

Exhibit No.:
Issues: Rate Base
Witness: Amanda C. McMellen
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: WR-2017-0110
Date Testimony Prepared: May 31, 2017

MISSOURI PUBLIC SERVICE COMMISSION

**COMMISSION STAFF DIVISION
AUDITING DEPARTMENT**

DIRECT TESTIMONY

OF

AMANDA C. MCMELLEN

TERRE DU LAC UTILITIES CORPORATION

CASE NO. WR-2017-0110

Jefferson City, Missouri
May 2017

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DIRECT TESTIMONY
OF
AMANDA C. MCMELLEN
TERRE DU LAC UTILITIES CORPORATION
CASE NO. WR-2017-0110

RATE BASE 2

Q. Please state your name and business address.

A. Amanda C. McMellen, 200 Madison Street, Suite 440, Jefferson City, Missouri 65101.

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

A. I am a Regulatory Auditor V with the Missouri Public Service Commission (“Commission”).

Q. Please describe your educational background and work experience.

A. I graduated from the DeVry Institute of Technology in June 1998 with a Bachelor of Science degree in Accounting. I commenced employment with the Commission Staff in June 1999.

Q. What job duties have you had with the Commission.

A. I have assisted, conducted and supervised audits and examinations of the books and records of public utility companies operating within the state of Missouri. I have participated in examinations of electric, industrial steam, natural gas, water, sewer and telecommunications companies. I have been involved in cases concerning proposed rate increases, earnings investigations, and complaint cases as well as cases relating to mergers and acquisitions and certification cases.

1 Q. Have you previously testified before this Commission?

2 A. Yes. Schedule ACM-d1 attached to this testimony contains my credentials and
3 a list of rate cases in which I have assisted and submitted testimony.

4 Q. What knowledge, skill, experience, training and education do you have in the
5 areas of which you are testifying as an expert witness?

6 A. I have acquired knowledge of the ratemaking and regulatory process through
7 my employment with the Commission. I have received continuous training at in-house and
8 outside seminars on technical ratemaking manners. I have also acquired knowledge of these
9 topics through review of Staff work papers and other documentation from prior rate cases
10 filed before this Commission relating to Terre Du Lac Utilities Corporation (“TDLU” or
11 “Company”) and its water and sewer operations. I have been employed by this Commission
12 as a Regulatory Auditor for almost 18 years, and have submitted testimony on ratemaking
13 matters numerous times before this Commission. I have also been responsible for the
14 supervision of other Commission employees in rate cases and other regulatory proceedings.

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

16 A. The purpose of my direct testimony in this case is to provide Staff’s
17 recommendation for rate treatment of rate base (which includes the issues of the accounting
18 treatment of certain capital projects and overall net rate base). All accounting schedules
19 referenced below are attached to Staff witness Keith Foster’s direct testimony as exhibits
20 KDF-d3 and KDF-d4.

21 **RATE BASE**

22 Q. Please describe Accounting Schedule 2, Rate Base.

1 A. This Accounting Schedule represents the investment upon which the Company
2 is allowed to earn a rate of return. This schedule includes the Company's adjusted plant in
3 service balance from Accounting Schedule 5, Plant in Service and deducts the Company's
4 adjusted depreciation reserve from Accounting Schedule 7, Depreciation Reserve, to compute
5 the net plant in service amount. Added to net plant in service are the amounts for inventory of
6 materials and supplies. Rate base deductions are for the contributions in aid of construction
7 (CIAC). Also, the depreciation of CIAC is included in Rate Base.

8 Q. Please explain Accounting Schedule 5.

9 A. Accounting Schedule 5, Plant in Service, lists TDLU's total plant balances by
10 account for the test year ending September 30, 2016 updated through December 31, 2016.
11 Staff capitalized all plant projects and included these costs in the plant in service balances.

12 Q. Please explain Accounting Schedule 7.

13 A. Accounting Schedule 7, Depreciation Reserve, lists TDLU's total depreciation
14 reserve balances by account based on Staff's plant in service balances for the test year ending
15 September 30, 2016 updated through December 31, 2016.

16 Q. Please explain the inventory for materials and supplies balance in rate base.

17 A. TDLU keeps on hand inventory of materials and supplies needed for ongoing
18 repairs and maintenance. This inventory represents an investment of funds by the Company
19 and is therefore added to rate base. Staff included the ending balance for this item as of
20 September 30, 2016 in rate base.

21 Q. Please explain the CIAC balance included in rate base.

22 A. CIAC are funds paid into the company by individual customers to assist with
23 costs associated with the construction of extensions in order to provide water and/or sewer

1 service to these customers. In the case of CIAC, no obligation exists for the utility to repay or
2 refund the money. The amount of CIAC reflected on Accounting Schedule 2, Rate Base,
3 represents Staff's level as of the test year ending September 30, 2016 updated through
4 December 31, 2016. Staff's CIAC level is based on verification of associated invoices
5 provided by TDLU. There is an offset to CIAC in rate base to depreciate the CIAC balances
6 over the life of the associated plant(s).

7 Q. What are the net rate base balances?

8 A. The net rate base balance for water is \$654,449 and for sewer is \$437,839.

9 Q. How are plant costs normally reflected in the cost of service?

10 A. Staff's position is that plant costs are included as part of rate base and
11 depreciated over the useful life of the associated plant.

12 Q. Does this conclude your direct testimony?

13 A. Yes.

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

In the Matter of the Request for Increase in
Annual Water and Sewer System Operating
Revenues for Terre Du Lac Utilities

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Case No. WR-2017-0110

AFFIDAVIT OF AMANDA C. MCMELLEN

State of Missouri)
) ss.
County of Cole)

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

Further the Affiant sayeth not.



Amanda C. McMellen

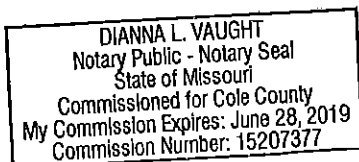
JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of May, 2017.



NOTARY PUBLIC

My commission expires: June 28, 2019



Amanda C. McMellen
Utility Regulatory Auditor V

EDUCATION

Bachelors of Science
DeVry Institute of Technology, Kansas City, MO-June 1998

PROFESSIONAL EXPERIENCE

Missouri Public Service Commission
Utility Regulatory Auditor V
February 2013 – Present
Utility Regulatory Auditor IV
November 2006 – February 2013
Utility Regulatory Auditor III
June 2002 – November 2006
Utility Regulatory Auditor II
June 2000 – June 2002
Utility Regulatory Auditor I
June 1999 – June 2000

I am a Utility Regulatory Auditor for the Missouri Public Service Commission (Commission). I graduated from the DeVry Institute of Technology in June 1998 with a Bachelor of Science degree in Accounting. Before coming to work at the Commission, I worked as an accounts receivable clerk. I commenced employment with the Commission Staff in June 1999. As a Utility Regulatory Auditor, I am responsible for assisting in the audits and examinations of the books and records of utility companies operating within the state of Missouri.

Amanda C. McMellen

SUMMARY OF RATE CASE TESTIMONY FILED

<u>COMPANY</u>	<u>CASE NO.</u>	<u>ISSUES</u>
Osage Water Company	SR-2000-556	Plant in Service Depreciation Reserve Depreciation Expense Operation & Maintenance Expense
Osage Water Company	WR-2000-557	Plant in Service Depreciation Reserve Depreciation Expense Operation & Maintenance Expense
Empire District Electric Company	ER-2001-299	Plant in Service Depreciation Reserve Depreciation Expense Cash Working Capital Other Working Capital Rate Case Expense PSC Assessment Advertising Dues, Donations & Contributions
UtiliCorp United, Inc./ d/b/a Missouri Public Service	ER-2001-672	Insurance Injuries and Damages Property Taxes Lobbying Outside Services Maintenance SJLP Related Expenses
BPS Telephone Company	TC-2002-1076	Accounting Schedules Separation Factors Plant in Service Depreciation Reserve Revenues Payroll Payroll Related Benefits Other Expenses

Amanda C. McMellen

SUMMARY OF RATE CASE TESTIMONY FILED

<u>COMPANY</u>	<u>CASE NO.</u>	<u>ISSUES</u>
Aquila, Inc. d/b/a Aquila Networks-MPS & Aquila Networks-L&P	ER-2004-0034	Revenue Annualizations Uncollectibles
Fidelity Telephone Company	IR-2004-0272	Revenue Revenue Related Expenses
Aquila, Inc. d/b/a Aquila Networks-MPS & Aquila Networks-L&P	ER-2005-0436	Revenue Annualizations Uncollectibles
Empire District Electric Company	ER-2006-0315	Payroll Payroll Taxes 401(k) Plan Health Care Costs Incentive Compensation Depreciation Expense Amortization Expense Customer Demand Program Deferred State Income Taxes Income Taxes
Aquila, Inc. d/b/a Aquila Networks-MPS & Aquila Networks-L&P	ER-2007-0004	Revenue Annualizations Uncollectibles Maintenance Expenses Turbine Overhaul Maintenance
Empire District Electric Company	ER-2008-0093	Revenues Bad Debts Employee Benefits Tree Trimming Storm Costs Customer Programs Amortizations Current Income Taxes Deferred Income taxes Jurisdictional Allocations Corporate Allocations

Amanda C. McMellen

SUMMARY OF RATE CASE TESTIMONY FILED

<u>COMPANY</u>	<u>CASE NO.</u>	<u>ISSUES</u>
Missouri Gas Energy, a Division of Southern Union Company	GR-2009-0355	Staff Report Cost of Service Revenues-Customer Growth Corporate Allocations Other Rate Base Items Amortization Expense Interest expense on customer Deposits Rents and Leases
Missouri-American Water Company	WR-2010-0131	Staff Report Cost of Service Corporate and District Allocations Lobbying Costs Net Negative Salvage Amortization of Regulatory Assets Belleville Lab Expenses Comprehensive Planning Study Payroll Payroll Taxes
Kansas City Power & Light Company	ER-2010-0355	Staff Report Cost of Service Revenues-Customer Growth In-Field Service Fees Gross Receipts Taxes Forfeited Discounts Other Revenues Credit Card Acceptance Program Bad Debts
KCP&L Greater Missouri Operations Company	ER-2010-0356	Staff Report Cost of Service Revenues-Customer Growth Other Revenues Credit Card Acceptance Program Bad Debts
Empire District Electric Company	ER-2011-0004	Staff Report Cost of Service Plant in Service Depreciation Reserve Depreciation Expense Pensions & OPEBs Customer Programs Amortizations Carrying Costs Revenue Annualizations

Amanda C. McMellen

SUMMARY OF RATE CASE TESTIMONY FILED

<u>COMPANY</u>	<u>CASE NO.</u>	<u>ISSUES</u>
Empire District Electric Company	ER-2012-0345	Staff Report Cost of Service Plant in Service Depreciation Reserve Depreciation Expense Prepayments Materials and Supplies Customer Demand Programs Amortization of Electric Plant Customer Deposits Customer Advances Carrying Costs Customer Programs Customer Deposit Interest Expense Franchise Taxes Amortizations Banking Fees Lease Expense Pay Station Fees Amortizations
Summit Natural Gas Company of Missouri, Inc.	ER-2014-0086	Corporate Allocations Capitalization Policy MGU Purchase Price SMNG Legacy Asset Valuation Energy Efficiency Programs
Empire District Electric Company	ER-2016-0023	Staff Report Cost of Service Test Year/Update/True-Up Accumulated Deferred Income Taxes SWPA Hydro Reimbursement SPP Revenues and Expenses SPP Transmission Expenses ASM Revenue and Expense Miscellaneous SPP Related Revenues and Expenses Off-System Sales Revenue and Expense Current Income Taxes Deferred Income Taxes Rate Case Expense-Sharing Advertising Dues and Donations SWPA Amortization Tornado AAO Amortization Corporate Expenses Capitalized Depreciation Proposed Acquisition