Round") is a corporation which currently
15 owns four regulated Missouri operating companies (Hillcrest Utility Operating Company,
16 Inc., Raccoon Creek Utility Operating Company, Inc., Elm Hills Utility Operating Company,
17 Inc., and Indian Hills) and is considering acquiring a number of other small water and sewer
18 properties. All employees who performed work on behalf of Indian Hills and First Round are
19 CSWR employees who, if possible, directly assign costs to the operating system for which
20 services are provided.

21 Q. How many employees does CSWR currently have?

22 A. Currently, CSWR has six employees. The President of CSWR is Josiah Cox;
23 along with Forrest "Todd" Thomas, Senior Vice President; Phil Macias, Chief Financial

Direct Testimony of
Ashley Sarver

1 Officer; Yolanda Rousseau, Senior Accountant; Daniel Janowiak, Accounting Clerk; and
2 Brenda Eaves, Manager Customer Service.

3 Q. Please explain how the Staff developed the corporate payroll compensation
4 for this case.

5 A. Staff used the Missouri Economic Research and Information Center
6 (“MERIC”) website to determine if the CSWR employee pay scale was comparable to
7 salaries paid within the St. Louis Region, where CSWR is located.

8 Q. What is MERIC?

9 A. MERIC is the research division for the Missouri Department of Economic
10 Development. It provides innovative analysis and assistance to policymakers and the public,
11 including studies of the state’s targeted industries and economic development initiatives.
12 Other MERIC research includes Economic Conditions Reports, Economic Impact
13 Assessments, and Labor Market information produced in corporation with the U.S.
14 Department of Labor.

15 Q. What are the levels of compensation recognized by the MERIC system?

16 A. MERIC Occupational Employment and Wages estimates develop three levels
17 for each occupation. Those levels are “entry level”, “mean level” and “experienced level”.

18 Q. Which level of the MERIC occupational study did Staff use to determine the
19 annual amount of payroll for the CSWR employees?

20 A. Staff used the mean level of the MERIC occupational study to annualize
21 CSWR’s payroll.

22 Q. Please explain why Staff selected the mean level of the MERIC occupational
23 study to annualize CSWR’s payroll.

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1 A. The entry level is the beginning level of each occupational study and is at the
2 lowest pay level. The mean level is the mid-range of the pay scales and is an estimate of the
3 hourly rate, which is calculated using the varying hourly rates of a group of workers in a
4 specific occupation. Additionally, mean level of pay represents that an equal number of
5 employees are receiving less than the mean level of pay and an equal level of employees are
6 receiving more than the mean level of pay. Finally, the experienced level is at the top end of
7 the scale, which are the highest paid employees in each occupation.

8 Q. What years were used for the salaries?

9 A. Josiah Cox and Brenda Eaves were calculated using 2013 employment wages.
10 Todd Thomas, Phil Macias, Yolanda Rousseau, and Dan Janowiak were calculated using the
11 2015 employment wages.

12 Q. Why did Staff use 2013 employment wages for Josiah Cox and Brenda Eaves?

13 A. Staff chose to use the same MERIC 2013 employment wage level information
14 for these employees that was also used to determine payroll expense in two recent rate cases
15 for affiliated CSWR utilities; Hillcrest Utility Operating Company, Inc. (Hillcrest), Case No.
16 WR-2016-0064 and Raccoon Creek Utility Operating Company, Inc. (Raccoon Creek), Case
17 No. SR-2016-0202. Use of 2013 MERIC information for Josiah Cox and Brenda Eaves also
18 avoids taking into account significant year-to-year fluctuation in the MERIC wage levels
19 shown in subsequent years for these employees' job categories.

20 Q. Why did Staff use 2015 MERIC information in setting employment wages for
21 the other employees of CWSR?

22 A. Staff reviewed the MERIC employment wages for 2014, 2015, and 2016 for
23 the relevant job categories. MERIC only provides three years of data on its website. Staff

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Ashley Sarver

1 noticed a significant fluctuation in wages for all three years, and compared to the previous
2 year 2013, for some of the job categories. For example, the mean MERIC wage level for the
3 position of Financial Manager increased by \$14,209 from 2014 to 2016, while the mean
4 wage level for Accounting and Auditors decreased by \$212 for the same time period.
5 Attached as Confidential Schedule AS-d4 is a comparison of the mean wage levels for the
6 job titles used by Staff to determine payroll, calculated from 2014, 2015, and 2016 MERIC
7 data. Staff determined that the MERIC wage levels for 2015 were closer to the three-year
8 average of the wage levels for each job category, and more appropriate to use in setting rates.

9 Q. Should all of CSWR's corporate payroll compensation be considered for
10 inclusion in Indian Hills' rates in this case?

11 A. No. Indian Hills is just one of several utilities receiving services from CSWR.
12 Staff only allocated 16.61% of the total corporate payroll compensation into the Indian Hill's
13 cost of service for this case. In addition, Staff made an adjustment to remove the capitalized
14 portion of payroll from Indian Hills' annualized amount of payroll.

15 Q. Why is it reasonable for Staff to recommend a 16.61% allocation factor for
16 corporate costs in this case?

17 A. Staff's corporate allocation factor for Indian Hills was calculated as 16.61% of
18 total corporate costs. Corporate allocations were based upon an analysis of CSWR employee
19 hours assigned to the regulated and non-regulated companies; then, Staff determined an
20 appropriate allocation factor for the indirect/administrative hours in the test year, and this
21 factor was used to allocate corporate costs.

22 Q. How was the capitalized adjustment amount for payroll determined for
23 this case?

Direct Testimony of
Ashley Sarver

1 A. To account for the amount of labor that is associated with construction
2 activities and that should be capitalized instead of included as expense, Staff applied an
3 estimated operation and maintenance expense ratio (O&M expense ratio) to the CSWR
4 employee payroll expense. Staff has requested any available data pertaining to the actual
5 amount of time each employee spends on construction and operations/maintenance related
6 activity, respectively, for the Company, but has not received adequate information from
7 Indian Hills on this matter. Therefore, Staff used an assumed 90% O&M expense ratio for all
8 employees. Use of a 90% O&M ratio in effect results in assignment of 10% of employee
9 payroll charges to construction activity. This is the same O&M percentage that was used in
10 the recent Hillcrest and Raccoon Creek rate proceedings.

11 Q. Did Staff's payroll calculation take into account time by CSWR employees
12 directly charged to Indian Hills?

13 A. Yes. Staff used the hours directly assigned to Indian Hills by CSWR
14 employees in the test year as the starting point of its payroll expense calculation. Since two
15 individuals employed in part of the test year are no longer employed by CSWR (Amica
16 Banks and Jack Chalfant), Staff included their test year hours to calculate the hours assumed
17 for Yolanda Rousseau, Phil Macias, and Daniel Janowiak, who took over some of Ms. Banks
18 and Mr. Chalfant's job responsibilities. For Josiah Cox, Brenda Eaves, and Todd Thomas,
19 Staff used their hours directly assigned to Indian Hills during the test year.

20 Q. Do CSWR employees record their hours on timesheets?

21 A. Yes. However, in some instances, Staff reclassified some of the indirect
22 administrative and general hours charged by employees to an operating company if a
23 description of the task in the timesheet allowed for such assignment.

Direct Testimony of
Ashley Sarver

1 Q. How did Staff allocate the CSWR administrative or indirect hours?

2 A. Staff used an allocated percentage to determine the annualized level for
3 “indirect” and “administrative” hours charged by employees that are not attributable to a
4 specific operating company or other regulated activity.

5 Q. What allocated percentage was used to assign CSWR administrative or
6 indirect hours to regulated and non-regulated (i.e., review of potential acquisitions) activity?

7 A. For each employee, Staff totaled the appropriate amount of administrative
8 hours, and then used an allocation factor for how much of these indirect hours should be
9 assigned to CSWR’s regulated operations (Hillcrest, Indian Hills, Raccoon Creek, Elm Hills,
10 and Smithview). The regulated allocation factor for Brenda Eaves, Yolanda Rousseau and
11 Danial Janowiak was determined by comparing the number of direct hours CSWR employees
12 work on regulated companies to the total directly charged to both regulated and
13 non-regulated operations (93.13%). Staff allocated 66.67% of the total indirect hours
14 Phil Macias and Todd Thomas to regulated operations, which is the remainder allocated to
15 non-regulated. Staff allocate Josiah Cox’s indirect hours on a 50/50 basis between regulated
16 and non-regulated.

17 Q. How was 66.67% and 50.0% allocation percentages determined?

18 A. The 66.67% and 50.0% allocation percentages for various CSWR employees
19 between regulated and non-regulated operations are appropriate, in Staff’s judgement, to
20 recognize the substantial amount of time and effort devoted by CSWR to exploration of
21 future acquisition opportunities.

22 Q. How did Staff determine appropriate indirect hours to be used for Indian
23 Hills?

Direct Testimony of
Ashley Sarver

1 A. Staff used an 18.81% allocation factor to determine the percentage of indirect
2 regulated hours in the test year that should be allocated to Indian Hills.

3 Q. How did Staff determine the 18.81% percentage?

4 A. This percentage is derived from a comparison of direct hours charged by
5 employees to Indian Hills to total regulated direct hours in the test year. Using this approach,
6 Staff calculated the total annual hours (direct and indirect) used for Indian Hills to be
7 1,346.18 hours for purposes of determining its cost of service for this case.

8 **EMPLOYEE BENEFITS**

9 Q. How did Staff determine an appropriate level of employee benefits?

10 A. The payroll tax amount is based on Staff's annualized base salary and the
11 current tax rate. CSWR is matching up to 3% of each employee's pay for the Company
12 401(k) plan. Therefore, Staff has included the Company's match (3%) into its cost of service
13 for Indian Hills using Staff's annualized salary amount.

14 **AUDITING EXPENSE AND TAX PREPARATION FEES**

15 Q. What amount of financial audit costs and tax preparation fees has Staff
16 included in Indian Hills' cost of service?

17 A. Staff included an allocated portion (16.61%) of the actual amount of financial
18 auditing costs and tax preparation fees paid by First Round. The portion allocated by Staff to
19 Indian Hills was \$2,242.

20 Q. What was included in Indian Hill's cost of service?

21 A. Staff included an allocated portion of the amount the external auditing firm
22 Muller Prost charged to First Round for preparation of consolidated financial statements,
23 audit of the financial statements, and preparation of the federal and state income tax returns

Direct Testimony of
Ashley Sarver

1 for First Round and its subsidiaries for the year ended December 31, 2015. Staff was not
2 provided an invoice for these services for 2016.

3 **CUSTOMER NUMBERS**

4 Q. What customer number level was used for purposes of calculating Staff's
5 adjusted level of revenue?

6 A. Staff used the June 30, 2017 level of 715 customers.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

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

In The Matter of The Rate Increase Request Of)
Indian Hills Utility Operating Company, Inc.) Case No. WR-2017-0259

AFFIDAVIT OF ASHLEY SARVER

State of Missouri)
) ss
County of Cole)

COMES NOW Ashley Sarver, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony*, and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Ashley Sarver

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 11th day of October, 2017.



NOTARY PUBLIC

JESSICA LUEBBERT Notary Public - Notary Saal State of Missouri Commissioned for Cole County My Commission Expires: February 19, 2019 Commission Number: 15633434

Ashley Sarver

Educational, Employment Background and Credentials

I am a Utility Regulatory Auditor IV in the Auditing Department, Commission Staff Division for the Missouri Public Service Commission (Commission). I transferred to the position January 2017. I promoted to a Utility Regulatory Auditor IV in August 2016 in the Energy Resources Department, Commission Staff Division for the Commission. I accepted the position of the Utility Regulatory Auditor I/II/III in July 2013 with the Auditing Department.

I earned a Bachelor of Science degree in Accounting from Missouri State University in Springfield, MO in July 2009. In earning this degree I completed numerous core Accounting and business classes. Prior to joining the Commission, I was employed by the State of Missouri - Department of Corrections from 2009 to 2013 as an Auditor.

Case Participation

Company Name	Case Number(s)	Testimony/Issues
Empire District Electric Company	EO-2017-0065	Sixth Prudence Review of Fuel Adjustment Clause
Kansas City Power & Light Company	ER-2016-0285	Fuel Adjustment Clause Base Factor
Empire District Electric Company	EO-2017-0094 ER-2017-0092	Fuel Adjustment Rate, Accumulation Period 16 of its Fuel Adjustment Clause
KCP&L Greater Missouri Operations Company	ER-2016-0156	Miscellaneous Revenues and Customer Growth
Hillcrest Utility Operating Company, Inc.	WR-2016-0064 SR-2016-0065	Revenue, Expenses, and Rate Base
The Empire District Electric Company	ER-2016-0023	Property Tax Expense, Rate Case Expense, Injuries and Damages, Workman's Compensation, Bad Debt Expense, Amortization of Stock Issuance Expense Amortization, Lease Expense, DSM/PRE-MEEIA, Solar Rebate, Revenue, Customer Growth
Indian Hills Utility Operating Company, Inc. to Acquire I.H. Utilities, Inc.	WO-2016-0045	Acquisition Case: Rate Base determination

Cont'd Ashley Sarver

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Company Name	Case Number(s)	Testimony/Issues
The Empire District Electric Company	ER-2014-0351	Revenue, Customer Growth, Common Stock Issuance Expense Amortization, Uncollectible Accounts, Cash Working Capital, Injuries and Damages, Workman's Compensation, Insurance Expense, Lease Expense, Property Tax Expense, Regulatory Commission Expense
Summit Natural Gas of Missouri, Inc.	GR-2014-0086	Plant in Service, Depreciation Reserve, Gas Stored Inventory, Prepayments and Materials and Supplies Inventory, Customer Advances, Customer Deposits, Payroll, Payroll Taxes, 401(k), and Other Employee Benefit Costs, Incentive Compensation and Bonuses, Customer Deposit Interest Expense, Maintenance Normalization Adjustments, Advertising Expense, Regulatory Expenses, Dues, Rent Expense
Lake Region Water and Sewer	WR-2013-0461 SR-2013-0459	Plant in Service, Depreciation Reserve, Materials and Supplies Inventory, Customer Advances, Contributions in Aid of Construction, Purchase Power, Chemicals, Testing Expense, Supplies and Materials, Tools and Shop Supplies, Insurance, Office Supplies, Telephone, License and Permits, Property Tax

AUDITING DEPARTMENT RECOMMENDATION MEMORANDUM

TO: Curtis Gateley, Water and Sewer Department, Case Manager
Nicole Mers, Staff Counsel
Kevin Thompson, Chief Staff Counsel

FROM: Ashley Sarver, Utility Regulatory Auditor IV
Jennifer K. Grisham, Utility Regulatory Auditor II
Auditing Department Staff

SUBJECT: Auditing Department's Findings and Recommended Cost of Service
Indian Hills Utility Operating Company, Inc.
Case No. WR-2017-0259

DATE: August 29, 2017

Indian Hills Utility Operating Company, Inc. ("Indian Hills" or "Company") filed a rate increase request with the Missouri Public Service Commission ("Commission") on April 4, 2017. The proposed increase is in the amount of \$750,280 for the water system and, if approved, would result in an increase over current revenues of approximately 779% for the water system. Indian Hills currently serves approximately 715 water customers in and immediately surrounding Indian Hills subdivision, a residential/recreational lake development near Cuba, Missouri in Crawford County. After Indian Hills' filing, the Commission's Staff ("Staff") performed an audit of the Indian Hills water operations to determine whether a rate increase was appropriate, and if so, the amount thereof that was reasonable.

Based upon Staff's examination of Indian Hills' books and records, along with discussions with the Company's employees, Staff's recommended revenue requirement calculation for Indian Hills, using a return on equity ("ROE") of 9.34%, is \$649,031 for the water system. This revenue requirement amount requires an increase in Indian Hills' current water rates of approximately 572%. Attached to this Memorandum are Staff's accounting schedules related to its review and audit of Indian Hills' financial operations.

Test Year

Staff used a test year in this case consisting of the twelve months ending March 31, 2017 in order to develop its revenue requirement recommendation in this case. Staff annualized revenues and expenses based on the twelve months of data available from First Round CSWR, LLC ("FR") the parent company that acquired the Indian Hills assets on March 31, 2016.

Corporate Allocation

FR is a corporation which currently owns three regulated Missouri operating companies (Hillcrest Utility Operating Company, Inc., Raccoon Creek Utility Operating Company, Inc., and Indian Hills), but has currently filed an application to acquire additional small water and sewer properties (Case Nos. SM-2017-0150 and WM-2017-0151, Elm Hills Utility Operating Company, Inc. (“Elm Hills”)) and is considering acquiring a number of other small water and sewer properties. A managing affiliate of FR is Central States Water Resources (“CSWR”) which provides operating services to several other small utilities in Missouri (Smithview H2O Company and Ridge Creek Water Company, LLC). All of the employees who performed work for Indian Hills and FR are CSWR employees who specifically assign costs to each operating system that provides services to. However, FR incurs other costs (i.e.: office supplies, outside services, employee benefits, rent, etc.) that are common to all of FR’s activities and that need to be allocated between the various regulated companies, its service activities to other entities thru CSWR, and FR’s nonregulated operations (i.e., its acquisition activities). Staff’s allocation factor for Indian Hills was calculated as 16.61% of total corporate costs, based upon an analysis of CSWR employee hours in the test year, and this factor was used to allocate corporate costs in Staff’s work papers and accounting schedules for this proceeding.

Rate Base

Through Indian Hills, FR closed on purchase of the water system on March 31, 2016. Since acquiring the water system, Indian Hills has invested approximately \$1,843,653 for water improvements required to upgrade the water system to Department of Natural Resource (“DNR”) standards and to improve quality of service for the Indian Hills customers. To update Indian Hills’ rate base, Staff began with the plant and depreciation reserve balances identified in Case No. WO-2016-0045, Indian Hills’ acquisition case and updated these amounts through June 19, 2017, the deadline for completed construction projected to be included in the case.

Staff has included the cost of FR’s plant improvements in Indian Hills’ current cost of service. In order to ensure accuracy of the Company’s plant in service and accumulated depreciation reserve balances for FR and Indian Hills, Staff reviewed all invoices relating to the additions of plant in service for the water improvements. As a result of review of the invoices and general ledger related to capital expenditures, the following adjustments were proposed:

- Staff made adjustments to the test period booked plant balances to equal the invoiced plant cost amounts where there was a discrepancy.
- Staff made adjustments to reduce the booked plant amounts for some legal services which were not related to Indian Hills.

- Staff reclassified some items between expense and capital, which had been recorded to the incorrect account(s).
- Staff included in capital costs an allowance for funds used during construction (“AFUDC”). AFUDC was calculated by applying Staff’s recommended long-term debt rate to monthly capital expenditures.
- In the Indian Hills cost of service, Staff included a 10-year amortization of organizational costs that was booked to National Association of Regulatory Utility Commissions (“NARUC”) Uniform Systems of Accounts (“USOA”) Account 301, Organization.
- Staff retired various amounts from plant in service and booked Contributions in Aid of Construction (“CIAC”) amounts, as appropriate.

Plant in Service, Depreciation Reserve, CIAC, and CIAC Amortization balances were updated through June 19, 2017. For Prepayments, Staff allocated 16.61% of the FR balances for the most current twelve month period ending March 31, 2017 to Indian Hills.

Staff’s ending balance of net rate base as of June 19, 2017 for Indian Hills of \$1,880,112.

Materials and Supplies – Inventory

The Company holds a variety of materials and supplies in inventory so these items can be readily available in performing utility operations. The Company purchased 762 meters during the test year. Of those, 724 were installed and 21 were returned to the vendor, leaving 17 meters to be stored as inventory for materials and supplies. Seventeen meter pit lids were also included as inventory for materials and supplies.

Depreciation Rates

The Engineering Analysis Unit (“EAU”) performed a review of the depreciation rates for utility assets, plant-in-service, and the accumulated depreciation reserves for Indian Hills. Indian Hills has placed new plant into service and has retired old plant. Staff therefore recommends a revised depreciation schedule for Indian Hills, and that the Commission order Indian Hills to use the depreciation accrual rates for plant that are included with this memo as Attachment A and incorporated herein by reference.

Operating Revenue

For purposes of annualizing water revenues, Staff used the customer number as of June 15, 2017. These customer numbers were multiplied by the current monthly tariff rate, and then multiplied by twelve to derive the annualized customer charge for revenues.

Miscellaneous Revenue

Staff included miscellaneous revenue from Primacy Fees collected from customers and other miscellaneous revenues received for returned check fees, late fees, door collection fees, emergency call out fees, turn-off/on fees, and new service connection fees. Staff annualized the amounts for miscellaneous fees for Indian Hills totaling \$4,736.

Bad Debt Expense or Uncollectible Accounts

The Company did not record bad debt on the general ledger, therefore, Staff recommends an adjustment to remove bad debt expense to \$0 for Indian Hills.

Weighted Cost of Capital

Staff's recommendation is based on a hypothetical capital structure of 65% long term debt and 35% common equity. Staff used a return on equity of 9.34% and a cost of debt of 14.00% to arrive at a total overall rate of return of 12.37%.

Payroll, Payroll Tax, and 401(K)

FR and Indian Hills do not have employees. The employees are hired through CSWR which manages Indian Hills and CSWR currently has six employees. The President is Josiah Cox, along with Forest "Todd" Thomas, Senior Vice President; Phil Macias, Chief Financial Officer; Yolanda Rousseau, Senior Accountant; Daniel Janowiak, Accounting Clerk; and Brenda Eaves, Manager Customer Service. All of the employees complete timesheets allocating their hours between different operating companies and regulated and nonregulated functions.

Staff used the hours directly assigned to Indian Hills by CSWR employees in the test year as the starting point of its payroll expense calculation. Since two individuals employed in part of the test year are no longer employed by CSWR (Amica Banks and Jack Chalfant), Staff included their test year hours to calculate the hours assumed for Yolanda Rousseau, Phil Macias, and Daniel Janowiak. For Josiah Cox, Brenda Eaves, and Todd Thomas, Staff used their hours directly assigned to Indian Hills during the test year.

Staff then used an allocation percentage to determine the annualized level for "indirect" or "administrative" hours charged by employees that are not attributable to a specific operating company or other regulated activity. In some instances, Staff reclassified some of the administrative hours charged by employees to an operating company if a description of the task in the timesheet allowed for such assignment. For each employee, Staff totaled the appropriate amount of administrative hours, and then used an allocation factor for how much of these indirect hours should be assigned to CSWR's regulated operations (Hillcrest, Indian Hills, Raccoon Creek, Elm Hills, Smithview, and Ridge Creek). The regulated allocation factor for Brenda Eaves, Yolanda Rousseau and Daniel Janowiak

was determined by comparing the number of direct hours CSWR employees work on regulated companies to the total directly charged to both regulated and non-regulated operations (93.13%). Staff allocated 66.67% of the total indirect hours Phil Macias and Todd Thomas to regulated operations, which the remainder allocated to nonregulated. Staff allocated Josiah Cox's indirect hours on a 50/50 basis between regulated and nonregulated. The 66.67% and 50.0% allocation percentages for various CSWR employees between regulated and nonregulated operations are appropriate, in Staff's judgement, to recognize the substantial amount of time and effort devoted by CSWR to exploration of future acquisition opportunities. Finally, Staff used an 18.81% allocation factor to determine the percentage of indirect regulated hours in the test year that should be allocated to Indian Hills. This percentage is derived from a comparison of direct hours charged by employees to Indian Hills to total regulated direct hours in the test year. Using this approach, Staff calculated the total annual hours used for Indian Hills to be 1346.18 for purposes of determining its cost of service for this case.

Staff then compared each employee's base salary as of June 2017 against the annual wage for similar occupants listed on the Missouri Economic Research and Information Center ("MERIC") website to determine if CSWR employee's pay scale was comparable to salaries paid within the St. Louis Region. Staff's analysis determined that the base salary for each employee was not comparable to the annual wage for the mean (average) individual in the same occupation according to the MERIC database. Therefore, Staff made adjustments to CSWR's payroll to align each individual's salary within the average MERIC levels. Staff used the total hours assigned to Indian Hills for each employee multiplied by the MERIC hourly salary rate.

To account for the amount of labor that is associated with construction activities, Staff applied an estimated operation and maintenance expense ratio (O&M expense ratio) to the CSWR employee's payroll expense. Staff has requested any available data pertaining to the actual amount of time each employee spends on construction and operations/maintenance related activity, respectively, from the Company, but has not received adequate information from Indian Hills on this matter. Therefore, Staff estimated a 90% O&M expense ratio or all employees. This is a conservative percentage when considering all of the plant improvements that have occurred at Indian Hills since its acquisition.

Staff calculated payroll taxes based on Staff's annualized base salary and the current tax rates. In addition, CSWR has a 401k plan for its employees. CSWR is matching up to 3% of each employee's pay for the Company 401k plan. Therefore, Staff has included the Company's match (3%) into its cost of service for Indian Hills using Staff's annualized salary.

Employee Benefits

CSWR provides medical, dental, vision, and life insurance for their employees. Staff reviewed all of the policies and invoices for the benefits in the test year period through June 2017 in order to determine the level of insurance that should be included in the cost of service.

CSWR is paying 99% of the premium for health, dental, and vision insurance, with 1% to be paid by the employee. All Missouri utilities of which Staff is aware require their employees to assume a greater percentage of responsibility for health benefits. After reviewing the practices of other water and sewer companies, Staff determined 90% was a more reasonable level for CSWR to pay for its employees. Therefore, Staff annualized the health, dental, and vision insurance by multiplying the monthly premium (90%) in effect as of June 2017 by 12 months to arrive at an annual amount.

CSWR provides its employees life insurance based on two years of their salary. Staff reviewed other utilities' level of life insurance and determined a two year salary basis was reasonable. However, Mr. Cox is provided an additional \$2.5 million insurance policy with the premiums being paid by CSWR. Staff believes that this amount of coverage is excessive, so Staff made an adjustment to remove the premiums for the \$2.5 million policy for Mr. Cox and instead included life insurance valued at two years of Staff's annualized salary level for Mr. Cox in the Cost of Service. Staff annualized Accidental Death & Dismemberment, Long Term Disability, and Short Term Disability based on Staff's calculated salary amounts.

Workman's Compensation Insurance

Workers' compensation insurance was adjusted by taking the amount of the premiums for the applicable period and adjusting the test year to match the amount of the premiums. Staff applied the corporate allocation of 16.61% for this expense to Indian Hills.

Maintenance Expense

Staff reviewed all invoices related to repairs and maintenance expense booked to Accounts 611, 631, 632, 670, and 673 for water operations through March 31, 2017. Staff annualized the test year maintenance expense for these accounts as of March 31, 2017.

During the test year, Indian Hills repaired an abnormally large amount of water leaks. Many of the leaks had not been repaired by the previous owner and many of the leaks were a result of Indian Hills increasing the water pressure to the system to properly serve customers when it took over operation of the water system. In the first three months of operation, Indian Hills incurred \$56,969 in main leak repairs, and then the level of main leak repairs decreased significantly for the rest of the test year. Staff has removed these costs from its normalized level of main repair expense and has instead

included this amount in an amortization that will be recovered over a three-year period. Staff's normalized maintenance expense is \$26,532, which represents the maintenance expense for the rest of the test year less the abnormally high amounts for the first three months.

Operations Expense

1. Purchased Power

Staff has reviewed the electric bills from Crawford Electric to determine the amount of electricity expense to include in the rates for water operations. Staff used the actual amount billed for electricity for 12 months as Well No. 3 uses more energy than the old Well House account. Fuel for the back-up generator was also included in this account.

2. Chemicals

Staff reviewed the invoices regarding chemical expense for Account 641 for Indian Hills from June 2016 through February 2017. Based on this analysis; Staff annualized the level of this expense over a twelve month period and included that amount in Staff's cost of service.

3. Testing Expense

Staff reviewed all invoices within the test year related to water testing. Staff annualized the level of this expense over a twelve month period and included that amount in Staff's cost of service.

Travel Expenses

Staff reviewed all documents pertaining to travel expenses for FR during the test year. In addition, Staff reviewed mileage and meals claimed by the employees and included only the mileage expenses directly charged to Indian Hills.

Communication Expense

Staff examined the amounts of AT&T Wireless payments and Spectrum payments made by FR during the test year. Since Mrs. Eaves, the Customer Service Manager, uses her work cell phone for personal communication, Staff disallowed half of the associated expense. Staff annualized communication expense by developing a monthly level using the data that was available in the general ledger and Company invoices. Staff then applied the corporate allocation factor of 16.61% to FR's communication expense.

Property Insurance

FR has Commercial Property, Environmental, and Excess Liability over General Liability Insurance in place for Indian Hills.

Property Insurance includes insurance for building, personal property, and business income with extra expenses including “rental value” for the systems. After reviewing the policy and discussing it with the Company, Staff determined that the insurance for business income with extra expense including “rental value” is an inappropriate cost for Indian Hills customers to pay. Staff allocated the dollar amount to Indian Hills based on the insurance limits for each of the systems. Staff removed the percentage that was allocated to the business income premium from Indian Hills and allocated the portion for FR by 16.61%. Staff disallowed auto insurance for Josiah Cox’s personal truck; instead, Staff reimbursed his mileage for Indian Hills travel expenses. Staff adjusted the environmental and excess liability for environmental insurance to match the amount of the insurance premiums, and then applied the corporate allocation factor of 16.61% to Indian Hills.

Certified Operator

Indian Hills has a contract with Midwest Water Operations, LLC, (“MWO”) to operate the Indian Hills water system. The contract start date is March 1, 2016 and is effective for a period of three years. Indian Hills pays MWO an operator fee for basic service annualized at \$57,000 (\$4,750 a month). Staff included an annualized level of twelve months of this expense in Indian Hills’ cost of service. Staff also annualized costs for services provided by MWO that are not included in the basic service fee.

Billing and Collection

Indian Hills has a contract with Nitor Billing Services, LLC, regarding billing, payment collection, customer service, and coordination services as of March 29, 2016. Nitor’s monthly fee is \$2.00 per customer per month for customers up to 5,000 customers. This fee includes postage and materials for billing each customer. These fees are directly assigned to Indian Hills. The annual amount of this expense was included in Indian Hills’ cost of service.

Rate Case Expense / Regulatory Commission Expense (PSC and DNR)

At this time, there have been no invoices received from Indian Hills related to this rate case (Case No. WR-2017-0259). Staff will examine the rate case invoices in order to determine and analyze the appropriate allowance for this cost once the invoices are provided.

In addition to rate case expense, Staff has included an annualized amount for the Company’s PSC assessment expense that was issued for fiscal year 2017.

Property Tax

Property taxes are those taxes assessed by state and local county taxing authorities on a utility's "real property" as of January 1st of each year. On the first of each year, utilities are required to file with the taxing authorities a valuation of their utility property owned as of the January 1 assessment date. Property tax bills are issued to the utilities with "due dates" of December 31 of the same year. Property taxes for this case are based on the amount paid as of December 31, 2016.

Additional Adjustments

Staff also excluded from the cost of service amounts relating to: 1) invoices that did not match the General Ledger; 2) non-reoccurring expenses; and 3) an adjustment for CIAC offset for depreciation expense.

Audit Staff Recommendations for Indian Hills:

- 1) The Company needs to develop and update Continuing Property Records (CPR) for all assets for its water system. **This recommendation should be completed within one hundred and eighty (180) days of any Commission order issued in this Case, No. WR-2017-0259.**
- 2) The Company shall document on each invoice when each item on the invoice is placed into inventory and then subsequently the date when the item is placed into plant in service. **This recommendation should be completed within one hundred and eighty (180) days of any Commission order issued in this Case, No. WR-2017-0259.**
- 3) The Company shall immediately maintain a spreadsheet for Plant Additions and Retirement of Property (including book cost of plant retired, cost of removal, or salvage credit) along with supporting documentation (i.e. invoices) to ensure all plant assets are properly reflected in future rate case proceedings. This spreadsheet should reconcile to the invoices provided by vendor (refer to #2 listed above). **This recommendation should be completed within one hundred and eighty (180) days of any Commission order issued in this Case, No. WR-2017-0259.**
- 4) Staff recommends the Company discuss banking options with other banks to determine if the current types of bank fees (i.e. account analysis fees) are most cost effective for Indian Hills. **This recommendation should be completed within one hundred and eighty (180) days of any Commission order issued in this Case, No. WR-2017-0259.**
- 5) The Company needs to develop a better employee timesheet for hours spent working on each system. This timesheet should provide a description of the job

performed; number of hours spent and breakout the hours by system. This recommendation should be completed within ninety (90) days of any Commission order issued in this Case, No. WR-2017-0259

Exhibit No.: 0
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2017-0259
Date Prepared: 8/29/2017



MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
AUDITING DEPARTMENT
STAFF ACCOUNTING SCHEDULES

INDIAN HILLS UTILITY OPERATING COMPANY, INC.

CASE NO. WR-2017-0259

Jefferson City, Missouri

8/29/2017

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues		(1) \$92,655			
Rev-3	Miscellaneous Revenues		(1) \$4,736			
Rev-4	TOTAL ANNUALIZED REVENUES		\$97,291			
1	OPERATIONS EXPENSES		(2)			
2	Miscellaneous Expense (Source of Supply Expense)	603.000	200	\$0	\$200	0
3	Fuel or Power Purchased for Pumping (Pumping Exp)	623.000	\$13,681	\$0	\$13,681	0.00%
4	Chemicals (Water Treatment Expense)	641.000	\$5,381	\$0	\$5,381	0.00%
5	Operation Labor & Expense (Water Treatment)	642.000	\$71,104	\$0	\$71,104	0.00%
6	Operation Supervision and Engin (Trans & Dist. Exp)	660.000	\$800	\$0	\$800	0.00%
7	Transmission and Distribution Lines Expense	662.000	\$0	\$0	\$0	0.00%
8	Contractual Services - Water Testing	635.000	\$630	\$0	\$630	0.00%
9	TOTAL OPERATIONS EXPENSE		\$91,796	\$0	\$91,796	
10	MAINTENANCE EXPENSES					
11	Maintenance of Structure and Improvements (Source of Supply Expense)	611.000	\$26,532	\$0	\$26,532	0.00%
12	Maintenance of Structure & Improvements (Pumping Expense)	631.000	\$5,071	\$0	\$5,071	0.00%
13	Maintenance Supervision and Engineering	670.000	\$495	\$0	\$495	0.00%
14	Maintenance of Transmission and Dist. Mains	673.000	\$127	\$0	\$127	0.00%
15	TOTAL MAINTENANCE EXPENSE		\$32,225	\$0	\$32,225	
16	CUSTOMER ACCOUNT EXPENSE					
17	Customer Record Collect (Billings & Collections)	903.100	\$17,961	\$0	\$17,961	0.00%
18	Customer Record Collect (Postage) - CSWR 16.61%	903.200	\$0	\$0	\$0	0.00%
19	Customer Record Collect (Bank Fees)	903.280	\$4,932	\$0	\$4,932	0.00%
20	Uncollectible Accounts	904.000	\$0	\$0	\$0	0.00%
21	Customer Service & Information Expense (Web Page)	907.000	\$0	\$0	\$0	0.00%
22	TOTAL CUSTOMER ACCOUNT EXPENSE		\$22,893	\$0	\$22,893	
23	ADMINISTRATIVE & GENERAL EXPENSES					
24	Administrative & General Salaries - CSWR 16.61%	920.000	\$51,722	\$0	\$51,722	0.00%
25	Office Supplies Expense (Meals, Travel) - CSWR 16.61%	921.110	\$1,204	\$0	\$1,204	0.00%
26	Office Supplies Expense (Communication)	921.500	\$2,790	\$0	\$2,790	0.00%
27	Office Supplies Expense (Communication) - CSWR 16.61%	921.500	\$1,016	\$0	\$1,016	0.00%
28	Office Supplies Expense - CSWR 16.61%	921.800	\$794	\$0	\$794	0.00%
29	Office Supplies and Other Expense - Other	921.000	\$46	\$0	\$46	0.00%
30	Outside Services Employed (Bank Fees)	923.100	\$188	\$0	\$188	0.00%
31	Outside Services (Legal Fees)	923.400	\$193	\$0	\$193	0.00%
32	Outside Services (Legal Fees) - CSWR 16.61%	923.400	\$30	\$0	\$30	0.00%
33	Outside Services (Accountants/Auditors) - CSWR 16.61%	923.500	\$2,242	\$0	\$2,242	0.00%
34	Outside Services (Management Consult)	923.600	\$6,000	\$0	\$6,000	0.00%
35	Outside Services (Payroll Fees) - CSWR 16.61%	923.800	\$270	\$0	\$270	0.00%
36	Outside Services Employed (IT) -CSWR 16.61%	923.900	\$960	\$0	\$960	0.00%
37	Outside Services Employed (IT)	923.900	\$1,240	\$0	\$1,240	0.00%
38	Property Insurance (Environmental) - CSWR 16.61%	924.200	\$9,756	\$0	\$9,756	0.00%
39	Property Insurance (Workers Comp) -CSWR 16.61%	924.300	\$240	\$0	\$240	0.00%

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
40	Property Insurance (Commercial) - CSWR 16.61%	924.400	\$7,372	\$0	\$7,372	0.00%
41	Employee Benefits (Keyman) - CSWR 16.61%	926.100	\$0	\$0	\$0	0.00%
42	Employee Benefits (United Healthcare) - CSWR 16.61%	926.200	\$21,243	\$0	\$21,243	0.00%
43	Employee Benefits (401K) - CSWR 16.61%	926.300	\$1,711	\$0	\$1,711	0.00%
44	Employee Benefits (Life/STD/LTD/AD&D) - CSWR 16.61%	926.400	\$853	\$0	\$853	0.00%
45	Misc General Expense - CSWR 16.61%	930.200	\$1	\$0	\$1	0.00%
46	Rent - CSWR 16.61%	931.000	\$14,443	\$0	\$14,443	0.00%
47	TOTAL ADMINISTRATIVE AND GENERAL		\$124,314	\$0	\$124,314	
48	OTHER OPERATING EXPENSES					
49	Regulatory Commission Expense (DNR)	928.100	\$0	\$0	\$0	0.00%
50	Regulatory Commission Expense (PSC)	928.200	\$1,025	\$0	\$1,025	0.00%
51	Regulatory Commission Expense (Rate Case)	928.300	\$0	\$0	\$0	0.00%
52	Regulatory Expense (Bus License) - CSWR 16.61%	928.400	\$74	\$0	\$74	0.00%
53	Amortization Expense		\$21,011	\$0	\$21,011	0.00%
54	Depreciatlon	403.000	\$98,735	\$0	\$98,735	0.00%
55	TOTAL OTHER OPERATING EXPENSES		\$120,845	\$0	\$120,845	
56	TAXES OTHER THAN INCOME					
57	SS & Medicare - CSWR 16.61%	408.120	\$4,396	\$0	\$4,396	0.00%
58	Unemployment Tax - CSWR 16.61%	408.100	\$1,373	\$0	\$1,373	0.00%
59	Property Tax	408.160	\$4,956	\$0	\$4,956	0.00%
60	TOTAL TAXES OTHER THAN INCOME		\$10,725	\$0	\$10,725	
61	TOTAL OPERATING EXPENSES		\$402,798	\$0	\$402,798	
62	Interest Expense		(3) \$171,090	\$0	\$171,090	0.00%
63	Return on Equity		(3) \$61,461	\$0	\$61,461	0.00%
64	Income Taxes		(3) \$18,418	\$0	\$18,418	0.00%
65	TOTAL INTEREST RETURN & TAXES		\$250,969	\$0	\$250,969	
66	TOTAL COST OF SERVICE		\$653,767	\$0	\$653,767	
67	Less: Miscellaneous Revenues		\$4,736	\$0	\$4,736	0.00%
68	COST TO RECOVER IN RATES		\$649,031	\$0	\$649,031	
69	INCREMENTAL INCREASE IN RATE REVENUES		\$556,476			
70	PERCENTAGE OF INCREASE		571.97%			
71	REQUESTED INCREASE IN REVENUES		\$0			

- (1) From Revenue Schedule
(2) From Expense Schedule
(3) From PreTax Rate of Return Schedule, Rate Base & Return Schedule

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Rate Base Required Return on investment Schedule - Water

Line Number	A Rate Base Description	B Dollar Amount	
1	Plant In Service	\$1,910,275	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$83,380</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$1,826,895	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction Amortization (positive or zero)	\$1,605	
	Prepayments (Workers Comp)	\$151	
	Amortization of Initial Water Leaks	\$56,969	
	Materials and Supplies	\$3,221	
	Contribution in Aid of Construction (negative or zero)	-\$8,729	
5	Total Rate Base	<u>\$1,880,112</u>	
6	Total Weighted Rate of Return Including Income Tax	<u>13.35%</u>	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$250,969</u></u>	

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Rate of Return Including Income Tax - Water

		A		B	formulas
1	State Income Tax Rate Statutory / Effective	6.25%	(2)	5.71%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate Statutory / Effective	18.40%	(1) & (2)	<u>17.35%</u>	(1 - B1) x A2
3	Composite Effective Income Tax Rate			23.06%	B1 + B2
4	Equity Tax Factor			1.2997	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			<u>3.27%</u>	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax			4.25%	B4 x B5
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<u>9.10%</u>	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax			<u>13.35%</u>	B6+B7

To Rate Base Schedule

(1) If Sub-Chapter S Corporation, Enter Y: N

Equity Income Required \$75,319
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$50,000	\$7,500
\$50,001	\$75,000	25.00%	\$25,000	\$6,250
\$75,001	\$100,000	34.00%	\$319	\$108
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			<u>\$75,319</u>	<u>\$13,858</u>
			Consolidated Tax Rate:	
			Average Tax Rate:	0.184

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Capital Structure Schedule - Water

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$643,298	35.00%	9.34%	3.269%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$1,194,699	65.00%	14.00%	9.100%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	<u>\$1,837,997</u>	<u>100.00%</u>		<u>12.369%</u>

To PreTax Return Rate Schedule

Note: column C: is 6 positions with 4 that are displayed (if not totaled correctly, due to rounding)

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Plant In Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$25,388	P-2	\$793	100.00%	\$26,181
3		TOTAL INTANGIBLE PLANT	\$25,388		\$793		\$26,181
4		SOURCE OF SUPPLY PLANT					
5	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
6	311.000	Structures & Improvements - SSP	\$25,051	P-6	\$914	100.00%	\$25,965
7	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
8	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
9	314.000	Wells and Springs	\$208,271	P-9	\$7,370	100.00%	\$215,641
10	315.000	Infiltration Galleries and Tunnels	\$0			100.00%	\$0
11	316.000	Supply Mains	\$0			100.00%	\$0
12		TOTAL SOURCE OF SUPPLY PLANT	\$233,322		\$8,284		\$241,606
13		PUMPING PLANT					
14	325.000	Electric Pumping Equipment	\$550,248	P-14	\$19,713	100.00%	\$569,961
15	328.000	Other Pumping Equipment	\$0			100.00%	\$0
16		TOTAL PUMPING PLANT	\$550,248		\$19,713		\$569,961
17		WATER TREATMENT PLANT					
18	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
19	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
20	332.000	Water Treatment Equipment	\$107,653	P-20	\$3,930	100.00%	\$111,583
21		TOTAL WATER TREATMENT PLANT	\$107,653		\$3,930		\$111,583
22		TRANSMISSION & DISTRIBUTION PLANT					
23	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
24	342.000	Distribution Reservoirs & Standpipes	\$272,886	P-24	\$9,959	100.00%	\$282,845
25	343.000	Transmission & Distribution Mains	\$256,806	P-25	\$8,790	100.00%	\$265,596
26	344.000	Fire Mains	\$0			100.00%	\$0
27	345.000	Services	\$30,315	P-27	\$1,159	100.00%	\$31,474
28	346.000	Meters	\$127,836	P-28	\$4,661	100.00%	\$132,497
29	347.000	Meter Installations	\$214,720	P-29	\$8,213	100.00%	\$222,933
30	348.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
31	349.000	Hydrants	\$0			50.00%	\$0
32		TOTAL TRANS. & DISTRIBUTION PLANT	\$902,563		\$32,782		\$935,345
33		GENERAL PLANT					
34	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
35	391.000	Office Furniture & Equipment	\$0	P-35	\$860	100.00%	\$860
36	391.100	Office Computer Equipment	\$0	P-36	\$383	100.00%	\$383
37	392.000	Transportation Equip.	\$0			100.00%	\$0
38	393.000	Stores Equipment	\$0			100.00%	\$0
39	394.000	Tools, Shop and Garage Equipment	\$352			100.00%	\$352
40	395.000	Laboratory Equipment	\$0			100.00%	\$0
41	396.000	Power Operated Equipment	\$23,994	P-41	\$10	100.00%	\$24,004
42	398.000	Micellaneous Equipment	\$0			100.00%	\$0
43	399.000	Other Tangible Property	\$0			100.00%	\$0
44		TOTAL GENERAL PLANT	\$24,346		\$1,263		\$25,599
45		TOTAL PLANT IN SERVICE	\$1,843,520		\$66,755		\$1,910,275

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Schedule of Adjustments for Plant in Service - Water

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-2	Organization	301.000		\$793
	1. AFUDC - Carrying Cost. (J. Grisham)		\$793	
P-6	Structures & Improvements - SSP	311.000		\$914
	1. AFUDC - Carrying Costs. (J. Grisham)		\$914	
P-9	Wells and Springs	314.000		\$7,370
	1. AFUDC - Carrying Costs. (J. Grisham)		\$7,370	
P-14	Electric Pumping Equipment	325.000		\$19,713
	1. AFUDC - Carrying Costs. (J. Grisham)		\$19,713	
P-20	Water Treatment Equipment	332.000		\$3,930
	1. AFUDC - Carrying Costs. (J. Grisham)		\$3,930	
P-24	Distribution Reservoirs & Standpipes	342.000		\$9,959
	1. AFUDC - Carrying Costs. (J. Grisham)		\$9,959	
P-25	Transmission & Distribution Mains	343.000		\$8,790
	1. AFUDC - Carrying Costs. (J. Grisham)		\$8,790	
P-27	Services	345.000		\$1,159
	1. AFUDC - Carrying Costs. (J. Grisham)		\$1,159	
P-28	Meters	346.000		\$4,661
	1. AFUDC - Carrying Costs. (J. Grisham)		\$4,661	

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Schedule of Adjustments for Plant in Service - Water

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-29	Meter Installations	347.000		\$8,213
	1. AFUDC - Carrying Costs. (J. Grisham)		\$8,213	
P-35	Office Furniture & Equipment	391.000		\$860
	1. To include plant improvements since acquisition for office furniture equip (desk). (A. Sarver)		\$510	
	2. To include plant improvements since acquisition for office furniture equip (copier). (A. Sarver)		\$922	
	3. To retire copier from plant. (A. Sarver)		-\$572	
P-36	Office Computer Equipment	391.100		\$383
	1. To include plant improvements since acquisition for office computer equipment. (A. Sarver)		\$383	
P-41	Power Operated Equipment	396.000		\$10
	1. AFUDC- Carrying Costs. (J. Grisham)		\$10	
Total Plant Adjustments				\$66,755

Indian Hills Utility Operating Company, Inc.

Case No.

WR-2017-0259

Test Year Ending March 31, 2017

Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense	F Average Life	G Net Salvage
1		INTANGIBLE PLANT					
2	301.000	Organization	\$26,181	0.00%	\$0	0	0.00%
3		TOTAL INTANGIBLE PLANT	\$26,181		\$0		
4		SOURCE OF SUPPLY PLANT					
5	310.000	Land & Land Rights - SSP	\$0	0.00%	\$0	0	0.00%
6	311.000	Structures & Improvements - SSP	\$25,965	2.50%	\$649	44	-10.00%
7	312.000	Collection & Impounding Reservoirs	\$0	0.00%	\$0	0	0.00%
8	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0	0	0.00%
9	314.000	Wells and Springs	\$215,641	2.00%	\$4,313	55	-8.00%
10	315.000	Infiltration Galleries and Tunnels	\$0	0.00%	\$0	0	0.00%
11	316.000	Supply Mains	\$0	0.00%	\$0	0	0.00%
12		TOTAL SOURCE OF SUPPLY PLANT	\$241,606		\$4,962		
13		PUMPING PLANT					
14	325.000	Electric Pumping Equipment	\$569,961	10.00%	\$56,996	10	0.00%
15	328.000	Other Pumping Equipment	\$0	0.00%	\$0	0	0.00%
16		TOTAL PUMPING PLANT	\$569,961		\$56,996		
17		WATER TREATMENT PLANT					
18	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0	0	0.00%
19	331.000	Structures & Improvements - WTP	\$0	0.00%	\$0	0	0.00%
20	332.000	Water Treatment Equipment	\$111,583	2.90%	\$3,236	35	0.00%
21		TOTAL WATER TREATMENT PLANT	\$111,583		\$3,236		
22		TRANSMISSION & DISTRIBUTION PLANT					
23	340.000	Land & Land Rights-T&D	\$0	0.00%	\$0	0	0.00%
24	342.000	Distribution Reservoirs & Standpipes	\$282,845	2.50%	\$7,071	42	-5.00%
25	343.000	Transmission & Distribution Mains	\$265,596	2.00%	\$5,312	50	0.00%
26	344.000	Fire Mains	\$0	0.00%	\$0	0	0.00%
27	345.000	Services	\$31,474	2.50%	\$787	40	0.00%
28	346.000	Meters	\$132,497	10.00%	\$13,250	10	0.00%
29	347.000	Meter Installatons	\$222,933	2.50%	\$5,573	40	0.00%
30	348.000	Other Transmission & Distribution Plant	\$0	0.00%	\$0	0	0.00%
31	349.000	Hydrants	\$0	0.00%	\$0	0	0.00%
32		TOTAL TRANS. & DISTRIBUTION PLANT	\$935,345		\$31,993		
33		GENERAL PLANT					
34	389.000	Land & Land Rights-GP	\$0	0.00%	\$0	0	0.00%
35	391.000	Office Furniture & Equipment	\$860	5.00%	\$43	20	0.00%
36	391.100	Office Computer Equipment	\$383	14.30%	\$55	7	0.00%
37	392.000	Transportation Equip.	\$0	0.00%	\$0	0	0.00%
38	393.000	Stores Equipment	\$0	0.00%	\$0	0	0.00%
39	394.000	Tools, Shop and Garage Equipment	\$352	5.00%	\$18	18	10.00%
40	395.000	Laboratory Equipment	\$0	0.00%	\$0	0	0.00%
41	396.000	Power Operated Equipment	\$24,004	6.70%	\$1,608	13	13.00%
42	398.000	Micellaneous Equipment	\$0	0.00%	\$0	0	0.00%
43	399.000	Other Tangible Property	\$0	0.00%	\$0	0	0.00%
44		TOTAL GENERAL PLANT	\$25,599		\$1,724		
45		Total Depreciation	\$1,910,275		\$98,911		

Note: Average Life and Net Salvage columns are informational and have no impact on the entered Depreciation Rate.

Accounting Schedule: 06

Sponsor: Jennifer Grisham

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Schedule AS-d3

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Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
4		SOURCE OF SUPPLY PLANT					
5	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
6	311.000	Structures & Improvements - SSP	-\$6,964			100.00%	-\$6,964
7	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
8	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
9	314.000	Wells and Springs	\$5,260			100.00%	\$5,260
10	315.000	Infiltration Galleries and Tunnels	\$0			100.00%	\$0
11	316.000	Supply Mains	\$0			100.00%	\$0
12		TOTAL SOURCE OF SUPPLY PLANT	-\$1,704		\$0		-\$1,704
13		PUMPING PLANT					
14	325.000	Electric Pumping Equipment	\$67,869			100.00%	\$67,869
15	328.000	Other Pumping Equipment	\$0			100.00%	\$0
16		TOTAL PUMPING PLANT	\$67,869		\$0		\$67,869
17		WATER TREATMENT PLANT					
18	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
19	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
20	332.000	Water Treatment Equipment	-\$11,590			100.00%	-\$11,590
21		TOTAL WATER TREATMENT PLANT	-\$11,590		\$0		-\$11,590
22		TRANSMISSION & DISTRIBUTION PLANT					
23	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
24	342.000	Distribution Reservoirs & Standpipes	-\$1,564			100.00%	-\$1,564
25	343.000	Transmission & Distribution Mains	\$14,029			100.00%	\$14,029
26	344.000	Fire Mains	\$0			100.00%	\$0
27	345.000	Services	\$701			100.00%	\$701
28	346.000	Meters	-\$8,564			100.00%	-\$8,564
29	347.000	Meter Installations	\$4,992			100.00%	\$4,992
30	348.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
31	349.000	Hydrants	\$0			100.00%	\$0
32		TOTAL TRANS. & DISTRIBUTION PLANT	\$9,594		\$0		\$9,594
33		GENERAL PLANT					
34	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
35	391.000	Office Furniture & Equipment	\$502	R-35	-\$137	100.00%	\$365
36	391.100	Office Computer Equipment	\$0	R-36	\$519	100.00%	\$519
37	392.000	Transportation Equip.	\$0			100.00%	\$0
38	393.000	Stores Equipment	\$0			100.00%	\$0
39	394.000	Tools, Shop and Garage Equipment	\$211			100.00%	\$211
40	395.000	Laboratory Equipment	\$0			100.00%	\$0
41	396.000	Power Operated Equipment	\$19,582			100.00%	\$19,582
42	398.000	Micellaneous Equipment	-\$1,466			100.00%	-\$1,466
43	399.000	Other Tangible Property	\$0			100.00%	\$0
44		TOTAL GENERAL PLANT	\$18,829		\$382		\$19,211
45		TOTAL DEPRECIATION RESERVE	\$82,998		\$382		\$83,380

Indian Hills Utility Operating Company, Inc.
 Case No.
 WR-2017-0259
 Test Year Ending March 31, 2017
 Schedule of Adjustments for Accumulated Depreciation Reserve - Water

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
R-35	Office Furniture & Equipment	391.000		-\$137
	1. To update reserves for desk. (A. Sarver)		\$280	
	2. To update reserves for copier. (A.Sarver)		-\$417	
R-36	Office Computer Equipment	391.100		\$519
	1. To update reserves for IT. (A. Sarver)		\$519	
Total Reserve Adjustments				\$382

Indian Hills Utility Operating Company, Inc.

Case No.

WR-2017-0259

Test Year Ending March 31, 2017

Revenue Schedule - Water

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$98,087	Rev-2	-\$5,532	100.00%	\$92,555
Rev-3		Miscellaneous Revenues	\$0	Rev-3	\$4,736	100.00%	\$4,736
Rev-4		TOTAL ANNUALIZED REVENUES	\$98,087		-\$796		\$97,291

Indian Hills Utility Operating Company, Inc.
 Case No.
 WR-2017-0259
 Test Year Ending March 31, 2017
 Revenue Adjustment Schedule - Water

A Revenue Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
Rev-2	Annualized Rate Revenues			-\$5,532
	1. To Annualize Rate Revenues		-\$5,532	
Rev-3	Miscellaneous Revenues			\$4,736
	1. To Annualize Miscellaneous Revenues		\$4,736	
Total Revenue Adjustments				-\$796

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Commercial 5/8"	
		B Amount	C Amount	D Amount	E Amount
1	Customer Charge Revenues:				
2	Customer Number	707		5	
3	Bills Per Year	12		12	
4	Customer Bills Per year	8,484		60	
5	Current Customer Charge	<u>\$10.81</u>		<u>\$10.81</u>	
6	Annualized Customer Charge Revenues		\$91,712		\$649
7	Commodity Charge Revenues:				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Water Rate Revenues		<u>\$91,712</u>		<u>\$649</u>

Commodity Billing Units are based on the number of commodity gallons applicable to each block, divided by the tariff usage rate gallons (e.g. for tariff rate of \$2.50 per 1,000 gallons of usage, the commodity gallons for that rate would be divided by 1,000 to arrive at the number of commodity billing units)

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Hydrants 5/8"		Total	
		E Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	3		715	
3	Bills Per Year	12			
4	Customer Bills Per year	36		8,580	
5	Current Customer Charge	\$5.40			
6	Annualized Customer Charge Revenues		\$194		\$92,555
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	0		0	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0			
12	Block 1, Number of Commodity Gallons per Unit	0			
13	Block 1, Commodity Billing Units	0.00			
14	Block 1, Existing Commodity Charge	\$0.00			
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Water Rate Revenues		\$194		\$92,555

Commodity Billing Units are based on the number of commodity gallons applicable to each block, divided by the tariff usage rate gallons (e.g. for tariff rate of \$2.50 per 1,000 gallons of usage, the commodity gallons for that rate would be divided by 1,000 to arrive at the number of commodity billing units)

Indian Hills Utility Operating Company, Inc.

Case No.

WR-2017-0259

Test Year Ending March 31, 2017

Miscellaneous Revenues Feeder - Water

Line Number	A Description	B Amount
1	Misc. Revenues	\$4,690
2	Primacy Fee	\$46
3	Total Miscellaneous Revenues	<u>\$4,736</u>

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2	603.000	Miscellaneous Expense (Source of Supply Expense)	\$0	W-2	\$200	100.00%	\$200
3	623.000	Fuel or Power Purchased for Pumping (Pumping Exp)	\$7,250	W-3	\$6,431	100.00%	\$13,681
4	641.000	Chemicals (Water Treatment Expense)	\$7,250	W-4	-\$1,869	100.00%	\$5,381
5	642.000	Operation Labor& Expense (Water Treatment)	\$7,250	W-5	\$63,854	100.00%	\$71,104
6	660.000	Operation Supervision and Engin (Trans & Dist. Exp)	\$0	W-6	\$800	100.00%	\$800
7	662.000	Transmission and Distribution Lines Expense	\$0	W-7	\$0	100.00%	\$0
8	635.000	Contractual Services - Water Testing	\$0	W-8	\$630	100.00%	\$630
9		TOTAL OPERATIONS EXPENSE	\$21,750		\$70,046		\$91,796
10		MAINTENANCE EXPENSES					
11	611.000	Maintenance of Structure and Improvements (Source of Supply Expense)	\$0	W-11	\$26,532	100.00%	\$26,532
12	631.000	Maintenance of Structure & Improvements (Pumping Expense)	\$7,250	W-12	-\$2,179	100.00%	\$5,071
13	670.000	Maintenance Supervision and Engineering	\$0	W-13	\$495	100.00%	\$495
14	673.000	Maintenance of Transmission and Dist. Mains	\$0	W-14	\$127	100.00%	\$127
15		TOTAL MAINTENANCE EXPENSE	\$7,250		\$24,975		\$32,225
16		CUSTOMER ACCOUNT EXPENSE					
17	903.100	Customer Record Collect (Billings & Collections)	\$4,478	W-17	\$13,483	100.00%	\$17,961
18	903.200	Customer Record Collect (Postage) - CSWR 16.61%	\$0			100.00%	\$0
19	903.280	Customer Record Collect (Bank Fees)	\$0	W-19	\$4,932	100.00%	\$4,932
20	904.000	Uncollectible Accounts	\$3,450	W-20	-\$3,450	100.00%	\$0
21	907.000	Customer Service & Information Expense (Web Page)	\$0	W-21	\$0	100.00%	\$0
22		TOTAL CUSTOMER ACCOUNT EXPENSE	\$7,928		\$14,965		\$22,893
23		ADMINISTRATIVE & GENERAL EXPENSES					
24	920.000	Administrative & General Salaries - CSWR 16.61%	\$25,973	W-24	\$25,749	100.00%	\$51,722
25	921.110	Office Supplies Expense (Meals, Travel) - CSWR 16.61%	\$5,410	W-25	-\$4,206	100.00%	\$1,204
26	921.500	Office Supplies Expense (Communication)	\$1,975	W-26	\$815	100.00%	\$2,790
27	921.500	Office Supplies Expense (Communication) - CSWR 16.61%	\$0	W-27	\$1,016	100.00%	\$1,016
28	921.800	Office Supplies Expense - CSWR 16.61%	\$1,975	W-28	-\$1,181	100.00%	\$794
29	921.000	Office Supplies and Other Expense - Other - CSWR 16.61%	\$0	W-29	\$46	100.00%	\$46
30	923.100	Outside Services Employed (Bank Fees)	\$0	W-30	\$188	100.00%	\$188
31	923.400	Outside Services (Legal Fees)	\$2,075	W-31	-\$1,882	100.00%	\$193
32	923.400	Outside Services (Legal Fees) - CSWR 16.61%	\$0	W-32	\$30	100.00%	\$30
33	923.500	Outside Services (Accountants/Auditors) - CSWR 16.61%	\$2,075	W-33	\$167	100.00%	\$2,242
34	923.600	Outside Services (Management Consult)	\$2,075	W-34	\$3,925	100.00%	\$6,000
35	923.800	Outside Services (Payroll Fees) - CSWR 16.61%	\$0	W-35	\$270	100.00%	\$270
36	923.900	Outside Services Employed (IT) - CSWR 16.61%	\$0	W-36	\$960	100.00%	\$960
37	923.900	Outside Services Employed (IT)	\$2,075	W-37	-\$835	100.00%	\$1,240
38	924.200	Property Insurance (Environmental) - CSWR 16.61%	\$1,636	W-38	\$8,120	100.00%	\$9,756
39	924.300	Property Insurance (Workers Comp) - CSWR 16.61%	\$0	W-39	\$240	100.00%	\$240
40	924.400	Property Insurance (Commercial) - CSWR 16.61%	\$1,636	W-40	\$5,736	100.00%	\$7,372
41	926.100	Employee Benefits (Keyman) - CSWR 16.61%	\$0			100.00%	\$0

Accounting Schedule: 09
Sponsor: Ashley Sarver
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Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
42	926.200	Employee Benefits (United Healthcare) - CSWR 16.61%	\$0	W-42	\$21,243	100.00%	\$21,243
43	926.300	Employee Benefits (401k) - CSWR 16.61%	\$0	W-43	\$1,711	100.00%	\$1,711
44	926.400	Employee Benefits (Life/STD/LTD/AD&D) - CSWR 16.61%	\$0	W-44	\$853	100.00%	\$853
45	930.200	Misc General Expense - CSWR 16.61%	\$0	W-45	\$1	100.00%	\$1
46	931.000	Rent - CSWR 16.61%	\$0	W-46	\$14,443	100.00%	\$14,443
47		TOTAL ADMINISTRATIVE AND GENERAL	\$46,905		\$77,409		\$124,314
48		OTHER OPERATING EXPENSES					
49	928.100	Regulatory Commission Expense (DNR)	\$360	W-49	-\$360	100.00%	\$0
50	928.200	Regulatory Commission Expense (PSC)	\$360	W-50	\$665	100.00%	\$1,025
51	928.300	Regulatory Commission Expense (Rate Case)	\$0			100.00%	\$0
52	928.400	Regulatory Expense (Bus License) - CSWR 16.61%	\$0	W-52	\$74	100.00%	\$74
53		Amortization Expense	\$0	W-53	\$21,011	100.00%	\$21,011
54	403.000	Depreciation	\$4,189	W-54	\$94,546	100.00%	\$98,735
55		TOTAL OTHER OPERATING EXPENSES	\$4,909		\$115,936		\$120,845
56		TAXES OTHER THAN INCOME					
57	408.120	SS & Medicare - CSWR 16.61%	\$0	W-57	\$4,396	100.00%	\$4,396
58	408.100	Unemployment Tax - CSWR 16.61%	\$0	W-58	\$1,373	100.00%	\$1,373
59	408.160	Property Tax	\$19,240	W-59	-\$14,284	100.00%	\$4,956
60		TOTAL TAXES OTHER THAN INCOME	\$19,240		-\$8,515		\$10,725
61		TOTAL OPERATING EXPENSES	\$107,982		\$294,816		\$402,798

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-2	Miscellaneous Expense (Source of Supply Expense)	603.000		\$200
	1. To include expense classified at plant. (J. Grisham)		\$200	
W-3	Fuel or Power Purchased for Pumping (Pumping Exp	623.000		\$6,431
	1. Adjustments to power cost in test year. (J. Grisham)		\$6,431	
W-4	Chemicals (Water Treatment Expense)	641.000		-\$1,869
	1. To annualize chemicals. (J. Grisham)		-\$1,869	
W-5	Operation Labor& Expense (Water Treatment)	642.000		\$63,854
	1. To annualize operation and labor expense. (J. Grisham)		\$63,122	
	2. To reclassify leak expense \$731.25 from act 611. (J. Grisham)		\$732	
W-6	Operation Supervision and Engin (Trans & Dist. Exp)	660.000		\$800
	1. Adjustments for operations supervision and engin. (J. Grisham)		\$800	
W-7	Transmission and Distribution Lines Expense	662.000		\$0
	No Adjustment		\$0	
W-8	Contractual Services - Water Testing	635.000		\$630
	1. To include water testing fee from a different account 928.1. (J. Grisham)		\$630	
W-11	Maintenance of Structure and Improvements (Source	611.000		\$26,532

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To annualize maintenance of structures and improvements. (J. Grisham)		\$11,681	
	2. To reclassify rock \$1,496.82 to plant in service Act 343. (J. Grisham)		-\$1,497	
	3. To reclassify leak expense \$731.25 to act 642. (J. Grisham)		-\$731	
	4. To reclassify from account 642. (J. Grisham)		\$17,079	
W-12	Maintenance of Structure & Improvements (Pumping	631.000		-\$2,179
	1. Adjustment to maintenance of structure and improvements. (J. Grisham)		-\$2,179	
W-13	Maintenance Supervision and Engineering	670.000		\$495
	1. Adjustment to maintenance supervision and engineering. (J. Grisham)		\$495	
W-14	Maintenance of Transmission and Dist. Mains	673.000		\$127
	1. Adjustment to maintenance of transmission and dist. Maints. (J. Grisham)		\$127	
W-17	Customer Record Collect (Billings & Collections)	903.100		\$13,483
	1. Adjustments made to billing and collections. (J. Grisham)		\$13,483	
W-19	Customer Record Collect (Bank Fees)	903.280		\$4,932
	1. To annualize bank fees. (J. Grisham)		\$4,932	
W-20	Uncollectible Accounts	904.000		-\$3,450
	1. To remove bad debt. (J. Grisham)		-\$3,450	
W-21	Customer Service & Information Expense (Web Page	907.000		\$0

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description Description	C Account Number	D Adjustment Amount	E Total Adjustment
			\$0	
W-24	Administrative & General Salaries - CSWR 16.61%	920.000		\$25,749
	1. To adjust test year payroll to reflect Staff's annualized payroll expense. (A. Sarver)		\$25,749	
W-25	Office Supplies Expense (Meals, Travel) - CSWR 16.6	921.110		-\$4,206
	1. Adjustment to annualize travel and meal expense relating only to Indian Hills. (A. Sarver)		-\$4,206	
W-26	Office Supplies Expense (Communication)	921.500		\$815
	1. Adjustment made to communication. (J. Grisham)		\$815	
W-27	Office Supplies Expense (Communication) - CSWR 16.6	921.500		\$1,016
	1. To annualize communication expense. (A. Sarver)		\$1,016	
W-28	Office Supplies Expense - CSWR 16.61%	921.800		-\$1,181
	1. Adjustments to office supplies. (A. Sarver)		-\$1,181	
W-29	Office Supplies and Other Expense - Other - CSWR 16.61%	921.000		\$46
	1. Adjustment to office supplies and other expenses. (A. Sarver)		\$46	
W-30	Outside Services Employed (Bank Fees)	923.100		\$188
	1. Adjustment to bank fees. (J. Grisham)		\$188	
W-31	Outside Services (Legal Fees)	923.400		-\$1,882
	1. Adjustment to legal fees. (J. Grisham)		-\$1,882	

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-32	Outside Services (Legal Fees) - CSWR 16.61%	923.400		\$30
	1. Adjustment to legal fees. (A. Sarver)		\$30	
W-33	Outside Services (Accountants/Auditors) - CSWR 16.61%	923.500		\$167
	1. Adjustment to auditor/accountants. (A. Sarver)		\$167	
W-34	Outside Services (Management Consult)	923.600		\$3,925
	1. Adjustment to management consult. (J. Grisham)		\$3,925	
W-35	Outside Services (Payroll Fees) - CSWR 16.61%	923.800		\$270
	1. To annualize payroll fees. (A. Sarver)		\$270	
W-36	Outside Services Employed (IT) -CSWR 16.61%	923.900		\$960
	1. Adjustment to office services IT. (A. Sarver)		\$960	
W-37	Outside Services Employed (IT)	923.900		-\$835
	1. Adjustment to outside servies employed IT. (J. Grisham)		-\$835	
W-38	Property Insurance (Environmental) - CSWR 16.61%	924.200		\$8,120
	1. To annualize property insurance (Environmental). (A. Sarver)		\$8,120	
W-39	Property Insurance (Workers Comp) -CSWR 16.61%	924.300		\$240
	1. To annualize workman comp insurance. (A. Sarver)		\$240	
W-40	Property Insurance (Commercial) - CSWR 16.61%	924.400		\$5,736
	1. To annualize commerical property insurance. (A. Sarver)		\$5,736	

Accounting Schedule: 09-1
Sponsor: Ashley Sarver
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Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-42	Employee Benefits (United Healthcare) - CSWR 16.61	926.200		\$21,243
	1. To annualize healthcare benefits. (A. Sarver)		\$21,243	
W-43	Employee Benefits (401k) - CSWR 16.61%	926.300		\$1,711
	1. To annualize 401k benefits. (A. Sarver)		\$1,711	
W-44	Employee Benefits (Life/STD/LTD/AD&D) - CSWR 16.61%	926.400		\$853
	1. To annualize Life/STD/LTD/AD&D benefits. (A. Sarver)		\$853	
W-45	Misc General Expense - CSWR 16.61%	930.200		\$1
	1. Adjustment to misc expense. (A. Sarver)		\$1	
W-46	Rent - CSWR 16.61%	931.000		\$14,443
	1. To annualize rent. (A. Sarver)		\$14,443	
W-49	Regulatory Commission Expense (DNR)	928.100		\$360
	1. To reclassify water testing expense classified to act 635. (J. Grisham)		-\$630	
	2. To adjust/remove DNR primacy fee. (J. Grisham)		\$270	
W-50	Regulatory Commission Expense (PSC)	928.200		\$665
	1. Adjustment to regulatory commission expense. (J. Grisham)		\$665	
W-52	Regulatory Expense (Bus License) - CSWR 16.61%	928.400		\$74
	1. Adjustment to business license. (A. Sarver)		\$74	

Indian Hills Utility Operating Company, Inc.
Case No.
WR-2017-0259
Test Year Ending March 31, 2017
Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-53	Amortization Expense			\$21,011
	1. Amortization of initial water leaks. (J. Grisham)		\$18,990	
	2. Amortization of Orginzation (Act 301). (J. Grisham)		\$2,021	
W-54	Depreciation	403.000		\$94,546
	1. To Annualize Depreciation		\$94,722	
	2. CIAC depreciation off set. (S. Moilanen)		-\$176	
W-57	SS & Medicare - CSWR 16.61%	408.120		\$4,396
	1. To adjust for Staff's annualized amount for social security and medicare tax. (A. Sarver)		\$4,396	
W-58	Unemployment Tax - CSWR 16.61%	408.100		\$1,373
	1. To adjust for Staff's annualized amount for unemployment tax. (A. Sarver)		\$1,373	
W-59	Property Tax	408.160		-\$14,284
	1. To annualize property tax for Indian Hills. (J. Grisham)		-\$14,187	
	2. To annualize property tax for corporate. (A. Sarver)		-\$97	
Total Expense Adjustments				\$294,816

SCHEDULE AS-d4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY