

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF WATER SERVICE COMPANY OF)
INDIANA FOR AUTHORITY TO INCREASE ITS)
WATER AND SEWER RATES AND CHARGES)
AND FOR APPROVAL OF A NEW SCHEDULE)
OF RATES AND CHARGES APPLICABLE)
THERE TO)**

CAUSE NO. 44104

PREFILED TESTIMONY

OF

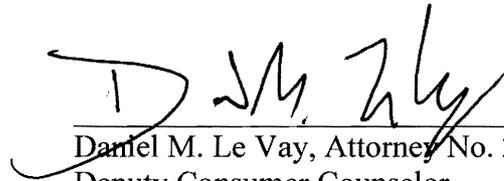
MARGARET A. STULL- PUBLIC'S EXHIBIT #2

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 23, 2012

Respectfully submitted,

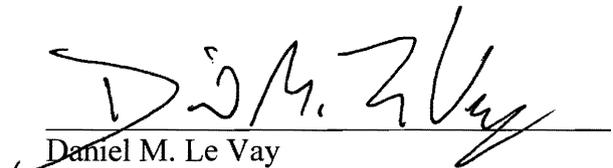


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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing testimony has been served upon the following parties of record in the captioned proceeding by electronic service, on May 11, 2012.

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TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 44104
WATER SERVICE COMPANY OF INDIANA

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC")
6 as a Senior Utility Analyst in the Water/Wastewater Division.

7 **Q: Please describe your educational background and experience.**

8 A: I graduated from the University of Houston at Clear Lake City in August 1982
9 with a Bachelor of Science degree in accounting. From 1982 to 1985, I held the
10 position of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From
11 1985 until 2001 I worked for Enron Corp. in various positions of increasing
12 responsibility and authority; first in their gas pipeline accounting department, then
13 in financial reporting and planning, both for the gas pipeline group and the
14 international group, and finally providing accounting support for infrastructure
15 projects in Central and South America. From 2002 until 2003, I held non-utility
16 accounting positions in Indianapolis. In August 2003, I accepted my current
17 position with the OUCC. Since joining the OUCC I attended the NARUC Eastern
18 Utility Rate School in Clearwater Beach, Florida.

1 **Q: Have you held any professional licenses?**

2 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
3 Texas.

4 **Q: Have you previously testified before the Indiana Utility Regulatory
5 Commission (“IURC” or “Commission”)?**

6 A: Yes. I have testified in water, wastewater, gas, and electric rate case proceedings.
7 I have also testified in a number of water and wastewater acquisition cases as well
8 as cases involving review of utility rules and regulations.

9 **Q: Please describe the review and analysis you performed.**

10 A: I reviewed Petitioner’s testimony, schedules, and workpapers. I reviewed the
11 filings and orders issued in Cause No. 41950 authorizing the sale of this utility to
12 Water Service Company of Indiana, Inc., an affiliate of Utilities, Inc. I also
13 reviewed the filings and final order in Cause No. 42969, establishing Petitioner’s
14 current water rates and charges. In addition, I reviewed Petitioner’s Annual
15 Reports filed with the IURC for the years 2007 through 2011 as well as the 2001
16 Jasper-Newton Utility IURC annual report. I participated in the preparation of
17 discovery questions and reviewed Petitioner’s responses to those questions.
18 Finally, I attended numerous meetings with OUCC staff to identify and discuss
19 the issues in this Cause.

20 **Q: What is the purpose of your testimony?**

21 A: My testimony discusses the OUCC’s concerns and issues regarding Water Service
22 Company of Indiana’s (hereafter “Petitioner” or “WSCIP”) proposed rate base
23 including the capitalization of maintenance expenses, the inclusion of a
24 wastewater acquisition adjustment, and the treatment of contributions-in-aid of

1 construction (“CIAC”). I further propose an increase to water periodic
2 maintenance expense to reflect the annual cost of well cleaning and other
3 maintenance costs.

4 I discuss the OUCC’s recommendations regarding rate case expense
5 including the reduction of legal fees, exclusion of internal labor costs, and the use
6 of a five-year amortization period. Further, I discuss rate design and propose
7 rates representative of the OUCC’s proposed revenue requirements. I also
8 provide data on the impact of the rate increase to various customers within
9 Petitioner’s water and wastewater systems.

10 Finally, I state the OUCC’s concerns and make recommendations
11 regarding certain non-recurring charges including acceptance of the proposed
12 increases to the bad check fee and the proposed new customer fee as well as the
13 inclusion of a late payment fee.

14 **Q: Do you sponsor any schedules?**

15 **A:** Yes. I sponsor OUCC Schedules 9:

- 16 Schedule 9W – Water Rate Design
- 17 Schedule 9S – Wastewater Rate Design

II. WATER UTILITY

A. Rate Base

18 **Q: What rate base amount does Petitioner propose for its water utility?**

19 **AL** Petitioner proposes a rate base of \$568,090, which includes a net acquisition
20 adjustment of \$9,192, working capital of \$8,047 and net contributions-in-aid of

1 construction ("CIAC") of \$1,355. Petitioner's proposed rate base also includes
2 adjustments to vehicles and computers allocated from the Service Company.
3 Finally, Petitioner reduces its rate base by customer deposits and accumulated
4 deferred income taxes.

5 **Q: Do you accept Petitioner's proposed acquisition adjustment?**

6 A: Yes. This acquisition adjustment was approved in Cause No. 42969. Based on
7 my review of that Cause and Petitioner's calculation of the acquisition adjustment
8 in this Cause, I accept the acquisition adjustment as presented, net of accumulated
9 amortization.

10 **Q: Do you accept Petitioner's proposed adjustments for the vehicles and**
11 **computers allocated from the Service Company?**

12 A: Yes. I reviewed Petitioner's calculations and accept that the assets allocated from
13 the Service Company are reasonable and equitable.

14 **Q: Please explain why Petitioner reduces its rate base for customer deposits and**
15 **accumulated deferred income taxes.**

16 A: Generally, these items would be included in Petitioner's capital structure.
17 However, in this case, Petitioner does not have its own debt or equity and,
18 therefore, Petitioner uses its Parent Company's capital structure to determine its
19 weighted cost of capital. In order to capture the benefit of these low-cost or no-
20 cost sources of capital, customer deposits and accumulated deferred income taxes
21 are deducted from rate base. The remaining rate base represents rate base funded
22 through debt or equity sources.

1 **Q: Are you proposing any additional rate base adjustments?**

2 A: Yes. I propose adjustments to remove certain items that appear to be operating
3 expenses rather than capital. I also propose to eliminate “double” capitalization
4 of well pumps and motors installed in 2010.

1. Elimination of Capitalized Operating Expenses

5 **Q: Please explain your proposed adjustment to eliminate operating expenses**
6 **capitalized in error.**

7 A: Based on my review of invoices provided in support of the increase to Petitioner’s
8 rate base, I identified several invoices that are better described as maintenance
9 costs rather than capital costs. These invoices include an inspection of 170
10 meters, cleaning and televising of Petitioner’s wells, as well as flow testing of
11 both wells. Table MAS-1 below summarizes the operating expenses I propose to
12 eliminate from rate base:

Table MAS-1: Capitalized Operating Expenses

	<u>Vendor</u>	<u>Capital Account</u>	<u>Invoice Date</u>	<u>Description</u>	<u>Amount</u>
1	Bio Tech, Inc.	Meters	06.21.05	Inspect 170 Meters	\$ 7,375
2	Meadow Equip.	Wells	12.18.06	Televis Well No. 2	4,990
3	Meadow Equip.	Wells	12.27.06	Clean Well No. 2	12,940
4	Meadow Equip.	Wells	03.22.07	Clean Well No. 1	15,000
		Total			<u>\$ 40,305</u>

13 **Q: Are you proposing a corresponding adjustment to operating expenses?**

14 A: Yes, for the most part. Item No. 1 in the table above represents a non-recurring
15 operating expense and, as such, I am not proposing any increase to test year
16 operating expenses. As discussed further in the operating expense section below,

1 I propose to amortize Item Numbers 2 - 4 over a five year period to reflect the
2 appropriate annual expense.

2. Elimination of "Double" Capitalization of Pumps and Motors

3 **Q: Please explain your adjustment to eliminate the "double" capitalization of**
4 **pumps and motors.**

5 A: Near the end of 2006 and in early 2007, Petitioner cleaned and televised both of
6 its wells. At the same time, Petitioner also replaced its well pumps and motors at
7 a cost of approximately \$21,000 (Well No. 2) and \$11,500 (Well No. 1)
8 (Attachment MAS-1).

9 As discussed further in Jeff Fish's testimony, in 2010 Petitioner
10 experienced voltage fluctuations and power interruptions in its electrical service
11 causing its well pumps and motors to "burn out." Petitioner purchased and
12 installed new pumps and motors in 2010 to replace the damaged ones. Total costs
13 for this "accident" were approximately \$42,000, including approximately \$17,000
14 of operating expenses related to pulling and checking well equipment prior to
15 replacement (Attachment MAS-2).

16 The costs incurred in 2010 were a result of an "accident" and should be
17 covered by either the Electric provider or Petitioner's insurance. It does not
18 appear that the costs for the 2007 pumps and motors were removed from rate base
19 when the 2010 replacement pumps and motors were installed. It is not equitable
20 or reasonable to include both sets of pumps in rate base. I propose to remove the
21 2010 expenditures since these should be recoverable from insurance.

3. Removal of Accumulated Depreciation

1 **Q: Are you proposing an adjustment to accumulated depreciation for the rate**
2 **base adjustments you propose above?**

3 A: Yes. I propose to remove the appropriate amount of accumulated depreciation for
4 each of the adjustments I propose based on a 2.0% depreciation rate. Table MAS-
5 2 below summarizes my proposed accumulated depreciation adjustment:

Table MAS-2: Calculation of Accumulated Depreciation Adjustment

<u>Asset</u>	<u>Amount</u>	<u>Annual Amortization</u>	<u>Years</u>	<u>Accum. Depr. Adjustment</u>
Meter Costs	\$ (7,375)	\$ (148)	6	\$ (885)
Wells & Springs	(32,930)	(659)	4.5	(2,964)
Pumps	(43,844)	(877)	1	(877)
				<u>\$ (4,726)</u>

B. Operating Expenses

1. Salaries and Wages

6 **Q: What adjustment are you proposing to salaries and wage expense?**

7 A: As discussed below under Rate Case Expense, I propose to eliminate all internal
8 labor costs included in rate case expense. Instead of recovering these costs
9 through rate case expense, I propose to increase annual salaries and wage expense
10 to include WSCI's annual share of these internal labor costs. Total internal labor
11 costs included in rate case expense were \$109,305, of which 48.45% was
12 allocated to the water utility. Using the appropriate allocation factor for each
13 employee allocating time to the rate case, I calculated an additional \$850 of
14 salaries and wage expense to be included in *pro forma* operating expenses (OUCC
15 Schedule 6, Adjustment 1).

1 **Q: Please explain how labor costs are recorded or charged to WSCI.**

2 A: Based on my review of Petitioner's accounting schedules, WSCI is allocated
3 100% of its share of total Service Company labor costs. (Petitioner's workpaper
4 w/p-b-salary.) Then, WSCI eliminates the portion of Service Company labor
5 costs that were capitalized. (Petitioner's workpaper w/p-b2) Test Year total labor
6 allocated to WSCI was \$13,276 (\$8666 + \$4,610). Test Year capitalized labor
7 allocated to WSCI was \$4,735. Employees may capitalize time on various
8 projects during the test year including various capital or construction projects,
9 corporate initiatives, and rate cases, among other possibilities.

10 **Q: How did you calculate the amount of capitalized cost pertaining to rate case**
11 **expense?**

12 A: In making my proposed adjustment, I endeavored to add back only the capitalized
13 time related to rate case expense. Petitioner provided a workpaper (w/p-d) that
14 listed the names of all employees charging time to WSCI's rate case along with
15 the estimated number of hours charged as well as the hourly rate. For operations
16 and office personnel, I had information regarding the amount of test year time
17 capitalized and it was a simple calculation to determine the amount of labor costs
18 to be added back to test year operating expenses. It was somewhat more difficult
19 for the Service Company personnel. Although I did not have a similar workpaper
20 for Service Company personnel, I had a Petitioner's workpaper labeled w/p-b2
21 that provided a list of all Service company personnel capitalizing time during the
22 test year. I added up all the amounts from this workpaper for each service
23 company employee charging time to WSCI's rate case to determine the amount to
24 be added back for the Service Company Personnel (Attachment MAS-3). In this

1 process I made the assumption that the Service Company personnel charging time
2 to WSCI's rate case did not also capitalize time to another project.

3 **Q: What adjustment do you propose to include WSCI's share of labor costs**
4 **included in rate case expense?**

5 A: Based on my analysis as described above, I determined that \$418 of operating and
6 office employee capitalized labor costs should be added back to test year
7 operating expenses for Petitioner to recover internal labor costs related to rate
8 case expense. I also determined that \$432 of Service Company capitalized labor
9 costs should be added back to test year operating expenses.

2. Periodic Maintenance Expenses

10 **Q: Did Petitioner propose an adjustment for periodic water plant maintenance**
11 **expense?**

12 A: No.

13 **Q: Please explain your periodic maintenance expense adjustment.**

14 A: As discussed above in the rate base section of my testimony, I identified several
15 invoices that reflected an operating expense rather than capital costs. I removed
16 these costs from rate base and now propose to include these costs in operating
17 expenses.

18 However, these operating expenses are not costs that Petitioner will incur
19 on an annual basis. Rather, these are costs that are normal recurring operating
20 expenses that are incurred periodically and whose benefit spans several years.

21 The costs I propose to include in operating expenses primarily include the
22 cost of televising and cleaning each of Petitioner's two wells. Total periodic

1 maintenance costs are \$34,730. Mr. Fish testifies this cost should be amortized
2 over a five year period to reflect the useful life of these maintenance expenditures.

3 **Q: What amount for periodic maintenance expense do you propose?**

4 A: I propose annual periodic maintenance expense of \$6,946 (\$34,730/ 5 years)
5 (OUCC Schedule 6, Adjustment 4).

3. Rate Case Expense

6 **Q: What amount does Petitioner seek to recover as water rate case expense?**

7 A: Petitioner proposes total rate case expense of \$201,508, including internal labor
8 (Service Company Support Services) costs of \$109,305. Total rate case costs
9 allocated to the water utility were \$97,630 including internal labor costs of
10 \$52,953 (based on an allocation factor of 48.45%). Petitioner proposes to
11 amortize these costs over three (3) years yielding *pro forma* annual rate case
12 expense of \$67,169, of which \$32,541 is allocated to the water utility.

13 Appropriate Rate Case Expenses:

14 **Q: Do you agree with Petitioner's proposed rate case expense?**

15 A: No. First, I take issue with the sheer amount of rate case expense proposed given
16 WSCI's exceptionally small customer base. Second, it is not appropriate for
17 Petitioner to include internal labor costs in rate case expense. Finally, I disagree
18 with Petitioner's proposed amortization period.

19 **Q: Please explain your concerns regarding the amount of rate case expense
20 Petitioner seeks to include in its rates.**

21 A: The costs proposed for this rate case are staggering, especially for a utility with
22 approximately 190 customers. In Cause No. 43957, Petitioner's affiliate, Twin
23 Lakes Utilities, Inc. ("TLUI") requested recovery of \$152,129 for rate case

1 expense. This is less than the amount requested in this Cause. TLUI has
2 approximately 3,200 customers compared to WSCI's 190 customers. Table
3 MAS-3 below compares the average cost per customer for both TLUI's and
4 WSCI's proposed rate case expense under Petitioner's proposal. As this table
5 demonstrates, \$14, or approximately 20%, of each residential customer's monthly
6 bill, represents recovery of Petitioner's estimated rate case expense.

Table MAS-3: Comparison of Rate Case Expense per Customer

	<u>TLUI</u>		<u>WSCI</u>
Total Rate Case Expense	\$ 152,129		\$ 201,508
Water	76,475	(A)	97,631
Sewer	75,654		103,877
Customer Count (approx.)	3,200	(B)	190
Cost per Water Customer	<u>\$ 23.90</u>	(A)/(B)	<u>\$ 513.85</u>
Annual Cost Per Customer	\$ 7.97		\$ 171.28
Monthly Cost Per Customer	\$ 0.66		\$ 14.27

7 Because rate case expense is recovered from ratepayers, this can reduce a
8 utility's incentive to carefully monitor those expenses, evaluate the cost of
9 advocating controversial positions, and find more cost efficient ways of
10 participating in the case.

11 Finally, Petitioner has not supported its proposed rate case expense with
12 sufficient detail to justify the level of expense requested. Petitioner provides no
13 substantive testimony or evidence to explain how it determined the amount of rate
14 case expense it proposed, what its estimate is based upon, or why it considers its

1 proposed rate case expense reasonable and prudent. Specifically, Petitioner's
2 evidence regarding rate case expense is one paragraph in Mr. Neyzelman's
3 testimony (page 8, lines 16-20):

4 "The test year level of regulatory expense was increased to
5 reflect the anticipated costs of this proceeding, amortized
6 over a three year period. If necessary, this expense will be
7 updated at the time rebuttal testimony is filed to reflect a
8 more accurate amount and the pro forma adjustment will be
9 adjusted at that time. If this adjustment is not included, test
10 year operating expenses would be understated."

11 Evidence that Petitioner spent the amount of rate case expense it proposed
12 does not by itself establish that such expenses were reasonable or prudent.

13 **Q: Please explain your issues with Petitioner's proposal to include internal labor**
14 **costs in rate case expense.**

15 **A:** Rate Case expense should represent a utility's incremental or additional costs
16 incurred to execute its rate case. It should not include costs that Petitioner will
17 incur regardless of whether it is filing a rate case. Total internal labor costs
18 should be allocated to WSCI based on its pro rata share of those costs based on
19 the appropriate allocation factors and methodology. All internal costs should be
20 allocated in this manner to ensure transparency and to eliminate any potential
21 double recovery of costs that might occur.

22 This double recovery can happen in one of several ways. For example, if
23 a utility over estimates the time and cost of internal labor in its rate case expense,
24 it is likely to over-recover these costs. Petitioner operates approximately 70
25 utilities in many different jurisdictions and files multiple rate cases each year. If
26 each utility includes exaggerated internal labor costs for recovery through rate

1 case expense, this could quickly equate to over-recovery of these employee
2 expenses. Further, if a utility does not file its next rate case by the end of the rate
3 case expense amortization period, it will over recover its expense for each year it
4 delays filing a rate case.

5 Another example of over recovery can occur when there is a material
6 difference between the internal labor costs allocated to a utility during the test
7 year compared to the internal costs recovered through rate case expense. An
8 employee could work on operational or administrative issues during the test year
9 and charge 100% of his or her time to operating expenses. After the test year, this
10 same employee could be assigned to work on the rate case and the employee's
11 estimated time and costs would be included in rate case expense allowing a utility
12 to over recover its internal labor costs.

13 To ensure transparency in the rate making process, it is best to exclude
14 normal, recurring operating expenses from recovery through rate case expense.
15 These types of costs are best included in the annual operating expenses, allocating
16 a utility's pro rata share of annual expense and including it in the revenue
17 requirement.

18 **Q: Do you have any other issues with the amount of internal labor costs**
19 **included in Petitioner's proposed rate case expense?**

20 **A:** Yes. The amount of internal time that Petitioner estimated would be spent on this
21 case is unusually large. The main accounting or rate case expert alone estimated
22 700 hours, of which 339 hours was allocated to the water utility, for this relatively
23 basic water utility rate case. Assuming 8 hour days, 339 hours equates to 42
24 business days or more than 8 weeks of work on a single small water utility rate

1 case. Overall, Petitioner estimates a total of 2,194 hours of internal employee
2 time for this case for a total of \$109,305 of internal employee labor costs. Of this
3 total, 1,063 hours were allocated to the water utility for a total of \$52,953. These
4 expenses are more bewildering when one considers Petitioner's claim that it
5 provides services to WSCI "...at a cost lower than is available in the open
6 market." (Testimony of Mr. Neyzelman, page 3, lines 21-22.)

7 Based on Petitioner's responses to OUCC discovery, Petitioner has not yet
8 come close to spending the amount of time or costs it estimated for this rate case.
9 As of October 31, 2011, Petitioner had spent \$59,953 of its total estimated
10 \$201,898, including approximately 857 hours of internal employee time at a cost
11 of \$38,161 (Attachment MAS-4). As of January 31, 2012, Petitioner had incurred
12 \$66,102 of its estimated \$202,365 of rate case expense, including approximately
13 965 hours of internal employee time at a cost of \$43,076 (Attachment MAS-5).

14 **Q: Does the OUCC have any other issues with Petitioner's estimated rate case**
15 **expense?**

16 A: Yes. The OUCC disagrees with Petitioner's estimated \$85,000 of legal expenses
17 in this Cause. The OUCC also disagrees with the \$4,500 of consultant costs
18 included in rate case expense.

19 **Q: Please explain your adjustment to legal fees included in rate case expense.**

20 A: As stated above, Petitioner has provided no support for its estimated rate case
21 expense and legal costs are no exception. Based on my experience with small
22 utility rate case filings, I believe that \$45,000, of which \$21,800 is allocated to the
23 water utility, is a reasonable and equitable estimate for Petitioner's rate case legal
24 costs in this Cause. Although this amount is considerably less than the amount of

1 legal costs proposed in the TLUI rate case, it takes into consideration WSCI's
2 small customer base. Further, TLUI had an intervenor as well as operational
3 issues to deal with in that case, \$45,000 seems imminently more reasonable
4 estimate for WSCI's total rate case legal costs.

5 **Q: Please explain your adjustment to eliminate consultant costs.**

6 A: Petitioner includes \$4,500 for a consultant in its estimate of rate case expense.
7 Based on my review of rate case invoices provided by Petitioner (Attachment
8 MAS-6), this expense was for preparation of a rate of return study including a
9 first draft of direct testimony. However, Mr. Neyzelman states on page 12, lines
10 16-21, of his testimony that, rather than incur the costs associated with hiring a
11 return on equity expert, "...the Company proposes to use a cost of common equity
12 of 10.44% based on recently received ROEs in other jurisdictions. WSCI used
13 this information and determined the best course of action was to not hire a cost of
14 capital expert and instead use the average granted ROE from the seventeen
15 companies listed below." Based on Mr. Neyzelman's testimony, it is
16 inappropriate to include the cost of this consultant in rate case expense in this
17 Cause.

18 **Amortization Period for Rate Case Expense**

19 **Q: Do you accept Petitioner's proposed three year amortization period for rate**
20 **case expense?**

21 A: No. I propose a five (5) year amortization period. Five years more closely
22 reflects the anticipated life of the rates being set in this Cause and the appropriate
23 period over which WSCI should recover its rate case expenses. This is the second
24 rate case filed for Petitioner's water utility and the first filed for its sewer utility.

1 The first rate water utility rate case was filed by Petitioner in early 2006,
2 approximately 5 years ago. A five (5) year amortization period is reasonable and
3 better represents the life of the rates being set in this Cause.

4 **Q: What rate case expense do you propose?**

5 A: After eliminating internal labor costs, eliminating consultant fees, and reducing
6 legal fees, I propose total rate case costs of \$47,703. Amortized over five years,
7 this yields an annual rate case expense of \$9,541. Costs allocated to the water
8 utility equals total costs of \$23,112 and an annual rate case expense of \$4,621
9 (OUCC Schedule 6, Adjustment 2).

Table MAS-4: OUCC Proposed Rate Case Expense

	<u>Total</u>	<u>Water</u>
Legal Fees	\$ 45,000	\$ 21,803
Travel	1,600	775
Miscellaneous	1,103	534
	<u>\$ 47,703</u>	<u>\$ 23,112</u>
Divide by Amortizaiton Period	<u>5</u>	<u>5</u>
<i>Pro forma</i> Annual Rate Case Expense	<u>\$ 9,541</u>	<u>\$ 4,621</u>

Allocation Factor - 48.45%

4. Amortization of Contributions-in-Aid of Construction ("CIAC")

10 **Q: Did Petitioner include annual amortization of CIAC in its proposed revenue**
11 **requirement in this Cause?**

12 A: No. Petitioner proposed an adjustment to remove any amortization of CIAC from
13 its test year operating expenses.

1 **Q: Does the OUCC agree with Petitioner's proposal to exclude CIAC**
2 **amortization from operating expenses in this Cause?**

3 A: No. If a utility is going to amortize its CIAC and include accumulated CIAC
4 amortization in its calculation of rate base, it must also include the annual
5 amortization in its operating expenses. Both sides of the "entry" must be
6 consistently incorporated in the calculation of the revenue requirement and
7 determination of rates.

8 **Q: What is the effect of including CIAC amortization in operating expenses?**

9 A: CIAC Amortization reduces the amount of depreciation expense recovered
10 through rates. Essentially, it eliminates the depreciation expense related to
11 contributed plant.

12 **Q: What is the effect of including accumulated amortization of CIAC in the**
13 **calculation of rate base?**

14 A: CIAC is a reduction to UPIS and rate base. Accumulated amortization of CIAC
15 reduces the amount of CIAC applied to rate base. Therefore, it increases rate base
16 by reducing the amount of CIAC eliminated through amortization.

17 **Q: Has the Commission addressed this issue in previous cases?**

18 A: Yes. For instance, in Cause No. 39956, *Matter of Rates and Charges of Lincoln*
19 *Utilities, Inc.*, the Commission stated:

20 In the alternative, the Public argued that if the allocation of
21 accumulated depreciation between contributions-in-aid-of
22 construction and utility plant is permitted, Petitioner's pro
23 forma depreciation expense should be reduced by the
24 amortization of the contributions-in-aid-of construction.
25 The Public observed that no such adjustment has been
26 made in this case. Here, we must agree depreciation should
27 be removed by the amount attributable to contribution-in-
28 aid-of construction, whether that amount be identified as
29 depreciation or amortization.

1 Order on Reconsideration, Cause No. 39956, p. 4 (emphasis added.)

2 This position is further reiterated in Cause No. 43435 (Hamilton Southeastern
3 Utilities, Inc.), where the Commission stated:

4 "...a utility may elect to amortize its CIAC so the utility
5 will receive the benefit of not deducting the [full]
6 accumulated CIAC balance in the rate base calculation but,
7 the utility must reduce the [annual] depreciation expense by
8 the amortization of CIAC..." (Final Order, Cause No.
9 43435, February 11, 2012, page 12.)

10 It is clear from these prior Commission orders that a utility has the option
11 to amortize CIAC. However, once a utility elects to amortize CIAC, it *must also*
12 reduce its depreciation expense accordingly. It cannot enjoy the benefit of
13 amortizing CIAC and the resulting increase in rate base while ignoring the effect
14 this amortization has on depreciation expense.

5. Amortization of Acquisition Adjustment

15 **Q: Did Petitioner include the annual amortization of its acquisition adjustment**
16 **in its revenue requirement?**

17 A: Yes. Petitioner included \$319 of amortization expense related to its acquisition
18 adjustment.

19 **Q: Do you agree with Petitioner's inclusion of this amortization in the revenue**
20 **requirement?**

21 A: No. In Cause No. 42969, while an acquisition adjustment was approved, only a
22 "return on" this acquisition adjustment was allowed, not a "return of." Petitioner
23 has provided no evidence in this Cause to justify this change in treatment from
24 Cause No. 42969. I do not consider it appropriate to include this amortization
25 expense in the revenue requirement.

6. Federal Income Tax Expense

1 **Q: What does Petitioner propose for federal income tax expense?**

2 A: Petitioner proposed a present rate *pro forma* federal income tax expense of
3 (\$23,984), a decrease of \$15,096 to test year expense.

4 **Q: In what way does your calculation of Federal income tax differ from that of**
5 **Petitioner's?**

6 A: Other than the differences in various proposed revenue and expense items, there is
7 only one material difference between my calculation of federal income tax
8 expense and Petitioner's. I used a federal income tax rate of approximately
9 30.5% compared to Petitioner's use of a 34% federal tax rate.

10 **Q: Please explain why you propose a different federal tax rate than Petitioner.**

11 A: The OUCC asked Petitioner the following question in Discovery Question No. 6-
12 9 (Attachment MAS-7):

13 Q: Has WSCI included any adjustment to its federal
14 income taxes to account for the benefit of being a member
15 of a consolidated federal income tax return?

16 A: No. For purposes of this rate proceeding, WSCI
17 calculated its tax expenses as if it filed federal income taxes
18 on a stand-alone basis. However, WSCI's filing includes
19 ADIT in its rate base which decreases the Company's
20 revenue requirement and thus benefits the customer.

21
22 (emphasis added)

23 Based on this response, the OUCC calculated Petitioner's federal income
24 tax expense in the same manner – as if WSCI is a stand-alone company and not a
25 member of a consolidated tax return.

1 **Q: How did you calculate the approximately 30.5% federal tax rate used in your**
2 **calculation of WSCI's revenue requirement?**

3 A: First, I calculated the effective tax rate for WSCI in total, including both water
4 and wastewater, because WSCI would file one tax return for both utilities. This
5 calculation was based upon the OUCC's *pro forma* proposed rates net income and
6 the IRS federal tax tables (Attachment MAS-8). Table MAS-5 explains this
7 calculation:

MAS Table-5: Calculation of Federal Tax Rate

	<u>Total</u>
Net income before Income Taxes	\$ 325,759
Less: Synchronized Interest Expense	(100,130)
State Income Tax Expense	(20,057)
Federal Taxable Income	<u>\$ 205,572</u>
First \$50,000 taxed at 15%	\$ 7,500
Next \$25,000 taxed at 25%	6,250
Next \$25,000 taxed at 34%	8,500
Next \$96,704 taxed at 39%	41,173
Total Federal Income Tax Expense	<u>\$ 63,423</u>
Effective Tax Rate	<u>30.85%</u>

8
9

10 It required an iterative process within the accounting schedules to
11 determine the final federal income tax rate that would yield the federal tax
12 expense shown in Table MAS-5 above. Based on this process, I determined that
13 the use of a federal tax rate of 30.505% in the gross revenue conversion factor
14 would yield the required federal income tax expense of \$63,423.

1 **Q: What present rate federal income tax expense do you propose?**

2 A: For the water utility, I propose present rate federal income tax expense of (\$-
3 2,005). OUCC Schedule 6, Adjustment 9, reflects a decrease to test year federal
4 income tax expense of \$8,888.

C. Water Rates and Rate Design

5 **Q: Did Petitioner prepare a cost of service study to support its proposed rate**
6 **design?**

7 A: No. Petitioner prepared a basic allocation of its revenue requirement between
8 those that are “fixed” and are best recovered through a flat monthly fee and those
9 that are “variable” and are best recovered through a volumetric rate based on
10 customer consumption.

11 **Q: Does the OUCC have any concern about Petitioner’s methodology?**

12 A: While generally it would be preferable to have a cost of service study to support
13 the cost of serving each customer class, the OUCC does not recommend one at
14 this time. Although Petitioner serves at least two distinct customer classes,
15 preparation of a cost of service study would be unduly burdensome based on the
16 size of this utility. For this reason, the OUCC accepts Petitioner’s methodology
17 for this utility.

18 **Q: Has this methodology been accepted in any other rate cases?**

19 A: Yes. Utilities, Inc., Petitioner’s parent company, used this same methodology to
20 determine its proposed rate design in the Twin Lakes Utilities, Inc. (“TLUI”) rate
21 case (Cause No. 43957). Petitioner also used this methodology in the Indiana
22 Water Services, Inc. rate case (Cause No. 44097). The OUCC accepted this rate
23 design in both Causes, and the Commission authorized this rate design in the

1 TLUI rate case (IURC Final Order, February 22, 2012, Cause No. 43957, page
2 23).

3 **Q: Please explain what Petitioner is proposing for water rate design.**

4 A: Petitioner proposes to eliminate its current declining block rate structure in favor
5 of a rate design that includes a monthly base facility charge plus a volumetric
6 consumption charge. The monthly base facility charge is designed to recover
7 Petitioner's fixed costs and varies based on the customer's meter size. The
8 volumetric charge is a flat rate per thousand gallons based on a customer's
9 consumption during the billing period. The volumetric charge is designed to
10 recover Petitioner's variable costs. The base facility charge and volumetric
11 charge are the same for both residential and commercial customers.

12 Petitioner's proposed rate design results in Petitioner recovering 33.34%
13 of its revenue requirement from a fixed monthly fee. Petitioner's current rate
14 design recovers most of Petitioner's revenue requirement through a consumption
15 charge, which can vary greatly from one month to the next and from season to
16 season. Absent a major change in its customer count, this change in Petitioner's
17 rate design reduces Petitioner's risk of not recovering its authorized revenue
18 requirement due to the increased fixed rate revenues it will recover regardless of
19 customer consumption.

20 In its proposed rate design, Petitioner seeks to recover purchased power,
21 chemicals, maintenance, capitalized labor, income taxes, miscellaneous income,
22 and its allowed return on rate base through the volumetric rate. Petitioner seeks to
23 recover insurance, rate case expense, depreciation, amortization, and property

1 taxes through the fixed base facility charge. All remaining revenue requirements
2 are recovered equally through the fixed base facility charge (50%) and the
3 volumetric rate (50%).

4 **Q: Do you accept Petitioner's rate design proposals?**

5 A: Not entirely. Based on my review of Petitioner's proposed rate design, most
6 revenue requirements are allocated in a reasonable manner between fixed and
7 variable. I propose two changes to Petitioner's proposed rate design.

8 First, Petitioner allocates salaries and wages 50% to the fixed base facility
9 fee and 50% to the variable volumetric rate. However, Petitioner allocates 100%
10 of capitalized labor to the variable volumetric rate. To be consistent, I propose to
11 allocate capitalized labor in the same manner as salaries and wages.

12 Second, I propose to recover miscellaneous income equally through the
13 fixed base facility charge (50%) and through the volumetric rate (50%).
14 Petitioner has allocated 100% of miscellaneous income to the fixed base facility
15 charge.

16 My proposed rate design results in 28.77% of Petitioner's revenue
17 requirement being recovered through the base facility charge compared to
18 Petitioner's proposed 33.34%.

1 **Q: What water rates do you propose based on the OUCC's revenue**
2 **requirements?**

3 A: As shown on OUCC Schedule 9, I propose the following rates:

	<u>Proposed</u>		
	<u>OUCC</u>	<u>Petitioner</u>	<u>OUCC More (Less)</u>
Base Facility Charge (5/8" Meter)	\$ 13.26	\$ 26.07	\$ (12.81)
Volumetric Rate (per 1,000 gallons)	\$ 5.37	\$ 8.52	\$ (3.15)

4 **Q: What is the impact of your proposed rate increase on WSCI customers?**

5 A: The OUCC's proposal equates to an across-the-board increase of 62.05%.
6 However, as Table MAS-5 below demonstrates, smaller water users will
7 experience the largest increases under Petitioner's proposed rate design while
8 larger water users will see smaller increases. This is due primarily to the addition
9 of a flat monthly base facility charge.

Table MAS-6: Impact of Rate Increase on WSCI Customers

	<u>Minimum Water User</u>	<u>Average Residential User</u>	<u>Average Commercial User</u>	<u>Large Commercial User</u>
Consumption (in gallons)	2,000	4,500	10,000	30,000
Meter Size	5/8"	5/8"	1"	2"
Current Rates	\$ 14.04	\$ 21.06	\$ 42.72	\$ 116.57
Petitioner Proposed Rates	\$ 43.11	\$ 64.41	\$ 111.27	\$ 281.67
Proposed % Increase	207.05%	205.84%	160.46%	141.63%
OUCC Proposed Rates	\$ 24.00	\$ 37.43	\$ 66.96	\$ 174.36
Proposed % Increase	70.94%	77.73%	56.74%	49.58%

D. Non-Recurring Charges

1. Existing Charges

1 **Q: What existing non-recurring charges does Petitioner propose to increase?**

2 A: Petitioner proposes to increase its reconnection charge from \$10 to \$37.50.

3 (Petitioner also proposes to expand the purpose of this charge.) In addition,

4 Petitioner proposes to increase its connection charge from \$400 to \$2,000. Mr.

5 Fish discusses in his testimony why this fee increase should be rejected.

6 **Q: Do you accept Petitioner's proposed changes to its reconnection charge?**

7 A: Yes. Based on my review, Petitioner's proposed increase to its reconnection fee

8 from \$10.00 to \$37.50 should be considered reasonable. Although I disagree with

9 some of the salary rates Petitioner uses to calculate its revised charges, the effect

10 on the fee is immaterial.

11 **Q: Do you have additional issues or concerns regarding Petitioner's proposed**
12 **change to its existing reconnection charge?**

13 A: Yes. I have concerns with Petitioner's proposed changes in the description of its

14 reconnection charge, in particular the language regarding rates to be charged

15 "seasonal" customers. Petitioner has not supported its proposed changes to the

16 language in its reconnection charge with sufficient detail to justify the changes it

17 proposes. In fact, Petitioner does not mention this aspect of its proposal anywhere

18 in its testimony. Petitioner discusses how it calculated the new fee but nowhere

19 does it provide any substantive testimony or evidence explaining the need for this

20 change in its tariff.

1 **Q: What do you propose regarding Petitioner's proposed changes to the**
2 **language describing its Reconnection Charge?**

3 A: I accept the first two sentences of Petitioner's revised reconnection charge
4 description. However, I propose that the remaining two sentences of the proposed
5 description be rejected. The approved description would read as follows:

6 If water service is disconnected by the utility for failure to
7 pay a bill or for any reason in accordance with IURC rules,
8 the customer will be assessed a charge of thirty-seven
9 dollars and fifty cents (\$37.50), which will be paid by the
10 customer before water service will be restored. If water
11 service is disconnected at the customer's request due to
12 seasonal residence and during normal business operating
13 hours, the customer will be assessed a charge of thirty-
14 seven dollars and fifty cents (\$37.50), which will be added
15 to the customer's next water bill.

2. New Charges

16 **Q: What new non-recurring charges does Petitioner propose to include in its**
17 **tariff?**

18 A: Petitioner proposes to add the following non-recurring charges to its tariff:

- 19 • NSF Charge
- 20 • New Customer Charge
- 21 • Late Payment Charge
- 22 • Meter Testing Fee
- 23 • After Hours Call-Out Charge

24 **Q: Do you accept Petitioner's proposed new non-recurring charges?**

25 A: Not entirely. I accept Petitioner's proposed NSF charge of \$25 as well as its
26 proposed new customer charge of \$25. Petitioner calculated these fees in much
27 the same way it calculated its revised reconnection charge. Although I disagree
28 with some of the salary rates Petitioner used to calculate its revised charges, the
29 effect on the charges may be considered immaterial. I accept the proposed

1 charges as reasonable. I also accept Petitioner's proposed late payment charge as
2 it follows the Commissions late payment rules as promulgated in 170 IAC 6-1-13.

3 The OUCC accepts Petitioner's proposed meter testing fee but does not
4 accept the proposed after-hours call-out charge. OUCC witness Jeff Fish
5 discusses both of these fees in his testimony.

III. WASTEWATER UTILITY

A. Drivers of Wastewater Rate Increase

6 **Q: What are the primary drivers of the requested wastewater rate increase?**

7 A: The increase in rate base of \$2,273,247 since Cause No. 41486 (last rate case for
8 this utility) is the primary driver of the requested rate increase in this Cause. This
9 increase is due primarily to the replacement of Petitioner's wastewater treatment
10 plant. Petitioner seeks both a return on and a return of (depreciation expense) that
11 added rate base. In addition, the increased rate base also increased property tax
12 expense.

13 **Q: In his testimony, Mr. Fish notes that a 2004 evaluation of its wastewater**
14 **treatment plant indicated that for approximately \$300,000 Petitioner could**
15 **have refurbished its old WWTP and extended the life of that plant by at least**
16 **15 years. If Petitioner had increased its rate base by \$300,000, instead of the**
17 **approximate \$1.5 million Petitioner spent on replacing its WWTP, assuming**
18 **all other revenue requirements stayed the same, how much of an increase**
19 **would Petitioner have proposed?**

20 A: Reducing rate base by \$1.2 million (\$1.5 - \$.3) would yield a rate increase of
21 167.96% under Petitioner's proposal compared to Petitioner's requested 310.19%
22 (Attachment MAS-9).

1 **Q: If Petitioner had increased its rate base by \$300,000 instead of the \$ 1.5**
2 **Million Petitioner spent on replacing its WWTP, assuming all of the OUCC's**
3 **proposed adjustments, how much of an increase would the OUCC propose?**

4 A: Reducing rate base by \$1.2 million (\$1.5 - \$.3) would yield a rate increase of
5 144.88% under the OUCC's proposal compared to the OUCCS recommended
6 268.04% (Attachment MAS-9).

7 **Q: OUCC witness Edward Kaufman discusses phasing in rates to mitigate rate**
8 **shock. Do you have a proposal for phasing-in rates?**

9 A: Yes. OUCC Schedule 1, page 1, reflects a three phase rate increase to alleviate rate
10 shock for the wastewater utility customers. Each phase represents no more than a
11 100% increase in rates. Phase I would take effect upon an order from the
12 Commission with annual increases after that to reflect Phase II and Phase III rates.

B. Rate Base

13 **Q: What rate base does Petitioner propose for its wastewater utility?**

14 A: Petitioner proposes a rate base of \$2,685,618 including a net acquisition
15 adjustment of \$114,157, working capital of \$10,778 and net contributions-in-aid
16 of construction ("CIAC") of \$2,053. Petitioner's proposed rate base also includes
17 adjustments to vehicles and computers allocated from the Service Company.
18 Finally, Petitioner's rate base is reduced by customer deposits and accumulated
19 deferred income taxes.

20 **Q: Do you accept Petitioner's proposed adjustments for the vehicles and**
21 **computers allocated from the Service Company?**

22 A: Yes. I reviewed Petitioner's calculations and accept as fair and reasonable the
23 allocation of assets from the Service Company.

1 **Q: Please explain why Petitioner reduced its rate base for customer deposits and**
2 **accumulated deferred income taxes.**

3 A: Generally, these items would be included in Petitioner's capital structure.
4 However, in this case, Petitioner does not have its own debt or equity. Therefore,
5 Petitioner's Parent Company capital structure is used to determine Petitioner's
6 weighted cost of capital. In order to capture the benefit of these low-cost or no-
7 cost sources of funding, customer deposits and accumulated deferred income
8 taxes are deducted from rate base. The remaining rate base represents the portion
9 funded through debt or equity sources.

1. Acquisition Adjustment

10 **Q: What acquisition adjustment is Petitioner proposing?**

11 A: Although not stated or discussed anywhere in its case in chief, Petitioner included
12 in its calculation of wastewater rate base a net acquisition adjustment of \$114,157.

13 **Q: What treatment is Petitioner requesting for its wastewater acquisition**
14 **adjustment?**

15 A: Again, there is no discussion anywhere in Petitioner's case in chief explaining its
16 specific proposal. Based on Petitioner's schedules it appears that Petitioner is
17 requesting both a "return on" and a "return of" its proposed wastewater
18 acquisition adjustment

19 **Q: Do you accept Petitioner's proposed wastewater acquisition adjustment?**

20 A: No. Petitioner has not adequately supported its proposed acquisition adjustment.
21 Petitioner has provided no substantive testimony or evidence to explain how it
22 determined the amount of wastewater acquisition adjustment it proposed, what

1 this amount was based upon, or why it considers its proposed wastewater
2 acquisition adjustment reasonable and prudent.

3 **Q: Generally, what is the OUCC's position regarding acquisition adjustments?**

4 A: Generally, a utility's rate base should only include the net original cost incurred
5 by the utility first devoting the property to public use. When a utility is allowed
6 to earn a return on and of a purchase price that is above the property's original
7 cost, customers will be charged higher rates for the same utility property simply
8 because the utility providing service was acquired by another company.
9 Consequently, the OUCC believes requests for favorable ratemaking treatment on
10 acquisition adjustments should be carefully considered and only granted if
11 adequately supported.

C. Operating Expenses

2. Salaries and Wages

12 **Q: What adjustment are you proposing to salaries and wage expense?**

13 A: As discussed below under Rate Case Expense, I propose to eliminate all internal
14 labor costs included in rate case expense. Instead of recovering these costs
15 through rate case expense, I propose to increase annual salaries and wage expense
16 to include WSCI's annual share of these internal labor costs. Total internal labor
17 costs included in rate case expense were \$109,305, of which \$56,351 (51.55%)
18 was allocated to the wastewater utility. Using the appropriate allocation factor for
19 each employee allocating time to the rate case, I calculated an additional \$903 of

1 salaries and wage expense to be included in *pro forma* operating expenses (OUCC
2 Schedule 6, Adjustment 1).

3 **Q: Please explain how labor costs are recorded or charged to WSCI.**

4 A: Based on my review of Petitioner's accounting schedules, WSCI is allocated
5 100% of its share of total Service Company labor costs (Petitioner's workpaper
6 w/p-b-salary). Then, WSCI eliminates the portion of Service Company labor
7 costs that were capitalized (Petitioner's workpaper w/p-b2). Test Year total labor
8 allocated to WSCI was \$13,276 (\$8666 + \$4,610). Test Year capitalized labor
9 allocated to WSCI was \$4,735. Employees may capitalize time on various
10 projects during the test year including various capital or construction projects,
11 corporate initiatives, and rate cases, among other possibilities.

12 **Q: How did you calculate the amount of capitalized cost pertaining to**
13 **wastewater rate case expense?**

14 A: In making my proposed adjustment, I endeavored to add back only the capitalized
15 time related to rate case expense. Petitioner provided a workpaper (w/p-d) that
16 listed the names of all employees charging time to WSCI's rate case along with
17 the estimated number of hours charged as well as the hourly rate. For operations
18 and office personnel, I had information regarding the amount of test year time
19 capitalized and it was a simple calculation to determine the amount of labor costs
20 to be added back to test year operating expenses. It was somewhat more difficult
21 for the Service Company personnel. Although I did not have a similar workpaper
22 for Service Company personnel, I had a Petitioner's workpaper labeled w/p-b2
23 that provided a list of all Service company personnel capitalizing time during the
24 test year. I added up all the amounts from this workpaper for each service

1 company employee charging time to WSCI's rate case to determine the amount to
2 be added back for the Service Company Personnel (Attachment MAS-3). In this
3 process, I assumed that the Service Company personnel charging time to WSCI's
4 rate case did not also capitalize time to other WSCI capital projects.

5 **Q: What adjustment do you propose to include WSCI's share of labor costs**
6 **included in wastewater rate case expense?**

7 A: Based on my analysis as described above, I determined that \$444 of operating and
8 office employee capitalized labor costs should be added back to test year
9 operating expenses for Petitioner to recover internal labor costs related to rate
10 case expense. I also determined that \$459 of Service Company capitalized labor
11 costs should be added back to test year operating expenses (OUCC Schedule 6,
12 Adjustment 1).

3. Rate Case Expense

13 **Q: What amount does Petitioner seek to recover as rate case expense?**

14 A: Petitioner proposed total rate case expense of \$201,508, including internal labor
15 (Service Company Support Services) costs of \$109,305. Total rate case costs
16 allocated to the wastewater utility were \$103,877 including internal labor costs of
17 \$56,351 (based on an allocation factor of 51.55%). Petitioner proposed to
18 amortize these costs over a three (3) year period yielding *pro forma* annual rate
19 case expense of \$67,169 of which \$34,629 was allocated to the wastewater utility.

20 Appropriate Rate Case Expenses:

21 **Q: Do you agree with Petitioner's proposed rate case expense?**

22 A: No. First, I take issue with the sheer amount of rate case expense proposed given
23 WSCI's exceptionally small customer base. Second, I do not consider it

1 appropriate for Petitioner to include internal labor costs in rate case expense.

2 Finally, I disagree with the amortization period proposed by Petitioner.

3 **Q: Please explain your concerns regarding the amount of rate case expense**
4 **Petitioner seeks to include in its rates.**

5 A: The costs proposed for this rate case are staggering, especially for a utility with
6 approximately 190 customer. In Cause No. 43957, Petitioner's affiliate, Twin
7 Lakes Utilities, Inc. ("TLUI"), initially requested recovery of \$152,129 for rate
8 case expense. This is less than the amount requested in this Cause. TLUI has
9 approximately 3,200 customers compared to WSCI's 190 customers. Table
10 MAS-7 below compares the average cost per customer for both TLUI's and
11 WSCI's proposed rate case expense under Petitioner's proposal. As this table
12 demonstrates, \$15, or approximately 14%, of each residential customer's monthly
13 bill, represents recovery of Petitioner's estimated rate case expense.

Table MAS-7: Comparison of Rate Case Expense per Customer

	<u>TLUI</u>		<u>WSCI</u>
Total Rate Case Expense	<u>\$ 152,129</u>		<u>\$ 201,508</u>
Water	76,475	(A)	97,631
Wastewater	75,654		103,877
Customer Count (approx.)	3,200	(B)	190
Cost per WasteWater Customer	<u>\$ 23.64</u>	(A)/(B)	<u>\$ 546.72</u>
Annual Cost Per Customer	\$ 7.88		\$ 182.24
Monthly Cost Per Customer	\$ 0.66		\$ 15.19

** Assumes 3 year Amortization Period as proposed by Petitioner

1 Because rate case expense is recovered from ratepayers, this can reduce a
2 utility's incentive to carefully monitor those expenses, evaluate the cost of
3 advocating controversial positions, and find more cost efficient ways of
4 participating in the case. Petitioner has not supported its proposed rate case
5 expense with sufficient detail to justify the level of expense requested. Petitioner
6 has provided no substantive testimony or evidence to explain how it determined
7 the amount of rate case expense it proposed, what this estimate was based upon,
8 or why it considers its proposed rate case expense to be reasonable and prudent.
9 Specifically, Petitioner's evidence regarding rate case expense is one paragraph in
10 Mr. Neyzelman's testimony (page 8, lines 16-20):

11 "The test year level of regulatory expense was increased to
12 reflect the anticipated costs of this proceeding, amortized
13 over a three year period. If necessary, this expense will be
14 updated at the time rebuttal testimony is filed to reflect a
15 more accurate amount and the pro forma adjustment will be
16 adjusted at that time. If this adjustment is not included, test
17 year operating expenses would be understated."

18 Evidence that Petitioner spent the amount of rate case expense it proposed
19 does not by itself establish that such expenses were reasonable or prudent.

20 **Q: Please explain your issues with Petitioner's proposal to include internal labor**
21 **costs in rate case expense.**

22 **A:** Rate Case expense should represent a utility's incremental or additional costs
23 incurred to file its rate case. It should not include costs that Petitioner will incur
24 regardless of whether it is filing a rate case. Total internal labor costs should be
25 allocated to WSCI based on its pro rata share of those costs based on the
26 appropriate allocation factors and methodology. All internal costs should be

1 allocated in this manner to ensure transparency and to eliminate any potential
2 double recovery of costs that might occur.

3 This double recovery can happen in one of several ways. For example, if
4 a utility over estimates the time and cost of internal labor in its rate case expense,
5 it is likely to over-recover these costs. Petitioner operates approximately 70
6 utilities in many different jurisdictions and files multiple rate cases each year. If
7 each utility includes exaggerated internal labor costs for recovery through rate
8 case expense, this could quickly equate to over-recovery of these employee
9 expenses. Further, if a utility does not file its next rate case by the end of the rate
10 case expense amortization period, it will over recover its expense for each year it
11 delays filing a rate case.

12 Another example of over recovery can occur when there is a material
13 difference between the internal labor costs allocated to a utility during the test
14 year compared to the internal costs recovered through rate case expense. An
15 employee could work on operational or administrative issues during the test year
16 and charge 100% of his or her time to operating expenses. After the test year, this
17 same employee could be assigned to work on the rate case and the employee's
18 estimated time and costs would be included in rate case expense allowing a utility
19 to over recover its internal labor costs.

20 To ensure transparency in the rate making process, it is best to exclude
21 normal, recurring operating expenses from recovery through rate case expense.
22 These types of costs are best included in the annual operating expenses, allocating

1 a utility's pro rata share of annual expense and including it in the revenue
2 requirement.

3 **Q: Do you have any other issues with the amount of internal labor costs**
4 **included in Petitioner's proposed rate case expense?**

5 A: Yes. The amount of internal time that Petitioner estimated would be spent on this
6 case is unusually large. The main accounting or rate case expert alone estimated
7 700 hours, of which 361 hours was allocated to the wastewater utility, for this
8 relatively basic wastewater utility rate case. Assuming 8 hour days, 361 hours
9 equates to 45 business days or 9 weeks of work on a single small utility rate case.
10 Overall, a total of 2,194 hours of internal employee time was estimated for this
11 case for a total of \$109,305 of internal employee labor costs. Of this total, 1,131
12 hours were allocated to the wastewater utility for a total of \$56,351. These
13 expenses are more bewildering when one considers Petitioner's claim that it
14 provides services to WSCI "...at a cost lower than is available in the open
15 market." (Testimony of Mr. Neyzelman, page 3, lines 21-22.)

16 Based on Petitioner's responses to OUCC discovery, Petitioner has not yet
17 come close to spending the amount of time or costs it estimated for this rate case.
18 As of October 31, 2011, Petitioner had spent \$59,953 of its total estimated
19 \$201,898, including approximately 857 hours of internal employee time at a cost
20 of \$38,161 (Attachment MAS-4). As of January 31, 2012, Petitioner had incurred
21 \$66,102 of its estimated \$202,365 of rate case expense, including approximately
22 965 hours of internal employee time at a cost of \$43,076 (Attachment MAS-5).

1 **Q: Do you have any other issues with Petitioner's estimated rate case expense?**

2 A: Yes. I disagree with Petitioner's estimated \$85,000 of legal expenses in this
3 Cause. I also disagree with the \$4,500 of consultant costs included in rate case
4 expense.

5 **Q: Please explain your adjustment to legal fees included in rate case expense.**

6 A: As stated above, Petitioner has provided no support for its estimated rate case
7 expense and legal costs are no exception. Based on my experience with small
8 utility rate case filings, I believe that \$45,000, of which \$23,200 is allocated to the
9 wastewater utility, is a reasonable and equitable estimate for Petitioner's rate case
10 legal costs in this Cause. Although this amount is considerably less than the
11 amount of legal costs proposed in the TLUI rate case, it takes into consideration
12 WSCI's small customer base. Further, TLUI had an intervenor as well as
13 operational issues to deal with in that case; \$45,000 seems an imminently more
14 reasonable estimate for WSCI's total rate case legal costs.

15 **Q: Please explain your adjustment to eliminate consultant costs.**

16 A: Petitioner included \$4,500 of consultant costs in its estimate of rate case expense.
17 Based on my review of rate case invoices provided by Petitioner (Attachment
18 MAS-6), this expense was for preparation of a rate of return study including a
19 first draft of direct testimony. However, Mr. Neyzelman states on page 12, lines
20 16-21, of his testimony that, rather than incur the costs associated with hiring a
21 return on equity expert, "...the Company proposes to use a cost of common equity
22 of 10.44% based on recently received ROEs in other jurisdictions. WSCI used
23 this information and determined the best course of action was to not hire a cost of
24 capital expert and instead use the average granted ROE from the seventeen

1 companies listed below.” Based on Mr. Neyzelman’s testimony, it is
2 inappropriate to include the cost of this consultant in rate case expense in this
3 Cause.

4 **Amortization Period for Rate Case Expense**

5 **Q: Do you accept Petitioner’s proposed three year amortization period for rate**
6 **case expense?**

7 A: No. I propose a five (5) year amortization period. Five years more closely
8 reflects the anticipated life of the rates being set in this Cause and the appropriate
9 period over which WSCI should recover its rate case expenses. This is the second
10 rate case filed for Petitioner’s water utility and the first filed for its wastewater
11 utility. The first rate water utility rate case was filed by Petitioner in early 2006,
12 approximately 5 years ago. A five (5) year amortization period is reasonable and
13 better represents the life of the rates being set in this Cause.

14 **Q: What rate case expense are you proposing?**

15 A: I propose total rate case costs of \$47,703, after eliminating internal labor costs,
16 eliminating consultant fees, and reducing legal fees. Amortized over five years,
17 this yields an annual rate case expense of \$9,541. Total rate case costs allocated
18 to the wastewater utility equals \$24,591 and an annual rate case expense of
19 \$4,921 (OUCC Schedule 6, Adjustment 2).

Table MAS-8: OUCC Proposed Rate Case Expense

	<u>Total</u>	<u>Wastewater</u>
Legal Fees	\$ 45,000	\$ 23,197
Travel	1,600	825
Miscellaneous	1,103	569
	<u>\$ 47,703</u>	<u>\$ 24,591</u>
Divide by Amortizaiton Period	<u>5</u>	<u>5</u>
<i>Pro forma</i> Annual Rate Case Expense	<u>\$ 9,541</u>	<u>\$ 4,921</u>

Allocation Factor - 51.55%

4. Amortization of Contributions-in-Aid of Construction (“CIAC”)

1 **Q: Did Petitioner include annual amortization of CIAC in its proposed revenue**
2 **requirement in this Cause?**

3 A: No. Petitioner proposed an adjustment to remove any amortization of CIAC from
4 its test year operating expenses.

5 **Q: Does the OUCC agree with Petitioner’s proposal to exclude CIAC**
6 **amortization from operating expenses in this Cause?**

7 A: No. If a utility is going to amortize its CIAC and include accumulated CIAC
8 amortization in its calculation of rate base, it must also include the annual
9 amortization in its operating expenses. Both sides of the “entry” must be
10 consistently incorporated in the calculation of the revenue requirement and
11 determination of rates.

12 **Q: What is the effect of including CIAC amortization in operating expenses?**

13 A: CIAC Amortization reduces the amount of depreciation expense recovered
14 through rates. Essentially, it eliminates the depreciation expense related to
15 contributed plant.

1 **Q: What is the effect of including accumulated amortization of CIAC in the**
2 **calculation of rate base?**

3 A: CIAC is a reduction to UPIS and rate base. Accumulated amortization of CIAC
4 reduces the amount of CIAC applied to rate base. Therefore, it increases rate base
5 by reducing the amount of CIAC eliminated.

6 **Q: Has the Commission addressed this issue in previous cases?**

7 A: Yes. For instance, in Cause No. 39956, *Matter of Rates and Charges of Lincoln*
8 *Utilities, Inc.*, the Commission stated:

9 In the alternative, the Public argued that if the allocation of
10 accumulated depreciation between contributions-in-aid-of
11 construction and utility plant is permitted, Petitioner's pro
12 forma depreciation expense should be reduced by the
13 amortization of the contributions-in-aid-of construction.
14 The Public observed that no such adjustment has been
15 made in this case. Here, we must agree depreciation should
16 be removed by the amount attributable to contribution-in-
17 aid-of construction, whether that amount be identified as
18 depreciation or amortization.

19 Order on Reconsideration, Cause No. 39956, p. 4 (emphasis added.)

20 This position is further reiterated in Cause No. 43435 (Hamilton Southeastern
21 Utilities, Inc.), where the Commission stated:

22 "...a utility may elect to amortize its CIAC so the utility
23 will receive the benefit of not deducting the [full]
24 accumulated CIAC balance in the rate base calculation but,
25 the utility must reduce the [annual] depreciation expense by
26 the amortization of CIAC..." (Final Order, Cause No.
27 43435, February 11, 2012, page 12.)

28 These prior Commission orders demonstrate that a utility has the option to
29 amortize CIAC, but once a utility elects to amortize CIAC, it *must also* reduce its
30 depreciation expense accordingly. It cannot enjoy the benefit of amortizing CIAC

1 and the resulting increase in rate base while ignoring the effect this amortization
2 has on depreciation expense.

5. Amortization of Acquisition Adjustment

3 **Q: Did Petitioner include the annual amortization of its acquisition adjustment**
4 **in its revenue requirement?**

5 A: Yes. Petitioner included \$3,524 of amortization expense related to its proposed
6 wastewater acquisition adjustment.

7 **Q: Do you agree with Petitioner's inclusion of this amortization in the revenue**
8 **requirement?**

9 A: No. The Commission has not previously approved any acquisition adjustment for
10 Petitioner's wastewater utility. Petitioner has provided no evidence or testimony
11 in its case explaining why it should be allowed to include an acquisition
12 adjustment in wastewater rate base. Further, Petitioner has provided no evidence
13 that it should recover a "return of" (amortization expense) its proposed acquisition
14 adjustment. Accordingly, Petitioner should not be permitted to include this
15 amortization expense in its wastewater revenue requirement.

6. Federal Income Tax Expense

16 **Q: What does Petitioner propose for federal income tax expense?**

17 A: Petitioner proposed a present rate *pro forma* federal income tax expense of (\$-
18 40,520), a decrease of \$26,209 to test year expense.

19 **Q: In what way does your calculation of Federal income tax differ from that of**
20 **Petitioner's?**

21 A: Other than the differences in various proposed revenue and expense items, there is
22 only one material difference between my calculation of federal income tax

1 expense and Petitioner's. I used a federal income tax rate of approximately
2 30.5% compared to Petitioner's use of a 34% federal tax rate.

3 **Q: Please explain why you propose a different federal tax rate than Petitioner.**

4 A: The OUCC asked Petitioner the following question in Discovery Question No. 6-
5 9 (Attachment MAS-7):

6 Q: Has WSCI included any adjustment to its federal
7 income taxes to account for the benefit of being a member
8 of a consolidated federal income tax return?

9 A: No. For purposes of this rate proceeding, WSCI
10 calculated its tax expenses as if it filed federal income taxes
11 on a stand-alone basis. However, WSCI's filing includes
12 ADIT in its rate base which decreases the Company's
13 revenue requirement and thus benefits the customer.
14 (emphasis added)

15 Based on this response, the OUCC calculated Petitioner's federal income
16 tax expense in the same manner – as if WSCI was a stand-alone company and not
17 a member of a consolidated tax return.

18 **Q: How did you calculate the approximate 30.5% federal tax rate used in your**
19 **calculation of WSCI's revenue requirement?**

20 A: First, I calculated the effective tax rate for WSCI in total, including both water
21 and wastewater, because WSCI would file one tax return for both utilities. This
22 calculation was based upon the OUCC's proposed rate net income and the IRS
23 federal tax tables (Attachment MAS-8). Table MAS-9 shows this calculation:

MAS Table-9: Calculation of Federal Tax Rate

	<u>Total</u>
Net income before Income Taxes	\$ 325,759
Less: Synchronized Interest Expense	(100,130)
State Income Tax Expense	(20,057)
Federal Taxable Income	<u>\$ 205,572</u>
First \$50,000 taxed at 15%	\$ 7,500
Next \$25,000 taxed at 25%	6,250
Next \$25,000 taxed at 34%	8,500
Next \$96,704 taxed at 39%	41,173
Total Federal Income Tax Expense	<u>\$ 63,423</u>
Effective Tax Rate	<u>30.85%</u>

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Q: What present rate federal income tax expense do you propose?

9

A: For the wastewater utility, I propose present rate federal income tax expense of (\$37,966). OUCC Schedule 6, Adjustment 9, reflects a decrease to test year federal income tax expense of \$23,655.

10

11

D. Water Rates and Rate Design

12

Q: Did Petitioner prepare a cost of service study to support its proposed rate design?

13

14

A: No. Petitioner prepared a basic allocation of its revenue requirement between those that are “fixed” and are best recovered through a flat monthly fee and those that are “variable” and are best recovered through a volumetric rate based on

15

16

1 customer consumption. Further, Petitioner allocated 23% of its revenue
2 requirement to the campground. The remaining revenue requirement was split
3 between residential and commercial customers with both customer classes paying
4 the same base facility charge. Variable costs were allocated 37.5% to residential
5 customers and 62.5% to commercial customers.

6 **Q: Does the OUCC have any concern about Petitioner's methodology?**

7 A: While generally it would be preferable to have a cost of service study to support
8 the cost of serving each customer class, the OUCC does not consider it to be
9 recommended in this instance. Although Petitioner serves at least three distinct
10 customer classes, preparation of a cost of service study would be unduly
11 burdensome based on the size of this utility. For this reason, the OUCC accepts
12 Petitioner's methodology.

13 **Q: Has this methodology been accepted in any other rate cases?**

14 A: Yes. Utilities, Inc., Petitioner's parent company, used this same methodology to
15 determine its proposed rate design in the Twin Lakes Utilities, Inc. ("TLUI") rate
16 case (Cause No. 43957). Petitioner also used this methodology in the Indiana
17 Water Services, Inc. rate case (Cause No. 44097). The OUCC accepted this rate
18 design in both Causes and the Commission authorized this rate design in the
19 TLUI rate case (IURC Final Order, February 22, 2012, Cause No. 43957, page
20 23).

21 **Q: Please explain what Petitioner is proposing for wastewater rate design.**

22 A: Petitioner's current rate structure is based on a volumetric charge with a minimum
23 charge for each meter size. For a 5/8" meter, the minimum usage is 9,000
24 gallons. Residential and commercial customers pay the same volumetric charge.

1 The campground pays a rate per campsite. Petitioner proposes to replace this rate
2 structure in favor of a rate design that includes a monthly base facility charge plus
3 a volumetric consumption charge. The monthly base facility charge is designed
4 to recover Petitioner's fixed costs and varies based on the customer's meter size.
5 The volumetric charge varies for residential and commercial customers and is a
6 flat rate per thousand gallons based on a customer's consumption during the
7 billing period. The volumetric charge is designed to recover Petitioner's variable
8 costs. The campground will still be billed based on number of campsites.

9 Petitioner's proposed rate design results in Petitioner recovering 27.71%%
10 of its revenue requirement from a fixed monthly fee. Petitioner's current rate
11 design recovers most of Petitioner's revenue requirement through a consumption
12 charge, which can vary greatly from one month to the next and from season to
13 season. Absent a major change in its customer count, this change in Petitioner's
14 rate design reduces Petitioner's risk of not recovering its authorized revenue
15 requirement due to the increased fixed rate revenues it will recover regardless of
16 customer consumption.

17 In its proposed rate design, Petitioner seeks to recover purchased power,
18 chemicals, maintenance, capitalized labor, income taxes, miscellaneous income,
19 and its allowed return on rate base through the volumetric rate. Petitioner seeks to
20 recover insurance, rate case expense, depreciation, amortization, and property
21 taxes through the fixed base facility charge. All remaining revenue requirements
22 are recovered equally through the fixed base facility charge (50%) and through
23 the volumetric rate (50%).

1 **Q: Do you accept Petitioner's rate design proposals?**

2 A: Not entirely. Based on my review of Petitioner's proposed rate design, most
3 revenue requirements are allocated in a reasonable manner between fixed and
4 variable. I propose two changes to Petitioner's proposed rate design.

5 First, Petitioner allocates salaries and wages 50% to the fixed base facility
6 fee and 50% to the variable volumetric rate. However, Petitioner allocates 100%
7 of capitalized labor to the variable volumetric rate. To be consistent, I propose to
8 allocate capitalized labor in the same manner as salaries and wages.

9 Second, I propose to recover miscellaneous income equally through the
10 fixed base facility charge (50%) and through the volumetric rate (50%). Petitioner
11 has allocated 100% of miscellaneous income to the fixed base facility charge.

12 My proposed rate design results in 23.11% of Petitioner's revenue
13 requirement being recovered through the base facility charge compared to
14 Petitioner's proposed 27.71%.

15 **Q: What water rates do you propose based on the OUCC's revenue**
16 **requirements?**

17 A: As shown on OUCC Schedule 11, I propose the following rates:

	<u>Proposed</u>		
	<u>OUCC</u>	<u>Petitioner</u>	<u>OUCC More (Less)</u>
Base Facility Charge (5/8" Meter)	\$ 31.12	\$ 39.98	\$ (8.86)
Volumetric Rate (per 1,000 gallons)			
Residential	\$ 13.41	\$ 13.86	\$ (0.45)
Commercial	\$ 20.43	\$ 21.11	\$ (0.68)
Campground - per campsite	\$ 12.55	\$ 13.69	\$ (1.14)

E. Non-Recurring Charges

1. Existing Charges

1 **Q: What existing wastewater non-recurring charges does Petitioner propose to**
2 **increase?**

3 A: Petitioner proposes to increase its connection charge from \$400 to \$2,000. OUCC
4 witness Jeffrey Fish discusses the OUCC's rejection of this fee increase.

2. New Charges

5 **Q: What new non-recurring charges does Petitioner propose to include in its**
6 **wastewater tariff?**

7 A: Petitioner proposes to add the following non-recurring charges to its tariff:

- 8 • NSF Charge
- 9 • New Customer Charge
- 10 • Reconnection Charge
- 11 • Late Payment Charge

12 **Q: Do you accept any of Petitioner's proposed new non-recurring charges?**

13 A: Yes. I accept Petitioner's proposed NSF charge of \$25 as well as its proposed
14 new customer charge of \$25. Although I disagree with some of the salary rates
15 Petitioner used to calculate its revised charges, the effect may be considered
16 immaterial. I accept the proposed charges as reasonable.

17 I also accept Petitioner's proposed late payment charge as it follows the
18 Commissions late payment rules as promulgated in 170 IAC 8.5-2-1.

Q: What does wastewater reconnection charge does Petitioner propose?

1 A: Petitioner proposes no specific charge. Instead, it provides language stating that
2 the estimated cost of disconnection and reconnection will be “furnished to the
3 customer with the cut-off notice.”

Q: Do you accept Petitioner's proposed wastewater reconnection charge?

4 A: No, not as proposed. I am not necessarily opposed to Petitioner including a
5 wastewater reconnection charge on its tariff if it is established that such a fee is
6 necessary. However, Petitioner would need to state a specific fee for this activity
7 and submit supporting invoices or documentation to substantiate the cost based
8 nature of the charge.

9 As proposed, Petitioner's lack of a specific fee is unreasonable and
10 inequitable. Customers cannot know what the fee will be until they receive the
11 cut-off notice, at which time it is too late.

12 **Q: Do you have any other comments about Petitioner's proposed wastewater**
13 **reconnect charge?**

14 A: Yes. First, Petitioner has not established any need for such a charge. Second,
15 Petitioner has not established why its water disconnection charge is not adequate
16 to deal with late or non-paying customers. Except for the campground, all of
17 Petitioner's wastewater customers are also water customers. There is no need to
18 establish a wastewater reconnection charge or to disconnect wastewater service
19 since Petitioner can disconnect water service which will serve the same purpose.
20 Finally, the cost of disconnecting water customers is significantly less than
21 disconnecting wastewater customers since the latter involves excavating and
22 installing a valve or other device to effectively shut-off a customer. As such,

1 Petitioner's proposed wastewater reconnection charge appears to be punitive and
2 unnecessary. It would allow Petitioner to potentially collect a much larger fee
3 from these customers than it would otherwise be able to collect if it simply
4 disconnected the water service. For these reasons, Petitioner's proposed
5 wastewater reconnection charge should be rejected.

IV. OUCC RECOMMENDATIONS

6 **Q: Please summarize your recommendations to the Commission in this Cause.**

7 **A:** I recommend approval of water rate base reductions of \$40,305 to eliminate
8 capitalized periodic maintenance costs and the elimination of \$43,844 of pump
9 and motor costs incurred as a result of voltage fluctuations and power
10 interruptions that burned up the existing pumps and motors. I further recommend
11 approval of the removal of the corresponding accumulated depreciation (\$4,726)
12 from rate base.

13 I also recommend rejection of Petitioner's proposed wastewater
14 acquisition adjustment of \$114,157 as well as rejection of the inclusion of any
15 acquisition amortization expense in the wastewater revenue requirement.

16 Further I recommend that the amortization of the water acquisition
17 adjustment be excluded from the water revenue requirement (no return of). I also
18 recommend that CIAC amortization be included in the water and wastewater
19 revenue requirement.

20 I recommend approval of total rate case expense of \$47,703 (\$23,112
21 (water) and \$24,591 (wastewater)) amortized over five years for an annual rate

1 case expense of \$9,541 (\$4,621 (water) and \$4,921 (wastewater)). This
2 recommendation includes the elimination of internal labor costs from rate case
3 expense. Subject to approval of an annual rate case expense not exceeding
4 \$9,541, I recommend that salary expense be increased by \$1,733 (\$850 (water)
5 and \$903 (wastewater)), representing WSCI's annual allocated share of labor
6 costs that had been included in Petitioner's proposed rate case expense.

7 I recommend approval of *pro forma* federal income tax expense based on
8 an effective federal income tax rate of 30.5%. I also recommend approval of
9 Petitioner's proposed rate design with my proposed changes to the classification
10 of costs between fixed and variable.

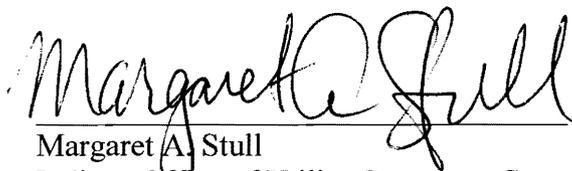
11 I recommend approval of Petitioner's proposed NSF fee, new customer
12 fee, and late payment fee. I also recommend approval of the increase in
13 Petitioner's water reconnection charge but rejection of the language added to
14 expand the application of this charge. Finally, I recommend rejection of
15 Petitioner's proposed wastewater reconnection charge.

16 **Q: Does this conclude your testimony?**

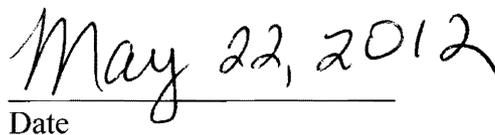
17 **A: Yes.**

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Margaret A. Stull
Indiana Office of Utility Consumer Counselor


Date

Cause No. 44104
Water Service Company of Indiana, Inc.

	A	B	C	D	E	F
Wastewater Revenue Requirements & Calculation of Wastewater Rates						
Line No.	Account Name	Projected	Allocation Basis		Allocation Amount	
			BFC	Gallorage	BFC	Gallorage
1	Purchased Sewage	\$ -	-	100.00%	\$ -	\$ -
2	Electric Power	40,424	-	100.00%	-	40,424
3	Chemicals	2,173	-	100.00%	-	2,173
4	Salaries	15,031	50.00%	50.00%	7,516	7,516
5	Uncollectible Accounts	3,735	50.00%	50.00%	1,868	1,868
6	Outside Services-Direct	707	50.00%	50.00%	354	354
7	Employee Pension & Benefits	2,986	50.00%	50.00%	1,493	1,493
8	Insurance	1,532	100.00%	-	1,532	-
9	Regulatory Commission Exp	4,921	100.00%	-	4,921	-
10	Office Supplies	4,842	50.00%	50.00%	2,421	2,421
11	Office Utilities	2,303	50.00%	50.00%	1,152	1,152
12	Miscellaneous Expense	371	50.00%	50.00%	186	186
13	Maintenance & Repair	16,615	-	100.00%	-	16,615
14	Sludge/Rodding	-	-	100.00%	-	-
15	Maintenance Testing	5,435	-	100.00%	-	5,435
16	Operators Expenses	(5,039)	-	100.00%	-	(5,039)
17	Transportation Expense	1,157	50.00%	50.00%	579	579
18						
19	Total Wastewater O & M Expenses	\$ 97,193			\$ 22,019	\$ 75,174
20						
21	Other Revenue Requirements:					
22	Depreciation and Amortization	76,543	100.00%	-	76,543	-
23	Taxes Other Than Income:					
24	Franchise / Utility ReceiptsTax	6,913	50.00%	50.00%	3,457	3,457
25	Payroll Taxes	1,169	50.00%	50.00%	585	585
26	Real & Property	3,448	100.00%	-	3,448	-
27	Provision For Income Taxes	69,725	-	100.00%	-	69,725
28	Return on Equity	203,723	-	100.00%	-	203,723
29						
30	Total Operating Revenue Requirements	\$ 458,714			\$ 106,051	\$ 352,663
31						
32	Less Miscellaneous Income	(59)	100.00%		(59)	-
33						
34	Revenue Requirement From Rates	\$ 458,655			\$ 105,992	\$ 352,663
35						
36	% of Revenue from Campground	23%				
37	Revenue Amount	\$ 104,195				
38						
39	# of Campsites	8,304				
40	Flat fee per unit	<u>\$ 12.55</u>				
41						
42	Remaining Revenue %	77%				
43	Remaining Revenue Amount	\$ 354,460				
44						
45	ERC's	2,632				
46	Residential Gallons Sold (000)			7,619		
47	Commercial Gallons Sold (000)			8,336		
48	BFC	<u>\$ 31.12</u>				
49	Residential Gallonage Charge (per 1,000)				37.5%	<u>\$ 13.41</u>
50	Commercial Gallonage Charge (per 1,000)				62.5%	<u>\$ 20.43</u>

	A	B	C	D	E	F
Water Revenue Requirements & Calculation of Water Rates						
Line No.	Account Name	Projected	Allocation Basis		Allocation Amount	
			BFC	Gallonge	BFC	Gallonge
1	Purchased Water	\$ -	-	100.00%	\$ -	\$ -
2	Electric Power	6,968	-	100.00%	-	6,968
3	Chemicals	3,761	-	100.00%	-	3,761
4	Salaries	14,126	50.00%	50.00%	7,063	7,063
5	Uncollectible Accounts	1,010	50.00%	50.00%	505	505
6	Outside Services-Direct	664	50.00%	50.00%	332	332
7	Employee Pension & Benefits	2,806	50.00%	50.00%	1,403	1,403
8	Insurance	1,439	100.00%	-	1,439	-
9	Regulatory Commission Exp	4,621	100.00%	-	4,621	-
10	Office Supplies	4,550	50.00%	50.00%	2,275	2,275
11	Office Utilities	2,165	50.00%	50.00%	1,083	1,083
12	Miscellaneous Expense	350	50.00%	50.00%	175	175
13	Maintenance & Repair	9,336	-	100.00%	-	9,336
14	Maintenance Testing	256	-	100.00%	-	256
15	Operators Expenses	(4,735)	50.00%	50.00%	(2,368)	(2,368)
16	Transportation Expense	1,088	50.00%	50.00%	544	544
17						
18	Total Water O & M Expenses	\$ 48,405			\$ 17,072	\$ 31,333
19						
20	Other Revenue Requirements:					
21	Depreciation/Amortization	12,606	100.00%	-	12,606	-
22	Taxes Other Than Income:					
23	Franchise / Gross Receipts Tax	1,861	50.00%	50.00%	931	931
24	Payroll Taxes	1,099	50.00%	50.00%	550	550
25	Real & Property	3,239	100.00%	-	3,239	-
26	Provision For Income Taxes	13,756	-	100.00%	-	13,756
27	Return on Equity	38,555	-	100.00%	-	38,555
28						
29	Total Operating Revenue Requirements	\$ 119,521			\$ 34,397	\$ 85,124
30						
31	Less Miscellaneous Income	(37)	50.00%	50.00%	(19)	(18)
32						
33	Revenue Requirement From Rates	\$ 119,484			\$ 34,378	\$ 85,106
34						
35	Water Customer Revenue Based on Metered Customers					100.00%
36	Factored Bills				2,592	
37	Gallons Sold (000)					15,855
38						
39	BFC				\$ 13.26	
40	Gallonge Charge (per 1,000)					\$ 5.37

Waster Service Company of Indiana
Cause No. 44104

<u>Vendor</u>	<u>Capital Account</u>	<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Description</u>	<u>Invoice Amount</u>	<u>Capital</u>	<u>Expense</u>	<u>Amort. Period</u>	<u>Annual Expense</u>
Bio Tech Inc. Environmental	Meters	53372	06.21.05	Inspect 170 meters	\$ 7,375	\$ (7,375)	\$ -		\$ -
Meadow Equipment Sales & Service	Wells	101061	12.18.06	Well # 2 - clean and televise	4,990	(4,990)	4,990	5	998
Meadow Equipment Sales & Service	Wells	101077	12.27.06	Well #2 - Clean, replace liner, and replace pump	34,227	(12,940)	12,940	5	2,588
Meadow Equipment Sales & Service	Wells	101170	03.22.07	Well #1 - Clean & Televise; replace pump	26,516	(15,000)	15,000	5	3,000
Water Well Solutions	Pumps	10-05-117	05.31.10	Well #2 - Pull pump for inspection	3,700	(3,700)	-		-
Water Well Solutions	Pumps	10-06-100	06.01.10	Conduct Flow Test	1,800	(1,800)	1,800	5	360
Water Well Solutions	Pumps	10-06-113	06.30.10	Well #1 - Pull pump for inspection	3,700	(3,700)	-		-
Water Well Solutions	Pumps	10-06-115	06.30.10	Well #2 - Replace pumping equipment	11,491	(11,491)	-		-
Water Well Solutions	Pumps	10-07-102	07.27.10	Well #1 & 2 - Emergency Repair	9,450	(9,450)	-		-
Water Well Solutions	Pumps	10-07-105	07.30.10	Well #1 - Replace pumping equipment	13,703	(13,703)	-		-
					<u>\$ 116,952</u>	<u>\$ (84,149)</u>	<u>\$ 34,730</u>		<u>\$ 6,946</u>

V16900

BIO TECH, INC ENVIRONMENTAL SV
 P.O. BOX 4569

WEST COLUMBIA, SC 29171
 Phone: 803-796-8925

INVOICE

DATE	INVOICE #	CUST #
6/21/2005	0000053372	0000142

BILL TO:

TWIN LAKES UTILITIES
 9501 EAST 123RD AVENUE
 CROWN POINT, IN 46307

SHIP TO:

TWIN LAKES UTILITIES
 MOBILE HOME PARK
 JASPER, IN

W

P.O. NUMBER	TERMS	SALES PERSON	
	NET 30		
QUAN	DESCRIPTION	PRICE EACH	AMOUNT
	6/13-6/16/2005- 4 guys opened underpinning, located and exposed 170 plus meters. Recorded meter and serial number. Verified the direction of flow in meter. Reinstalled inderpining and meter insulation.		
86.00	Labor - Operator & Technican	50.00	4300.00
86.00	Service Truck	25.00	2150.00
1.00	Perdium/Hotel	924.96	924.96
		SUBTOTAL	\$7374.96
		TOTAL	\$7374.96

~~NO~~

JH
7/5

150-0150-3345046

2



Meadow Equipment Sales & Service, Inc.

27W021 Saint Charles Road
Carol Stream IL 60188
630-231-6250

V10032

Invoice

Invoice #: 101061

Date: 12/18/2006

Terms: 2% 15 days
Net 30 Days

OK
12/20/06
ID # 4493
CA

To: Utilities, Inc.
9201 E. 123rd Ave.
Crown Point IN 46307

Project: Utilities- Island Grove MHP

Where Meadow flows the Water flows

Telephone: 815 378-0995

Client No. 8378

Customer Order#

Fax Number: 219 988-3789

Our Job # 60464

Quantity	Description	Price	Amount
Day 1:			
1.00	Mobilization / Demobilization	200.00	200.00
1.00	Hoist, Tools and Equipment to Pull Pump	200.00	200.00
8.00	Hours Labor, 2 Men To Pull Current Pumping Equipment, Prep Hole, Nylon Wire Brushing, Sand Bailing and Pump to Waste	230.00	1,840.00
1.00	Per Diem, 2 Men	110.00	110.00
Day 2:			
1.00	Color Television Survey	800.00	800.00
8.00	Hours Labor, 2 Men To Reinstall Temporary Pump Equipment (Includes Travel Time)	230.00	1,840.00

PROJECT ID# 4493 OK

150-0150-115-06-02-10607

2

Thank you for your prompt payment!

Amount Due

4,990.00

V10032



Meadow Equipment Sales & Service, Inc.

27W021 Saint Charles Road
 Carol Stream IL 60188
 630-231-8250

Invoice

Invoice # 101077

Date: 12/27/2008

Terms: 2% 15 days
 Net 30 Days

OK - Mr. Miller
 IO # ~~4493~~
 9400

To: Utilities, Inc.
 9201 E. 123rd Ave.
 Crown Point IN 46307

Project: Utilities- Island Grove MHP

Where Meadow Goes the Water Flows

Telephone: 815 378-0995

Client No. 8378

Customer Order#

Fax Number: 219 968-3789

150-0150-115-06-02-1041

Our Job # 60464

Quantity	Description	Price	Amount
Day 1:			
1.00	Mobilization of Large Pump Hoist to Remove Pumping Equipment	1,500.00	1,500.00
1.00	AirBurst Technology Water Well Rehabilitation, Licensing and Application Fee	6,000.00	6,000.00
10.00	Gallons of Liquid Acid Descaler and Biodespersant	27.00	270.00
8.00	Hours Labor, 2 Men (Including Travel) To Pull Pump, Conduct Airburst Rehab, Install and Conduct Airlifting of Materials and Chemically Treat Well.	240.00	1,920.00
8.00	Hours Overtime Labor, 2 Men To Continue Work Above, Install Pumping Equipment, Pulled Pump After it Failed and Diagnose Problem.	360.00	2,880.00
2.00	Days Per Diem	185.00	370.00
Day 2:			
6.00	Hours Labor, 2 Men (Including Travel) To Continue Work Above, Install Pumping Equipment that Failed During Pump Test Due to Faulty Wiring.	240.00	1,440.00
Liner Replacement on Well Number 2:			
1.00	Mobilization of Large Pump Hoist to Remove Pumping Equipment	1,000.00	1,000.00
3.00	Hours of Hole Preperation (Wire Brushing and Bailing)	240.00	720.00
50.00	Feet of 6" Schedule 40 Steel Casing (Steel Liner)	21.85	1,092.50
3.00	6" X 8" K Packers to Seal Between 6" and 8" Casing	167.00	501.00
8.00	Hours Labor, 2 Men To Remove Pumping Equipment, Install Liner and Weld Liner into Position	240.00	1,920.00

EXP

OK
 CAP

PROJECT ID# ~~4493~~
 4493
 OK
 Ch

Thank you for your prompt payment!!

Amount Due 34,226.50

A service charge of 24.00% per annum will be charged on all amounts overdue on statement date

W

Contract Invoice
Continued...

Invoice#: 101077
Date: 12/27/2006

Quantity	Description	Price	Amount
1.00	Pumping Equipment Replacement: 6MC-3 Stage W/L Bowl Assembly with 416SS Collets (Design Conditions 160gpm @ 185tdh)	1,900.00	1,900.00
40.00	Feet of 4" X 1" X 5' W/L Schedule 40 Column Pipe W/416SS Shafts	51.00	2,040.00
1.00	4" X 5' Suction Pipe	195.00	195.00
1.00	TR4A W/L Discharge Head Assembly with 416SS Head Shaft	1,415.00	1,415.00
1.00	15HP Standard Eff. USEM VHS NRR WP-1 3600rpm, 460V, TEFC Motor	2,038.00	2,038.00
1.00	15HP, 460V, VFD Control Panel (Pumps cycle on for 1 minute and off for 2 minutes, 3 minutes cycle time, this will damage the motors and the wells, VFD will provide continuous operation and operational savings)	4,625.00	4,625.00
10.00	Hours Labor, 2 Men To Install Pumping Equipment	240.00	2,400.00

CAD

RECEIVED
 MAY 21 2007

V10032



Meadow Equipment Sales & Service, Inc.

27W021 Saint Charles Road
 Carol Stream IL 60188
 630-231-6250

Invoice

Invoice #: 101170

Date: 03/22/2007

Terms: 2% 15 days
 Net 30 Days

To: Utilities, Inc.
 5500 Highland Drive
 McHenry IL 60050

Project: Utilities- Island Grove Well 1

Where Meadow Goes the Water Flows

Telephone: 647-487-8348

Client No. 8361

Customer Order#

Fax Number: 647-487-8348

Our Job # 70046

Quantity	Description	Price	Amount
	Day 1:		
1.00	Mobilization of Large Pump Hoist to Remove Pumping Equipment	1,500.00	1,500.00
10.00	Hours Labor, 2 Men (Including Travel) To Pull Pumping Equipment, Wire Brush Well and Bailing, Run Water Down the Well to Clear for Better Televising.	240.00	2,400.00
1.00	Per Diem for 2 Men	185.00	185.00
	Day 2:		
12.00	Hours Labor, 2 Men To Televis Well, Conduct AirBurst while AirLifting, Chemically Treat the Well and Pump to Waste.	240.00	2,880.00
2.00	Color Television Survey	800.00	1,600.00
1.00	AirBurst Technology Water Well Rehabilitation	6,000.00	6,000.00
1.00	Compressor Rental	250.00	250.00
1.00	Per Diem for 2 Men	185.00	185.00
	Day 3:		
12.00	Hours Labor, 2 Men To Install New Pump and Motor, Make Electrical Connections and Conduct a Pump Test.	240.00	2,880.00
1.00	American Marsh 6SC-3 Stage W/L Bowl Assembly with 416 SS Coils	1,900.00	1,900.00
1.00	TR4A W/L Discharge Head Assembly with 416SS HD SFT	1,720.00	1,720.00
1.00	American Marsh 20HP US VHS WP-1 Motor with NRR 3600RPM	2,490.00	2,490.00

PROJECT ID# 4493
 No 150-0150-115-0100-10607

Paul Bernis

1,500.00
 2,400.00
 185.00
 2,880.00
 1,600.00
 6,000.00
 250.00
 185.00

EXP
 CAP

Thank you for your prompt payment!

Amount Due

26,816.00

A service charge of 24.00% per annum will be charged on all amounts overdue on statement date

Contract Invoice
Continued...

Invoice#: 101170
Date: 03/22/2007

Quantity	Description	Price	Amount
40.00	Feet of 4"X17X5 W/L Schedule 40 Column Assembly with 410 SS SFTS	51.00	2,040.00
1.00	4" Cone Strainer	85.00	85.00
1.00	Miscellaneous (Tape, Splice Kit, etc.)	150.00	150.00
1.00	Per Diem for 2 Men	185.00	185.00
3.00	Bags of Hydraulic Cement for Top of Pedestal to Allow Water Drainage	22.00	66.00

CAP

3023213



Water Well Solutions

Batch 92552

Doc 299807

Customer
 Water Service Company
 10996 Four Seasons Place
 Suite 100 G
 Crown Point, IN 46307

Invoice
 Number: 10-05-117
 Date: 5/31/2010
 Project: WTK10-209
 Terms: Net 10

Project Engineer: Todd Kerry

A service charge of 1 1/2% per month, which is an annual rate of 18%, will be applied to past due accounts.
 The title to the merchandise and personal property covered by this invoice shall remain vested in Water Well Solutions Service Group, Inc., until the purchase price is paid in full.

Date/Qty	Description	Unit Price	TOTAL
	Island Grove		
	Labor to Pump and Re-Install Pumping Equipment		
	PO 66018 BU 151100		
1	Large 23.5 Ton crane required to pull Well No. 2	350.00	\$350.00
1	Hoist, Tolls, and support equipment	350.00	\$350.00
10	Hrs labor to drive to site, pull pump for inspection, return to shop unload and inspect pumping equipment	300.00	\$3,000.00
		Subtotal	\$3,700.00
		Tax	
		Total Due	\$3,700.00

Please remit to: Water Well Solutions Illinois Division, LLC
 N87 W36051 Mapleton Street
 Oconomowoc, WI 53066

OCT 18 2010

*Printed
 8-26-10*



3023213



Batch 92552

Customer
 Water Service Company
 10996 Four Seasons Place
 Suite 100G
 Crown Point, IN 46307

Water Well Solutions

Invoice
 Number: 10-06-~~100~~ 299810
 Date: 6/1/2010
 Project: WTK10-209
 Terms: Net 10 days

Project Engineer: Todd Kerry

A service charge of 1 1/2% per month, which is an annual rate of 18%, will be applied to past due accounts.
 The title to the merchandise and personal property covered by this invoice shall remain vested in Water Well Solutions Service Group, Inc., until the purchase price is paid in full.

Date/Qty	Description	Unit Price	TOTAL
	<p style="text-align: center;">Island Grove PO 60649 BU 151100</p> <p>Conduct flow test for production</p>		\$1,800.00

OCT 18 2010

*Ma. Ind
 8/26/10*

Please remit to: Water Well Solutions Illinois Division, LLC
 N87 W36051 Mapleton Street
 Oconomowoc, WI 53066

Subtotal	\$1,800.00
Tax	
Total Due	\$1,800.00



3023213



Batch 92552

Doc 299811

Customer
Water Service Company
10996 Four Seasons Place
Suite 100 G
Crown Point, IN 46307

Water Well Solutions

Invoice
Number: 10-06-113
Date: 6/30/2010
Project: WTK10-209
Terms: Net 10

Project Engineer: Todd Kerry

A service charge of 1 1/2% per month, which is an annual rate of 18%, will be applied to past due accounts.
The title to the merchandise and personal property covered by this invoice shall remain vested in Water Well Solutions Service Group, Inc., until the purchase price is paid in full.

Date/Qty	Description	Unit Price	TOTAL
	Island Grove		
	Labor to Pump and Re-Install Pumping Equipment		
	PO 66020 BU 151100		
1	Large 23.5 Ton crane required to pull Well No. 1	350.00	\$350.00
1	Hoist, Tolls, and support equipment	350.00	\$350.00
10	Hrs labor to drive to site, pull pump for inspection, return to shop unload and inspect pumping equipment	300.00	\$3,000.00
		Subtotal	\$3,700.00
		Tax	
		Total Due	\$3,700.00

Please remit to: Water Well Solutions Illinois Division, LLC
N87 W36051 Mapleton Street
Oconomowoc, WI 53066

OCT 18 2010

✓ Mailed 8/26/10



3023213



Batch 98552

Doc 299812

Customer
 Water Service Company
 10996 Four Seasons Place
 Suite 100G
 Crown Point, IN 46307

Water Well Solutions

Invoice
 Number: 10-06-115
 Date: 6/30/2010
 Project: WTK10-209
 Terms: Net 10 days

Project Engineer: Todd Kerry

A service charge of 1 1/2% per month, which is an annual rate of 18%, will be applied to past due accounts.
 The title to the merchandise and personal property covered by this invoice shall remain vested in Water Well Solutions Service Group, Inc., until the purchase price is paid in full.

Date/Qty	Description	Unit Price	TOTAL
	Island Grove Well No. 2 PO 66021 BU 151100		
1	Shipping of new pumping equipment	450.00	\$450.00
1	Repair existing discharge head, sand blast & paint head and repair stuffing box bearing-tap discharge head for water level indicator	325.00	\$325.00
40	Ft of 4"x1"x5" water lubricated T&C column pipe w/416 ss shaft & coupling, bronze retainers with rubber bearings	70.00	\$2,800.00
1	4 stage 5CLC Goulds Water Lubricated bowl assembly cast iron bronze fitted, with ss bolts and collets	2,126.00	\$2,126.00
1	15HP, GE VHS motor with 1" NRR 3/60/460/WP-1	2,190.00	\$2,190.00
1	Top ss head shaft	175.00	\$175.00
1	Tape, banding, chlorinating	125.00	\$125.00
11	Return to site, reinstall well pump, test pump, place into service and demobilize to shop.	300.00	\$3,300.00
		Subtotal	\$11,491.00
		Tax	
		Total Due	\$11,491.00

OCT 18 2010

Please remit to: Water Well Solutions Illinois Division, LLC
 N87 W36051 Mapleton Street
 Oconomowoc, WI 53066

Handwritten: Paid 8-26-10



3023213



Batch 92552

Doc 299816

Customer
Water Service Company
10996 Four Seasons Place
Suite 100G
Crown Point, IN 46307

Water Well Solutions

Invoice
Number: 10-07-102
Date: 7/27/2010
Project : WTK10-209
Terms : Net 10 days

Project Engineer: Todd Kerry

A service charge of 1 1/2% per month, which is an annual rate of 18%, will be applied to past due accounts.
The title to the merchandise and personal property covered by this invoice shall remain vested in Water Well Solutions Service Group, Inc., until the purchase price is paid in full.

Date/Qty	Description	Unit Price	TOTAL
	Island Grove Well No. 2 PO 66024 BU 151100		
	Emergency Service Request 7/13/10		
	Crane services to pull off jobsite in Lisle to provide emergency assistance to Island Grove		\$250.00
	Hoist tools and support equipment		\$175.00
8	Hours for 2 men to drive to Demotte, IN from Lisle, IL, diagnose situation with Well No. 2's motor issues, (power related) install emergency backup submersible pump in Well No. 1 and plumb into system.	300.00	\$2,400.00
2	Hours OT for 2 men	450.00	\$900.00
7	Hours for 3 men to drive to Elburn office, pick up emergency backup submersible pump, 40' of pipe and wire, drive to Demotte, IN and return to Elburn, IL.	150.00	\$1,050.00
1	Emergency backup pump and related equipment rental	225.00	\$225.00
	Emergency Service Request 7/15/10		
	Crane service		\$250.00
10	Hours labor for 2 men to drive to Demotte, IN from Elburn, IL, stop and pick up repair Well No. 2 motor, replace Well No. 2 failed motor with repaired motor. Hook up new hoses on Well No. 1 temporary pump system and return to facility.	300.00	\$3,000.00
	Well No. 2 motor repairs		\$1,200.00
Please remit to: Water Well Solutions Illinois Division, LLC		Subtotal	\$9,450.00
N87 W36051 Mapleton Street		Tax	
Oconomowoc, WI 53066		Total Due	\$9,450.00

OCT 18 2010

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8-20-10*



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Batch 92552
 Doc 299820

Customer
 Water Service Company
 10996 Four Seasons Place
 Suite 100G
 Crown Point, IN 46307

Water Well Solutions

Invoice
 Number: 10-07-105
 Date: 7/30/2010
 Project: WTK10-209
 Terms: Net 10 days

Project Engineer: Todd Kerry

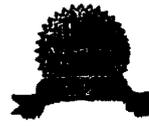
A service charge of 1 1/2% per month, which is an annual rate of 18%, will be applied to past due accounts.
 The title to the merchandise and personal property covered by this invoice shall remain vested in Water Well Solutions Service Group, Inc., until the purchase price is paid in full.

Date/Qty	Description	Unit Price	TOTAL
	Island Grove Well No. 1 PO 66308 BU 151100		
1	Shipping of new pumping equipment	450.00	\$450.00
1	Repair existing discharge head, sand blast and paint head and repair stuffing box bearing- tap discharge head for water level indicator.	350.00	\$350.00
40	Ft of 4" x 1" x 5" water lubricated T&C column pipe w/ 416 ss shaft and coupling, bronze retainers w/ rubber bearings.	70.00	\$2,800.00
1	4 stage 6 DHC Goulds Water Lubricated bowl assembly	2,626.00	\$2,626.00
1	20 HP, GE VHS motor with 1" NRR 3/60/460/WP-1	2,490.00	\$2,490.00
1	Top ss head shaft	175.00	\$175.00
1	Tape, banding, chlorine	125.00	\$125.00
1	Repairs to Well No. 1 lineshaft motor for emergency backup spare	1,087.00	\$1,087.00
	Labor to Pull & Reinstall Pumping Equipment		
12	Hours labor to return to site, reinstall well pump, test well, place into service and demobilize returning to shop.	300.00	\$3,600.00
		Subtotal	\$13,703.00
		Tax	
		Total Due	\$13,703.00

OCT 18 2010

*MAILED
8/26/10*

Please remit to: Water Well Solutions Illinois Division, LLC
 N87 W36051 Mapleton Street
 Oconomowoc, WI 53066



Water Service Company of Indiana
 Rate Case Expense
 Internal Labor Costs

	A	B	C	D	E	F	G	H
<u>Line No.</u>		hours	rate	\$	WSCI Alloc %	Operations & Office	Service Company	Total
17	Water Service Personnel							
18								
19								
20	Hoy, John Patrick	5	\$ 132.00	660	0.1402%		86	
21	Stover, John	5	\$ 127.00	635	0.1402%		193	
22	Williams III, John D	10	\$ 61.00	610	0.1402%		16	
23	Lubertozzi, Steven M	100	\$ 90.00	9,000	0.1402%		143	
24	Georgiev, Lena	200	\$ 57.00	11,400	0.1402%		107	
25	Neyzelman, Dimitry	700	\$ 42.00	29,400	0.1402%		104	
26	Kulov, Michael	100	\$ 35.00	3,500	0.1402%		100	
27	Yap, Lowell	100	\$ 33.00	3,300	0.1402%		82	
28	Valrie, LaWanda N	50	\$ 22.00	1,100	0.1402%		35	
29	Feathergill, Adam	25	\$ 21.00	525	0.1402%		5	
30	Krugler, Adrienne Randi	5	\$ 49.00	245	0.1402%		1	
31	Sverida, Agnes	5	\$ 27.00	135	0.1402%		2	
32	McLean, Pamela	5	\$ 39.00	195	0.1402%		3	
33	Arnoux, Diane	5	\$ 36.00	180	0.1402%		-	
34	Daniel, Carl	75	\$ 123.19	9,239	0.3356%	31		
35	Sasic, Karen	50	\$ 65.00	3,250	0.1402%		14	
36	Haas, Bruce T	150	\$ 77.00	11,550	1.1134%	129		
37	Tapella, Thomas Anthony	150	\$ 43.65	6,548	1.4539%	95		
38	Alexander, Charles Lee	200	\$ 43.65	8,730	4.5364%	396		
39	Anderson, Angelica	150	\$ 43.65	6,548	1.4539%	95		
40	Miller, Mike	34	\$ 42.92	1,459	4.5364%	66		
41	Casados Jr, Jimmy P	2	\$ 63.00	95	4.5364%	4		
42	Marzouk, Michelle	67	\$ 14.00	942	4.5364%	43		
43	Dryjanski, Michael	1	\$ 60.00	60	4.5364%	3		
44	Total					<u>\$ 862</u>	<u>\$ 891</u>	<u>\$ 1,753</u>
						48.4457%	Water	849
						51.5543%	Sewer	904

Water Service Company of Indiana
 Calculation of Capitalized Time Allocation
 Calculation of Salary and Benefits
 Test Year Ended June 30, 2011

A	B	C	D
Line No.	Total Capitalized Time	Percentage Allocated WSCI	Capitalized Time Adjustment
1			
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Water Service Company of Indiana
 Calculation of Capitalized Time Allocation
 Calculation of Salary and Benefits
 Test Year Ended June 30, 2011

A	B	C	D	
Line No.	Total Capitalized Time	Percentage Allocated WSCI	Capitalized Time Adjustment	
57	Daffer, Amber Lee	-	0.1402%	-
58	Raponi, Ann M.	(1,393)	0.1402%	(2)
59	Sasic, Karen L.	(10,108)	0.1402%	(14)
60	Fragos, Marc	-	0.1402%	-
61	Christian II, Elise S.	-	0.1402%	-
62	Sillitoe, Jacqueline M.	(6,186)	0.1402%	(9)
63	Dugan, Grace Ann	-	0.1402%	-
64	Self, Rose D.	(2,586)	0.1402%	(4)
65				
66	Total Customer Service Capitalized Time	(20,273)		(28)

Water Service Company of Indiana
 Calculation of Capitalized Time Allocation
 Calculation of Salary and Benefits
 Test Year Ended June 30, 2011

A	B	C	D	
Line No.	Total Capitalized Time	Percentage Allocated WSCI	Capitalized Time Adjustment	
67	WSC			
68	Andrejko, James	(3,572)	0.1402%	(5)
69	Arnoux, Diane L.	(171)	0.1402%	(0)
70	Barrett, Jason O.	(59,363)	0.1402%	(83)
71	Chang, Tae	(9,537)	0.1402%	(13)
72	Ciecierski, Daniel	(25,527)	0.1402%	(36)
73	Coughlin, Erin	-	0.1402%	-
74	Dave, Hardik	-	0.1402%	-
75	Devine, James P.	-	0.1402%	-
76	Feathergill, Adam K.	(3,406)	0.1402%	(5)
77	Federico, Antoinette	-	0.1402%	-
78	Friedman, Avelina	-	0.1402%	-
79	Ferguson, Christopher	-	0.1402%	-
80	Georgiev, Lena	(76,652)	0.1402%	(107)
81	Harrell, Janice	-	0.1402%	-
82	Hoy, John P.	(61,272)	0.1402%	(86)
83	Japczyk, James F.	(8,883)	0.1402%	(12)
84	Kersey, Justin P.	(82)	0.1402%	(0)
85	Kim, Christine	-	0.1402%	-
86	Krugler, Adrienne R.	(1,054)	0.1402%	(1)
87	Lingeman, Samuel W.	(5,172)	0.1402%	(7)
88	Lubertozzi, Steven M.	(101,953)	0.1402%	(143)
89	Luppino, Nancy	-	0.1402%	-
90	Luppino, Phyllis	-	0.1402%	-
91	Malecki, Kris	-	0.1402%	-
92	McLean, Pamela J.	(2,262)	0.1402%	(3)
93	Mehta, Dhvani S.	(47,792)	0.1402%	(67)
94	Meyers, Nathan	-	0.1402%	-
95	Miranda, Margarita	-	0.1402%	-
96	Nedved, Spencer L.	(31,501)	0.1402%	(44)
97	Neyzelman, Dimitry	(73,897)	0.1402%	(104)
98	Oakley, Tom	-	0.1402%	-
99	Ostler, Tom	-	0.1402%	-
100	Pannos, Nicholas	-	0.1402%	-

Water Service Company of Indiana
 Calculation of Capitalized Time Allocation
 Calculation of Salary and Benefits
 Test Year Ended June 30, 2011

Line No.	A	B	C	D
		Total Capitalized Time	Percentage Allocated WSCI	Capitalized Time Adjustment
101	Paule, Nancy	-	0.1402%	-
102	Pietras, Victoria	-	0.1402%	-
103	Plumb, Debra A	(2,645)	0.1402%	(4)
104	Povich, Erin P.	(51,510)	0.1402%	(72)
105	Rose, Kendra E.	(240)	0.1402%	(0)
106	Shimkus, Matthew D.	(11,320)	0.1402%	(16)
107	Shoaitb, Muhammad	-	0.1402%	-
108	Shrake, Brian W.	(58,334)	0.1402%	(82)
109	Smutny, Thomas	-	0.1402%	-
110	Sowell, George W.	(14,395)	0.1402%	(20)
111	Sparrow, Lisa A.	(24,461)	0.1402%	(34)
112	Stone, Leslie A.	(40)	0.1402%	(0)
113	Stoyer, John R.	(137,539)	0.1402%	(193)
114	Sudduth, Donald E.	(127,458)	0.1402%	(179)
115	Sverida, Agnes	(1,149)	0.1402%	(2)
116	Valrie, LaWanda N.	(23,494)	0.1402%	(33)
117	Weeks, Kirsten E.	(77,157)	0.1402%	(108)
118	Williams III, John D.	(11,678)	0.1402%	(16)
119	Winans, Nicole D.	(36,240)	0.1402%	(51)
120	Yap Jr., Lowell M.	(58,714)	0.1402%	(82)
121	Zavilla, Annette	-	0.1402%	-
122				
123	Total WSC Capitalized Time	<u>(1,148,468)</u>		<u>(1,610)</u>

Water Service Company of Indiana
 Calculation of Capitalized Time Allocation
 Calculation of Salary and Benefits
 Test Year Ended June 30, 2011

Line No.	A	B	C	D
124	Total Capitalized Time Adjustment			
125	Operator Capitalized Time			(7,986)
126	Office Capitalized Time			(151)
127	Customer Service Capitalized Time			(28)
128	WSC Capitalized Time			(1,610)
129	Total Capitalized Time Adjustment			<u>(9,775)</u>
130				
131	Water Operations		48.4457%	(4,735)
132	Sewer Operations			(5,039)

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

WATER SERVICE CO. OF INDIANA

CAUSE NO. 44104

OUCC Data Request Set No. 2

Date: December 14, 2011

Q9. Pro forma rate case expense includes \$85,000 for legal fees, \$109,305 for Service Company support, \$4,500 for consulting, \$1,600 for travel and \$1,104 for miscellaneous expenses. Please state all fees (by type) incurred to date.

Response: Please see the attached file labeled "OUCC DR 2-9 WSCI RC Exp 2009532 2011.11.30.xlsx" for the requested information.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

WATER SERVICE CO. OF INDIANA

CAUSE NO. 44104

OUCG Data Request Set No. 2

Date: December 14, 2011

Q11. Please provide all invoices and receipts for rate case expense in this Cause. (Note: itemized invoices may be redacted to avoid conveying attorney-client communication or work product).

Response: Please see response to OUCG DR 2-9. Please also see the invoices included in the attached files labeled "WSCI Consulting Invoices 2011.11.30 update.pdf", "WSCI Legal invoices 2011.11.30 update.pdf", "WSCI Travel Invoice 2011.11.30 update.pdf."

Water Service Company of Indiana
 Rate Case Expense
 Test Year Ended June 30, 2011

Line No.	A	B	C	D	E	F	G	H	I	J	K	L
						11/30/2011 Actual Total				Estimate Remaining		Actual & Estimate Total
1	Legal Fees		6/30/2011			17,251				67,750		85,000
2												
3												
4	Customer Notices :											
5	Postage	190 =		customers x \$0.44		0				84		84
6	Stock	190 =		notices x (.103)		0				20		20
7												
8	Fed Ex, mailings, postage, and miscellaneous costs											
9	Administrative Temp Agency					0				900		900
10	Customer Notices					0				0		0
11	Legal Publication					0				100		100
12												
13	Travel					42				1,558		1,600
14												
15	Water Service Personnel						Estimated	Remaining	Current	Remaining	Actual and	
16		hours	rate	\$			Total Hours	Hours	Rate	\$	Estimated	
17												
18	Hoy, John P.	2	\$	132	243		5	3.16	132.00	417	660	
19	Stover, John	0	\$	127	0		5	5.00	127.00	635	635	
20	Williams III, John D	0	\$	61	0		10	10.00	61.00	610	610	
21	Lubertozi, Steven M.	25	\$	90	2,231		100	75.21	90.00	6,769	9,000	
22	Georgiev, Lena	52	\$	57	2,938		200	148.46	57.00	8,462	11,400	
23	Neyzelman, Dimitry	424	\$	42	17,809		700	275.98	42.00	11,591	29,400	
24	Kulov, Michael B	50	\$	35	1,763		100	49.63	35.00	1,737	3,500	
25	Yap Jr., Lowell M.	18	\$	33	594		100	82.00	33.00	2,706	3,300	
26	Valrie, LaWanda N.	24	\$	22	528		50	26.00	22.00	572	1,100	
27	Feathergill, Adam K	8	\$	21	168		25	17.00	21.00	357	525	
28	Krugler, Adrienne Randi	0	\$	49	0		5	5.00	49.00	245	245	
29	Sverida, Agnes	0	\$	27	0		5	5.00	27.00	135	135	
30	McLean, Pamela J.	9	\$	39	343		15	6.21	39.00	242	585	
31	Arnoux, Diane	0	\$	36	0		5	5.00	36.00	180	180	
32	Daniel, Carl	23	\$	123	2,871		75	51.70	123.19	6,368	9,239	
33	Sasic, Karen L.	3	\$	65	163		50	47.50	65.00	3,088	3,250	
34	Haas, Bruce T.	27	\$	77	2,079		150	123.00	77.00	9,471	11,550	
35	Tapella, Thomas A.	54	\$	44	2,352		150	96.11	43.65	4,195	6,548	
36	Alexander, Charles L.	17	\$	44	728		200	183.33	43.65	8,002	8,730	
37	Anderson, Angelica	18	\$	44	796		150	131.76	43.65	5,752	6,548	
38	Miller Jr, Michael A	34	\$	43	1,459		34	0.00	42.92	0	1,459	
39	Casados Jr, Jimmy P	2	\$	63	95		2	0.00	63.00	0	95	
40	Marzouk, Michelle	67	\$	14	942		67	0.00	14.00	0	942	
41	Dryjanski, Michael	1	\$	60	60		1	0.00	60.00	0	60	
42	Total					38,161						109,695
43												
44	Consultant					4,500				0		4,500
45												
46	Total Rate Case Expense					59,953				141,944		201,898
47												
48	Amortized over 3 years					3						3
49												
50												
51	Amortization Expense per year					\$ 19,984						\$ 67,299

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

WATER SERVICE CORPORATION OF INDIANA
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

April 27, 2010
Invoice No. 1313700

Nicholas K. Kile
00051615-000001

PAYABLE UPON RECEIPT

Fees for Services	\$	15,101.00
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	15,101.00

To remit payments by check, please return this page with remittance to:
Barnes & Thornburg LLP, 11 South Meridian Street, Indianapolis, Indiana 46204-3535 U.S.A

To remit payments by wire, please indicate invoice number on wire to:
Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #042000314 for wires, ABA #074908594 for ACH

Invoice 1438675

WATER SERVICE CORPORATION OF INDIANA
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

October 20, 2011
Nicholas K. Kile
00051615-000001
2009532

PAYABLE UPON RECEIPT

Fees for Services	\$	1,802.00
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	1,802.00

Invoice 1446277

WATER SERVICE CORPORATION OF INDIANA
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

November 18, 2011
Nicholas K. Kile
00051615-000001
2009532

PAYABLE UPON RECEIPT

Fees for Services	\$	340.00
Other Charges	\$	7.50
TOTAL THIS INVOICE	\$	347.50

To remit payments by check, please return this page with remittance to:
Barnes & Thornburg LLP, 11 South Meridian Street, Indianapolis, Indiana 46204-3535 U.S.A

To remit payments by ACH or Wire, send remittance advice to wireconfirmations@btlaw.com Send payment to:
Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #074908594 for ACH ABA #042000314 for Wires

Invoice 1456138

WATER SERVICE CORPORATION OF INDIANA
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

December 29, 2011
Nicholas K. Kile
00051615-000001
2009532

PAYABLE UPON RECEIPT

Fees for Services	\$	790.50
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	790.50

Invoice 1458832

WATER SERVICE CORPORATION OF INDIANA
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

January 20, 2012
Nicholas K. Kile
00051615-000001
2009532

PAYABLE UPON RECEIPT

Fees for Services	\$	110.00
Other Charges	\$	87.00
TOTAL THIS INVOICE	\$	197.00

To remit payments by check, please return this page with remittance to:
Barnes & Thornburg LLP, 11 South Meridian Street, Indianapolis, Indiana 46204-3535 U.S.A

To remit payments by ACH or Wire, send remittance advice to wireconfirmations@btlaw.com Send payment to:
Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #074908594 for ACH ABA #042000314 for Wires

30009874

EXPENSE REPORT FORM

Batch 77226
241622

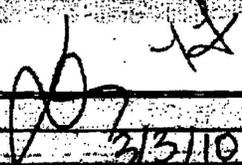
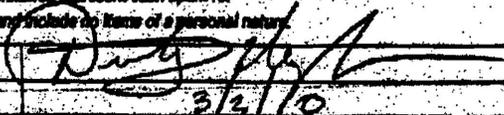
Cause No. 44104
MAS Attachment 4
Page 9 of 12

- 1) Complete all sections where applicable.
- 2) Attach receipts onto separate page, attach to form.
- 3) Explain ALL entertainment expenses on the back of form.
- 4) Keep three copies of all forms for your protection.
- 5) Submit completed form to [redacted]

Joc Name Dmitry Noyzman
Business Unit 2009532.2909

Date	Business Unit	Total	Account Codes
2/25/2010	2009532.2909		
Meals		\$0.00	6200
Client Dinners/Entertainment		\$0.00	6205
Hotel (room, tax, phone calls)		\$0.00	6185
Airfare		\$0.00	6190
Mileage Driven			
Mileage Value @ 0.385		\$0.00	5660
Car Rental (including fuel)		\$0.00	6195
Parking		\$0.00	6185
Tolls		\$0.00	6185
Taxi - Limousine		\$0.00	6195
Education		\$0.00	5820
Other / Ride School registration		\$0.00	5690
Boats		\$0.00	5900
Wellness		\$0.00	5660
Other:	42.31	\$42.31	

MAR - 3 2010

Purpose of the Expense:	WSCI Pre-filing meeting with IN IURC & OUCC	Payment Recap
Business Benefit:		Total of the Front of the Expense Form: \$42.31
# Days on Business:	1	Subtract Any Advance: less
Explanation:		Net Amount Due to the Employee: \$42.31
Authorized Signature:		I hereby certify that the above expenditures represent cash spent for legitimate company business only and include no items of a personal nature.
Date Authorized:	3/3/10	Employee Signature: 
		Date Signed: 3/2/10

Batch 190590

Doc 403012

Info Send Vendor # 3035654

Date 12/27/2011 Invoice # 55495

	¹² 2009523	0	\$222.35
cv	2011009	0	\$622.23
	853100	6050	\$192.54
cv	853100	6050	\$1,036.98
	102105	5525	\$345.75
	102105	6050	\$1,317.81
	102105	5535	\$695.86
	102105	5540	\$9,727.68

Invoice Total \$14,161.14

Approval Adrienne R Krugler
Date 01/03/2012

RECEIVED
JAN 03 2012
BY _____



4240 E. La Palma Avenue
 Anaheim, CA 92807-1816
 Phone: 714.993.2690 • Fax: 714.993.1306

INVOICE

AMOUNT PAID	DATE	INVOICE NO.
	12/27/2011	55495

CUSTOMER

MAKE CHECKS PAYABLE TO

ATTN: Adrienne Krugler
 UTILITIES, INC
 2335 Sanders Road
 Northbrook, IL 60062

|||||
 INFOSEND, INC
 4240 E. La Palma Ave.
 Anaheim, CA 92807-1816

CHECK BOX FOR MAILING ADDRESS CHANGE. PLEASE INDICATE CHANGES ON THE REVERSE SIDE.

PLEASE DETACH AND RETURN UPPER SECTION WITH PAYMENT



4240 E. La Palma Avenue
 Anaheim, CA 92807-1816
 Phone: 714.993.2690
 Fax: 714.993.1306

TERMS	DUE DATE	P.O #	ACCOUNT #	INVOICE
NET 20	1/17/2012		2966	55495

DATE	DESCRIPTION	QTY	RATE	AMOUNT
12/19/11	UTF1216B : Statement Postage (Level-2 Sort)	420	0.39	163.80
	UTF1216B : Multiple Page Statement Postage(4 Pages: 2 Accts)	1	0.78	0.78
	UTF1216B : Address Update	4	0.25	1.00
	UTF1216B : Data Processing/Mail Prep Services	424	0.0465	19.72
	UTF1216B : Paper Stock	424	0.0122	5.17
	UTF1216B : UTI # 10 Outgoing Envelope	422	0.0142	5.99
	UTF1216B : # 9 Return Envelope	369	0.0121	4.46
	UTF1216B : UTI.STMT.929A.PDF			
12/19/11	UTF1216A : Statement Postage (Level-2 Sort)	428	0.39	166.92
	UTF1216A : Multiple Page Statement Postage(2 Pages: 1 Accts)	1	0.39	0.39
	UTF1216A : Address Update	8	0.25	2.00
	UTF1216A : Data Processing/Mail Prep Services	430	0.0465	20.00
	UTF1216A : Paper Stock	430	0.0122	5.25
	UTF1216A : UTI # 10 Outgoing Envelope	429	0.0142	6.09
	UTF1216A : # 9 Return Envelope	370	0.0121	4.48
	UTF1216A : UTI.STMT.929B.PDF			
12/19/11	UTN1216A : Multiple Page Statement Postage(3520 Pages: 880 Accts)	1	349.50	349.50
	UTN1216A : Foreign Mail Additional Postage-CANADA	121	0.41	49.61
	UTN1216A : Address Update	16	0.25	4.00
	UTN1216A : Data Processing/Mail Prep Services	3,520	0.0465	163.68
	UTN1216A : Paper Stock	3,520	0.0122	42.94
	UTN1216A : UTI # 10 Outgoing Envelope	880	0.0142	12.50
UTN1216A : UTI.CVST.217A.PDF				
12/20/11	UTI1219A : Statement Postage (Level-1 Sort) (4809 Mailpieces)	1	1,683.52	1,683.52
	UTI1219A : Multiple Page Statement Postage(2746 Pages: 1372 Accts)	1	535.48	535.48
	UTI1219A : Statement Postage (Non Bar-Coded)	58	0.44	25.52
	UTI1219A : Foreign Mail Additional Postage-CANADA	7	0.41	2.87
	UTI1219A : Address Update	58	0.25	14.50
	UTI1219A : Data Processing/Mail Prep Services	7,613	0.0465	354.00
	UTI1219A : Paper Stock	7,613	0.0122	92.88
	UTI1219A : UTI # 10 Outgoing Envelope	6,239	0.0142	88.59
	UTI1219A : # 9 Return Envelope	5,562	0.0121	67.30
	UTI1219A : UTI.STMT.930A.PDF			

THANK YOU FOR YOUR BUSINESS

Total

December 19, 2011



(4)

PROCESS SUMMARY REPORT

Job Code	File Name Company Name	Page No	# of Accounts	Total Non Bar- Pages	Coded	Dupl.	Total Amount
UTI1219A	UTI.STMT.930A.PDF Utilities, Inc	1	4,867	4,867	58	0	\$318,413.42
UTI1219A	UTI.STMT.930A.PDF Utilities, Inc	2	1,370	2,740	8	0	\$84,264.49
UTI1219A	UTI.STMT.930A.PDF Utilities, Inc	3	2	6	0	0	\$95.11
Totals:			6,239	7,613	66	0	\$402,773.02

q/s ~~Sub~~ Sub
151 509

WSCI RT NT

Cust 185

Project# 2009532.2908

MC FOG NT

Cust 2501

BU# 853100

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

WATER SERVICE CO. OF INDIANA

CAUSE NO. 44104

OUCC Data Request Set No. 7

Date: February 20, 2012

Q7-1. Pro forma rate case expense includes \$85,000 for legal fees, \$109,305 for Service Company support, \$4,500 for consulting, \$1,600 for travel and \$1,104 for miscellaneous expenses. Please state all fees (by type) incurred to date.

Response:

Please see the attached file labeled, "OUCC DR 7-1 WSCI RC Exp 2009532 2012.01.31.xlsx" for the requested information.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

WATER SERVICE CO. OF INDIANA

CAUSE NO. 44104

OUCC Data Request Set No. 7

Date: February 20, 2012

Q7-2. Please provide all invoices and receipts for rate case expense in this cause.
(Note: itemized invoices may be redacted to avoid attorney-client communication or work product).

Response:

Please see response to OUCC DR 7-1. Please also see the invoices included in the attached files labeled, "WSCI Legal Invoice 2011.12.31 Redacted.pdf", "WSCI Legal Invoice 2011.11.30 Redacted.pdf", "WSCI Legal Invoice 2011.10.31 Redacted.pdf", "WSCI Legal Publication Notice 1.pdf", "WSCI Legal Publication Notice 2.pdf", and "WSCI Admin Invoice - Infosend.pdf".

INVOICES - SEE ATTACHMENT
MAS-4

Water Service Company of Indiana
 Rate Case Expense
 Test Year Ended June 30, 2011

Line No.	A	B	C	D	E	F	G	H	I	J	K	L
						1/31/2012 Actual Total				Estimate Remaining		Actual & Estimate Total
1	Legal Fees		6/30/2011			18,238 [1]				66,762		85,000
2												
3												
4	Customer Notices :											
5	Postage	190 =		customers x \$0.44		0				84		84
6	Stock	190 =		notices x (.103)		0				20		20
7												
8	Fed Ex, mailings, postage, and miscellaneous costs											
9	Administrative Temp Agency					0				900		900
10	Customer Notices					222 [2]				222		445
11	Legal Publication					23				100		123
12												
13	Travel					42				1,558		1,600
14												
15	Water Service Personnel											
16		hours	rate	\$			Estimated Total Hours	Remaining Hours	Current Rate	Remaining \$	Actual and Estimated	
17												
18	Hoy, John P.	2	\$	132	243		5	3.16	132.00	417	660	
19	Stover, John	0	\$	127	0		5	5.00	127.00	635	635	
20	Williams III, John D	0	\$	61	0		10	10.00	61.00	610	610	
21	Lubertozzi, Steven M.	25	\$	90	2,231		100	75.21	90.00	6,769	9,000	
22	Georgiev, Lena	57	\$	57	3,223		200	143.46	57.00	8,177	11,400	
23	Neyzelman, Dimitry	471	\$	42	19,783		700	228.98	42.00	9,617	29,400	
24	Kulov, Michael B	64	\$	35	2,236		100	36.11	35.00	1,264	3,500	
25	Yap Jr., Lowell M.	18	\$	33	594		100	82.00	33.00	2,706	3,300	
26	Valrie, LaWanda N.	25	\$	22	539		50	25.50	22.00	561	1,100	
27	Feathergill, Adam K	12	\$	21	252		25	13.01	21.00	273	525	
28	Krugler, Adrienne Randi	0	\$	49	0		5	5.00	49.00	245	245	
29	Sverida, Agnes	0	\$	27	0		5	5.00	27.00	135	135	
30	McLean, Pamela J.	9	\$	39	343		15	6.21	39.00	242	585	
31	Arnoux, Diane	0	\$	36	0		5	5.00	36.00	180	180	
32	Daniel, Carl	27	\$	123	3,364		75	47.69	123.19	5,875	9,239	
33	Sasic, Karen L.	3	\$	65	163		50	47.50	65.00	3,088	3,250	
34	Haas, Bruce T.	32	\$	77	2,464		150	118.00	77.00	9,086	11,550	
35	Tapella, Thomas A.	73	\$	44	3,181		150	77.12	43.65	3,366	6,548	
36	Alexander, Charles L.	23	\$	44	990		200	177.33	43.65	7,740	8,730	
37	Anderson, Angelica	18	\$	44	796		150	131.76	43.65	5,752	6,548	
38	Miller Jr, Michael A	34	\$	43	1,459		34	0.00	42.92	0	1,459	
39	Casados Jr, Jimmy P	2	\$	63	95		2	0.00	63.00	0	95	
40	Marzouk, Michelle	67	\$	14	942		67	0.00	14.00	0	942	
41	Guttormsen, Robert	4	\$	29	120		0	(4.14)	29.00	(120)	0	
42	Dryjanski, Michael	1	\$	60	60		1	0.00	60.00	0	60	
43	Total					43,076						109,695
44												
45	Consultant					4,500				0		4,500
46												
47	Total Rate Case Expense					66,102				136,263		202,365
48												
49	Amortized over 3 years					3						3
50												
51												
52	Amortization Expense per year					\$ 22,034						\$ 67,455

[1] Invoices have been received by WSCI but not yet recorded into the general ledger. Please refer to the Summary tab, column E line 3
 [2] Invoices have been received by WSCI but not yet recorded into the general ledger. Please refer to the Summary tab, column E line 12 and column E line 13

AUS

AUS Consultants, Inc.
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054
856 234 9200

Invoice Number: 116627
Invoice Date: April 12, 2010
PO Number:
Contract: ROR
Project: 13-0238
Page: 1
Incorporated: FID# 22-1943906
www.ausinc.com
Consultant:
PAULINE M. AHERN
PAHERN@AUSINC.COM

Ms. Lena Georgiev, CPA
Water Service Co. of Indiana
Utilities, Inc.
2335 Sanders Road
Northbrook, IL 60062

PROJECT ID 2009532-2910

Professional Services

4,500.00

Invoice Total

4,500.00

Please make check payable to:
AUS Consultants
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054

Invoice due upon presentation

70WAT01



AUS CONSULTANTS

155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054
856.234.9200 • Tel
856.234.8371 • Fax
www.ausinc.com

Employer I.D. #22-1943906 Incorporated

April 12, 2010
Job No. 13-0238

WATER SERVICE COMPANY OF INDIANA

For professional services rendered in connection with preparation of a rate of return study including a first draft of direct testimony and accompanying exhibit relative to a recommended fair rate of return

\$4,500.00

PROJECT ID: 2009532-2910

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

WATER SERVICE CO. OF INDIANA

CAUSE NO. 44104

OUCS Data Request Set No. 6

Date: February 13, 2012

Q6-9. Has WSCI included any adjustment to its federal income taxes to account for the benefit of being a member of a consolidated federal income tax return?

Response: No. For purposes of this rate proceeding, WSCI calculated its tax expenses as if it filed federal income taxes on a stand-alone basis. However, WSCI's filing includes ADIT in its rate base which decreases the Company's revenue requirement and thus benefits the customer.

Line 17, Column (a)

Include the following.

1. Dividends (other than capital gain distributions reported on Schedule D (Form 1120) and exempt-interest dividends) that are received from RICs and that are not subject to the 70% deduction.

2. Dividends from tax-exempt organizations.

3. Dividends (other than capital gain distributions) received from a REIT that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856 through 860.

4. Dividends not eligible for a dividends-received deduction, which include the following.

a. Dividends received on any share of stock held for less than 46 days during the 91-day period beginning 45 days before the ex-dividend date. When counting the number of days the corporation held the stock, you cannot count certain days during which the corporation's risk of loss was diminished. See section 246(c)(4) and Regulations section 1.246-5 for more details.

b. Dividends attributable to periods totaling more than 366 days that the corporation received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. When counting the number of days the corporation held the stock, you cannot count certain days during which the corporation's risk of loss was diminished. See section 246(c)(4) and Regulations section 1.246-5 for more details. Preferred dividends attributable to periods totaling less than 367 days are subject to the 46-day holding period rule, above.

c. Dividends on any share of stock to the extent the corporation is under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.

5. Any other taxable dividend income not properly reported elsewhere on Schedule C.

If patronage dividends or per-unit retain allocations are included on line 17, identify the total of these amounts in a statement attached to Form 1120.

Line 18, Column (c)

Section 247 allows public utilities a deduction of 40% of the smaller of (a) dividends paid on their preferred stock during the tax year, or (b) taxable income computed without regard to this deduction. In a year in which an NOL occurs, compute the deduction without regard to section 247(a)(1)(B). See section 172(d).

**Schedule J.
 Tax Computation and
 Payment**

Part I—Tax Computation

Line 1

If the corporation is a member of a controlled group, check the box on line 1. Complete and attach Schedule O (Form 1120), Consent Plan and Apportionment Schedule for a Controlled Group. Component members of a controlled group must use Schedule O to report the apportionment of taxable income, income tax, and certain tax benefits between the members of the group. See Schedule O and the Instructions for Schedule O for more information.

Line 2

If the corporation is a member of a controlled group and is filing Schedule O (Form 1120), enter the corporation's tax from Part III of Schedule O. Most corporations that are not members of a controlled group and not filing a consolidated return figure their tax by using the Tax Rate Schedule below. Qualified personal service corporations should see instructions below.

Tax Rate Schedule

If taxable income (line 30, Form 1120) on page 1 is:

Over—	But not over—	Tax is:	Of the amount over—
\$0	\$50,000	15%	\$0
50,000	75,000	\$ 7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	-----	35%	0

Qualified personal service corporation.

A qualified personal service corporation is taxed at a flat rate of 35% on taxable income. If the corporation is a qualified personal service corporation, check the box on line 2 even if the corporation has no tax liability.

A corporation is a qualified personal service corporation if it meets both of the following tests.

1. Substantially all of the corporation's activities involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting.

2. At least 95% of the corporation's stock, by value, is directly or indirectly owned by

a. Employees performing the services,

b. Retired employees who had performed the services listed above,

c. Any estate of an employee or retiree described above, or

d. Any person who acquired the stock of the corporation as a result of the death of an employee or retiree (but only for the 2-year period beginning on the date of the employee's or retiree's death).

Mutual savings bank conducting life insurance business. The tax under section 594 consists of the sum of (a), a partial tax computed on Form 1120 on the taxable income of the bank, determined without regard to income or deductions allocable to the life insurance department, and (b), a partial tax on the taxable income computed on Form 1120-L of the life insurance department. Enter the combined tax on line 2. Attach Form 1120-L as a schedule (and identify it as such), together with the annual statements and schedules required to be filed with Form 1120-L. See Regulations section 1.6012-2(c)(1)(ii).

Exception for insurance companies filing their Federal income tax returns electronically. If an insurance company files its income tax return electronically, it should not include the annual statements and schedules required to be filed with Form 1120-L. However, such statements must be available at all times for inspection by the IRS and retained for so long as such statements may be material in the administration of any internal revenue law.

Deferred tax under section 1291. If the corporation was a shareholder in a PFIC and received an excess distribution or disposed of its investment in the PFIC during the year, it must include the increase in taxes due under section 1291(c)(2) (from Form 8621, Part IV, line 11e) in the total for line 2. On the dotted line next to line 2, enter "Section 1291" and the amount.

Do not include on line 2 any interest due under section 1291(c)(3). Instead, show the amount of interest owed in the bottom margin of page 1, Form 1120, and label it as "Section 1291 interest."

See the instructions for Form 8621, Part IV, lines 11e and 11f.

Additional tax under section 197(f). A corporation that elects to pay tax on the gain from the sale of an intangible under the related person exception to the anti-churning rules should include any additional tax due under section 197(f)(9)(B) in the total for line 2. On the dotted line next to line 2, enter "Section 197" and the amount.

Line 3

 **A corporation that is not a small corporation exempt from the AMT may be required to file Form 4626, Alternative Minimum Tax—Corporations, if it claims certain credits, even though it does not owe any AMT. See Instructions for Form 4626 for details.**

Unless the corporation is treated as a small corporation exempt from the AMT, it

**WATER SERVICE COMPANY OF INDIANA
 CAUSE NO. 44104**

**Comparison of Petitioner's and OUCC's
 Revenue Requirements
 Sewer - Without Replacement of Wastewater Treatment Plant**

	Per Petitioner	Per OUCC	Sch Ref	OUCC More/(Less)
Original Cost Rate Base	\$ 1,485,618	\$ 1,367,437	7S	\$ (118,181)
Times: Weighted Cost of Capital	8.5319%	7.9332%	8	-0.599%
Net Operating Income Required	126,794	108,525		(18,269)
Less: Adjusted Net Operating Income	5,950	(3,465)	4S	(9,415)
Additional NOI Required	120,844	111,991		
Times: Gross Revenue Conversion Factor	1.695214	1.612220	1	(0.082994)
Recommended Revenue Increase	\$ 204,857	\$ 180,554		\$ (24,303)
Calculated Percentage Increase	167.96%	144.88%		-23.08%