

BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF CITIZENS WASTEWATER)
OF WESTFIELD, LLC FOR (1) AUTHORITY TO)
INCREASE RATES AND CHARGES FOR)
WASTEWATER UTILITY SERVICE AND)
APPROVAL OF A NEW SCHEDULE OF RATES AND) CAUSE NO. 44835
CHARGES; AND (2) APPROVAL OF CERTAIN)
REVISIONS TO ITS TERMS AND CONDITIONS)
APPLICABLE TO WASTEWATER UTILITY)
SERVICE)

VERIFIED DIRECT TESTIMONY AND ATTACHMENTS OF

SABINE E. KARNER

IURC
PETITIONER'S 4
EXHIBIT NO. 3-13-17
DATE REPORTER

On
Behalf of
Petitioner,
Citizens Wastewater of Westfield, LLC

Petitioner's Exhibit 4

1 **INTRODUCTION AND BACKGROUND**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Sabine E. Karner. My business address is 2020 North Meridian
4 Street, Indianapolis, Indiana.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by the Board of Directors for Utilities of the Department of Public
7 Utilities of the City of Indianapolis (the "Board"), which does business as
8 Citizens Energy Group ("Citizens"), as its Vice President and Controller. Citizens
9 also owns the stock of Citizens By-Products Coal Company d/b/a Citizens
10 Resources, which itself owns a number of energy and utility related businesses.
11 Citizens Westfield Utilities, LLC ("CWU"), which is a subsidiary of Citizens
12 Resources, owns the sole membership interest in Citizens Wastewater of
13 Westfield, LLC, which is the Petitioner in this proceeding ("Petitioner" or
14 "Utility").

15 **Q. PLEASE DESCRIBE THE DUTIES AND RESPONSIBILITIES OF YOUR**
16 **PRESENT POSITION.**

17 A. My duties include overall responsibility for the accounting, financial planning and
18 reporting functions of Citizens Energy Group.

19 **Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE BOARD?**

20 A. I have been employed by the Board since September of 2001.

21 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

1 A. I graduated from a 5-year degree program at the Höhere Lehranstalt für
2 wirtschaftliche Berufe in Wiener Neustadt, Austria in 1990 with majors in
3 Accounting and Foreign Languages (English and French).

4 **Q. PLEASE DESCRIBE YOUR PRIOR BUSINESS EXPERIENCE.**

5 A. I moved to the United States in 1995. I worked for R. T. Dodge Company in
6 Dayton, Ohio in 1996 as an Office Manager. My responsibilities included
7 reconciliation of cash accounts, processing payroll, accounts payable, accounts
8 receivable, and miscellaneous general ledger entries.

9 From 1996 through 2000, I worked for Alexander, Root & Company, a
10 CPA firm in Dayton, Ohio, in the capacity of a Staff Accountant. I prepared and
11 reviewed individual, corporate, property, and payroll tax returns; prepared
12 compilation reports in compliance with GAAP; prepared depreciation schedules;
13 guided clients through year-end accounting processes, including preparation and
14 review of adjusting entries; set up accounting systems for small businesses and
15 provided technical support; trained non-financial client personnel on daily
16 accounting tasks; performed investigative clean-up of accounting records for
17 transfer clients; planned and executed special projects involving database
18 systems; purchased, maintained, and supported the firm's PC network, server, and
19 workstations, and participated in the selection and implementation of the firm's
20 software.

21 During the period of time I was employed by Alexander, Root &
22 Company, I also provided accounting services as an independent consultant to

1 small businesses in the greater Dayton, Ohio area and taught various mainstream
2 software applications at the Kettering Adult School in Ohio.

3 From 2000 through 2001, I worked as Project Manager for ACG
4 Incorporated, a computer consulting company in Dayton, Ohio. I designed and
5 implemented project plans to transition client accounting systems across
6 platforms; planned and executed data import strategies to transfer databases
7 across accounting systems; trained clients of all skill levels in the use of mid-
8 range accounting systems and third party tools including financial reporting
9 software; and designed custom financial reports.

10 From 2001 to date, I have been employed by Citizens in positions of
11 increasing responsibility. From September 2001 to December 2003, I served as
12 Senior Accountant. My responsibilities were comprised of all Property Records
13 functions, including preparation of property tax returns, capital expenditures
14 reporting, and maintenance of depreciation systems, as well as comprehensive
15 subsidiary accounting, including preparation of consolidated financial statements.

16 From January 2004 to May 2005, I served as Accounting Supervisor. My
17 duties included oversight of property records and subsidiary accounting functions;
18 preparation of depreciation and property tax projections and subsidiary budgets;
19 preparation of federal and state subsidiary income tax returns; accounting for gas
20 cost and gas cost adjustments, and preparation of regulatory reports.

21 From June 2005 to February 2006, I served as Accounting Manager. My
22 duties included all of the assignments enumerated above and were expanded to
23 include additional managerial responsibilities, such as drafting and revising

1 internal accounting policies, composition of white papers on internal accounting
2 practices for reference by accounting personnel and external auditors, and
3 management of process improvement projects.

4 From March 2006 to February 2009, I served as Divisional Controller for
5 Citizens' gas and oil divisions. My duties included oversight and management of
6 the financial closing process, review and presentation of divisional financial
7 statements, preparation of divisional budgets and forecasts, participation in
8 financial management teams, and analysis of variances.

9 From March 2009 to May 2011, I served as Executive Manager, Financial
10 Planning and Analysis. I was accountable for the development and dissemination
11 of financial trend analysis relating to all of Citizens' business units, and for
12 researching, developing, and maintaining enterprise-wide standards for economic
13 analysis. Additionally, I was responsible for adapting and executing processes for
14 forecasts, financial reviews with senior management, and financial planning and
15 budgeting.

16 From September 2010 to September 2011, I served as Interim Executive
17 Director & Controller while the incumbent was fully dedicated to a strategic
18 project.

19 From June 2011 to September 2015, I served as Director of Strategic
20 Finance. I was responsible for directing and overseeing accounting support for
21 regulatory proceedings and regulatory reporting, including preparation of certain
22 pro forma adjustments to the revenue requirements in base rate cases.

1 Furthermore, my duties included streamlining shared services cost allocations,
2 financial planning, and Property Records functions and reporting.

3 From October 2015 to date, I have served as Vice President and
4 Controller. In that capacity, I am responsible for overseeing the financial
5 accounting, planning and reporting activities of Citizens and for ensuring an
6 effective internal controls framework. I also direct the Director of Accounting
7 Services and two Financial Accounting Managers in the performance of their
8 duties.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

10 A. Yes. I have sponsored testimony in base rate cases on behalf of Citizens Gas,
11 Citizens Thermal, Citizens Water, CWA Authority, Inc., and Citizens Gas of
12 Westfield.

13 **Q. WHAT HAVE YOU DONE TO PREPARE YOURSELF TO TESTIFY IN**
14 **THIS PROCEEDING?**

15 A. As Vice President and Controller, I am responsible for the review and
16 dissemination of financial results for all Citizens business units, including the test
17 year "Statement of Operations" or income statement, the "Statement of Financial
18 Position" or balance sheet, and the "Statement of Cash Flows" for the Utility. In
19 the normal course of performing those duties, I met with certain members of
20 Citizens' accounting staff who are responsible for making entries to the books and
21 records, as well as those responsible for financial statement preparation, in order
22 to understand the data presented in the financial statements. In addition, in the
23 normal course of my duties I have become familiar with Citizens' internal control

1 procedures related to financial statements. I have read the Verified Petition and
2 direct testimony and attachments directly relating to Petitioner's revenue
3 requirements filed in this proceeding. I have also familiarized myself with certain
4 parts of the Indiana Code as it relates to utilities operated by the Board and I have
5 relied upon the advice of counsel in interpreting said sections of the Code.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. The purpose of my testimony is to provide support for and sponsor the test year
9 financial statements for Citizens Wastewater of Westfield. In addition, I am
10 sponsoring pro forma adjustments related to certain operating expenses, as well as
11 the test year allocation of Shared Services costs to the Utility. Finally, I present
12 pro forma rate base and the proposed return amount to be included in the revenue
13 requirement. My testimony addresses the following topics:
14

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27 **TEST YEAR FINANCIAL STATEMENTS**

28 **Q. PLEASE DESCRIBE THE FINANCIAL SYSTEM THAT GENERATES**
29 **THE AMOUNTS ON THE FINANCIAL STATEMENTS FOR THE**
30 **PETITIONER.**

31 A. Citizens utilizes an enterprise-wide system or financial suite housing multiple
32 integrated modules and interfaces to other systems that ultimately feed data to the
33 general ledger upon which the Petitioner's financial statements are based. I have
34 provided a detailed discussion of the financial suite in my Attachment SEK-7.

1 **Q. PLEASE DISCUSS THE PETITIONER'S BALANCE SHEET AS OF THE**
2 **END OF THE TEST YEAR.**

3 A. The Utility's Statements of Financial Position, or balance sheets, as of December
4 31, 2015 (the last day of the test year) and December 31, 2014, are presented in
5 Attachment SEK-1, page 1. The following discussion relates to the balance sheet
6 as of the end of the test year.

7 Total assets were \$82.4 million (line 15), of which \$79.2 million was net
8 utility plant. Current assets of \$3.0 million were comprised mostly of \$1.4 million
9 in cash, and \$1.5 million in accounts receivable and accrued revenues. Deferred
10 charges of \$0.2 million represent bond issuance costs net of amortization.

11 Total capitalization was \$61.4 million (line 20), including \$15.3 million in
12 long-term debt. Non-current liabilities of \$18.5 million consisted primarily of
13 contributions in aid of construction. Current liabilities of \$2.5 million were
14 comprised of short-term borrowings of \$1.0 million and accounts payable and
15 accrued expenses of \$1.5 million.

16 **Q. PLEASE DISCUSS THE PETITIONER'S STATEMENT OF**
17 **OPERATIONS FOR THE TEST YEAR.**

18 A. The Utility's Statements of Operations, or income statements, for the twelve
19 months ended December 31, 2015 (the test year for this proceeding) is presented
20 in Attachment SEK-1, page 2. Comparative statements for the twelve months
21 ended December 31, 2014 are not available as the Utility was under Citizens'
22 ownership for only 285 days during that period.

1 The Utility generated operating income of \$3.2 million (line 6) on
2 operating revenues of \$9.4 million.

3 Of the \$3.5 million in operations and maintenance (O&M) expenses
4 shown on line 2, \$1.2 million was for employee related costs, including wages
5 and benefits. Other major expenses include \$1.2 million of outside services costs,
6 \$0.3 million of purchased power, and \$0.2 million of sludge removal expenses.

7 Of the \$2.0 million in depreciation and amortization expenses (line 3),
8 \$2.3 million was for depreciation of utility plant in service, offset by \$0.5 million
9 of credits to expense for amortized contributions in aid of construction. The
10 remaining \$0.2 million was for amortization of the acquisition adjustment.

11 Of the \$0.7 million in taxes (line 4), \$0.6 million was for property tax and
12 \$0.1 million for utility receipts tax.

13 The Utility received inconsequential amounts of other income, net, and
14 incurred \$0.6 million of interest charges, mostly for long-term debt.

15 Petitioner's witness Korlon Kilpatrick uses the information from
16 Attachment SEK-1, page 2 as the basis for determining the pro forma revenue
17 requirements in this Cause as shown in Attachment KKK-1.

18 **Q. PLEASE DISCUSS THE PETITIONER'S STATEMENT OF CASH**
19 **FLOWS FOR THE TEST YEAR.**

20 **A.** The Utility's Statement of Cash Flows for the test year is presented in Attachment
21 SEK-1, page 3. The Utility experienced a net cash inflow of \$0.1 million for the
22 test year, as shown on line 10, ending with a cash balance of \$1.4 million
23 (reflected on line 12).

1 **SHARED SERVICES**

2 **Overview and Allocation Methodology**

3 **Q. PLEASE EXPLAIN SHARED SERVICES.**

4 A. Shared Services is an organizational framework for the consolidation of resources
5 and centralization of costs that provides process or knowledge-based services to
6 the various Citizens business units. Shared Services is composed of two distinct
7 branches, Corporate Support Services ("CSS") and Shared Field Services
8 ("SFS").

9 CSS provides executive management, administrative, customer service,
10 and engineering capabilities. SFS provides operational services, such as meter
11 reading and customer field services. Both CSS and SFS are designed to deliver
12 high-quality services efficiently and effectively by streamlining high-volume,
13 routine transactions and utilizing resources with specialized skill-sets who are
14 dedicated to providing these services.

15 **Q. HOW ARE SHARED SERVICES COSTS ASSIGNED TO THE VARIOUS**
16 **BUSINESS UNITS THAT ARE SERVED BY AND BENEFIT FROM THE**
17 **ACTIVITIES OF SHARED SERVICES PERSONNEL?**

18 A. The first choice is to direct-charge all costs that can clearly be assigned to the
19 business unit driving the cost. A prime example of this is the activity within the
20 engineering group in CSS: most engineering personnel provide services for
21 distinct projects within a given business unit; consequently, rather than charge
22 their time to their home area in CSS which would cause the associated costs to be

1 allocated, they charge their time to the distinct project. Another example is the
2 cost for lawn care at various facilities: these costs can be readily identified with
3 the business unit whose facilities are being maintained and are therefore direct-
4 charged to that business unit, even though the activity itself is managed by Shared
5 Services personnel.

6 When it is not possible or practical to specifically identify costs as being
7 attributable to a particular business unit, a comprehensive cost allocation
8 methodology is utilized to assign Shared Services costs to the ultimate cost causer
9 or consumer of a particular service based on numerous cost drivers. The objective
10 of the cost allocation methodology is to assign the Shared Services costs as
11 accurately as possible to the consumers or beneficiaries of each service. However,
12 it is important to keep in mind that all allocations are inherently estimates.
13 Consequently, Citizens strives to strike an optimal balance between the most
14 accurate assignment of costs and the avoidance of overly complicated allocations.

15 **Q. PLEASE IDENTIFY THE TYPES OF COST DRIVERS USED IN**
16 **ALLOCATING COSTS.**

17 A. Citizens uses three main types of cost drivers: (i) statistical drivers where feasible,
18 (ii) estimates of time spent on activities for each business unit where statistical
19 drivers cannot be obtained, or (iii) the Trust Administration driver when there is
20 no other reasonable cost benefit relationship that can be determined.

21 For example, the costs associated with providing human resources
22 services, such as benefits administration or payroll, are assigned to the different
23 business units based upon the number of employees in each unit (a statistical

1 driver). In the same manner, costs associated with the Citizens customer call
2 center are assigned to the regulated utilities of Citizens Energy Group based on
3 the number of customers in each unit. A list of statistical cost drivers, including
4 their derivation, is provided in my supporting workpaper 270.

5 In contrast, costs for most accounting functions have no correlation to any
6 statistics that drive the amount of accounting activity for any given unit; the
7 number of journal entries made or the dollar amounts reconciled are not indicators
8 of the amount of time required to accomplish these activities for any business
9 unit, to name but two well-known and frequent accounting activities. Thus,
10 accounting personnel who are dedicated to an operating unit estimate how much
11 time they spend on behalf of the applicable business units. The same concept is
12 true for employees in other departments, such as Environmental Stewardship,
13 Occupational Health and Safety, and others. Some employees may estimate a
14 portion of their time to be allocated to Trust Administration, explained below, in
15 addition to specific business units.

16 **Q. PLEASE DESCRIBE FURTHER THE CIRCUMSTANCES UNDER**
17 **WHICH THE TRUST ADMINISTRATION DRIVER IS USED.**

18 A. The Trust Administration driver is used to assign costs that cannot otherwise
19 reasonably be assigned to any specific business unit, and for overall entity costs
20 which are incurred to support Citizens. For example, the Financial Business
21 Applications Analyst in Accounting is responsible for the functional
22 administration of the General Ledger, involving activities such as maintaining the
23 chart of accounts, posting and balancing interface transactions, researching and

1 correcting posting errors, or managing system processes for consolidation or
2 financial statement generation. These activities transcend individual business
3 units and are therefore charged to Trust Administration.

4 Trust Administration costs are allocated to business units based on the
5 respective business unit's percentage of prior year revenues to total Trust prior
6 year revenues. Citizens has applied this methodology since fiscal year 2007,
7 pursuant to the Order in Cause No. 42767 (Citizens Gas), pages 42 to 44.

8 **Q. PLEASE GIVE AN OVERVIEW OF THE PROCESS FOR**
9 **ESTABLISHING COST ALLOCATIONS.**

10 A. Citizens uses a multi-step model to determine the allocation of Shared Services
11 costs. Because Shared Services costs are predominantly people-driven, the first
12 step is to establish a person-by-person allocation of labor costs using the various
13 cost drivers explained previously.

14 The second step is to establish a weighted average attributable to each
15 business unit based on the aggregate of the individualized allocations weighted by
16 the estimated expensed wages for each employee. This overall labor-based
17 allocation is then also applied to the estimated payroll-related expenses such as
18 benefits and payroll taxes that are, for the most part, not directly assignable to
19 individual employees.

20 The third step is to estimate all non-labor expenses for each department
21 and apply appropriate drivers to allocate the costs.

22 The fourth step is to summarize all of the allocated cost categories (labor,
23 labor-related costs, and non-labor costs) by major department or function. The

1 result is converted to a percentage of total cost for each department or function
2 which is then used as the allocation factor for all charges generated by that
3 department or function.

4 **Q. HOW ARE ALLOCATED COSTS TRANSFERRED TO EACH BUSINESS**
5 **UNIT?**

6 A. The allocation factors are maintained in Oracle EBS to effect an automated
7 monthly allocation of expensed actual costs by account.

8 **Q. HOW OFTEN ARE ALLOCATION FACTORS UPDATED?**

9 A. Generally, Citizens updates allocation factors annually to establish factors for the
10 new fiscal year, which begins on October 1st, though major organizational
11 changes could warrant an interim update of the allocation factors. Such updates
12 are normally forward-looking and not retroactive.

13 **Q. PLEASE DESCRIBE THE REIMBURSEMENT PROCESS FOR**
14 **ALLOCATED COSTS.**

15 A. CSS and SFS each have cash accounts with which they fund their expenditures,
16 and business units reimburse allocated costs through ongoing sweeps of
17 intercompany balances. Certain costs that are not unique to CSS are paid from the
18 CSS cash account as a matter of efficiency and are reimbursed within a few
19 business days by the appropriate business units. For example, payroll liabilities
20 for all business units within Citizens are paid from the CSS cash account and
21 reimbursed within three to four business days.

1 **Test Year Allocations**

2 **Q. WAS THERE A CHANGE IN ALLOCATION FACTORS DURING THE**
3 **TEST YEAR?**

4 A. Yes. Because the 2015 calendar test year spans two Citizens fiscal years, there
5 were two sets of allocation factors in use in the test year. From January through
6 September, the allocation factors were based on the fiscal year 2015 estimates.
7 From October through December, the allocation factors were based on the fiscal
8 year 2016 estimates.

9 **Q. WHAT SHARE OF SFS COSTS ULTIMATELY WAS ALLOCATED TO**
10 **THE PETITIONER FOR THE TEST YEAR?**

11 A. The Utility received approximately 0.74% of SFS allocations for the period from
12 January through September, and approximately 0.52% for the period from
13 October through December, yielding a blended effective rate of 0.69% for the test
14 year.

15 **Q. WHAT SHARE OF CSS COSTS ULTIMATELY WAS ALLOCATED TO**
16 **THE PETITIONER FOR THE TEST YEAR?**

17 A. The Utility received approximately 1.24% of CSS allocations for the period from
18 January through September, and approximately 1.57% for the period from
19 October through December, yielding a blended effective rate of 1.32% for the test
20 year. Attachment SEK-2 presents a summary of Shared Services allocations for
21 the test year.

1 **Pro Forma Allocations**

2 **Q. WHAT IS THE PRO FORMA ALLOCATION FOR THE UTILITY'S**
3 **PORTION OF SHARED SERVICES COSTS?**

4 A. I used the actual test year amounts of Shared Services expenses allocated to the
5 Utility: \$1,120,294 for Corporate Support Services, and \$156,447 for Shared
6 Field Services. I determined during preparation of the pro forma workpapers that
7 potential adjustments to Shared Services allocations would yield an increase to
8 the pro forma operating expenses that would be immaterial in the context of the
9 overall revenue requirements while adding unnecessary complexity to the rate
10 case. I concluded that the most expedient approach is to consider the test year
11 level of Shared Services allocations representative for pro forma purposes: in
12 addition to avoiding lengthy workpapers detailing individually insignificant
13 transactions, this approach produces a slightly lower revenue requirement. The
14 table below presents the potential pro forma adjustment amounts for Shared
15 Services costs which in total would have represented less than 1% of the overall
16 pro forma revenue requirement.

Potential Pro Forma Adjustment Amounts for Shared Services

	CSS	SFS	Total
Depreciation	18,307	(1,189)	17,118
Non-Allowed	(30)	-	(30)
Non-Recurring	(4,006)	68	(3,938)
Normalized Expenses	1,208	(1,345)	(137)
Out-of-Period	6,323	(1,853)	4,470
Expensed Labor	52,959	(607)	52,352
Expensed Payroll Taxes	4,097	(24)	4,073
Expensed Benefits	9,514	(5,149)	4,365
	88,372	(10,099)	78,273

1 Q. WHY DID YOU CHOOSE THIS APPROACH KNOWING THAT IT
2 YIELDS LOWER PRO FORMA EXPENSES?

3 A. It is my understanding that the pro forma revenue requirement is meant to be a
4 *representative level*¹ of normal and ongoing costs. I have scrutinized test year
5 expenditures and pursued adjustments at fairly low levels in order to obtain the
6 most accurate representation of going-level costs. However, despite my best
7 efforts, it is possible that a few minor transactions could have been overlooked.
8 Utilizing pro forma allocations that are reasonably representative while also
9 yielding lower operating expenses appeared to me to bridge any perceived gap
10 between the impossible (precise review of all transactions) and the practical (use
11 of test year allocations for pro forma purposes). I consider the impact of the lower
12 allocation amounts on the pro forma revenue requirement to be immaterial.

13 **PRO FORMA ADJUSTMENTS**

14 **Overview**

15 Q. PLEASE PROVIDE A HIGH-LEVEL ASSESSMENT OF YOUR PRO
16 FORMA ADJUSTMENTS.

17 A. In summary, the Utility's test year level of O&M expenses, taxes excluding utility
18 receipts tax, and depreciation is not representative of going-level costs of \$6.8
19 million for these same expenses. I provide an overview and key drivers below:

¹ PSI Energy, Inc. rate case Order, Cause No. 42359, page 55: "In making our determinations regarding an appropriate level of operating expenses to be used in setting Petitioner's rates, we are guided by our overall objective of achieving a level of expenses which are representative of probable future experience. The Indiana courts have emphasized the importance of viewing test year results and out of period adjustments in the context of estimating a representative ongoing level of utility expenses."

Test Year O&M, Taxes excl. IURT, Depreciation	\$5,919,616
Pro Forma adjustments:	
Wages & Payroll Taxes	46,764
Various O&M expenses	194,808
Depreciation	<u>682,203</u>
Pro Forma O&M, Taxes excl. IURT, Depreciation	\$6,843,391

Employee costs increase by \$47 thousand primarily as a result of organizational changes to accommodate increased operational requirements.

I made adjustments to a variety of non-labor O&M expenses which netted an increase of \$195 thousand. This net amount was driven mostly by increases for purchased wastewater treatment as a result of rate changes and purchased power due to new or upgraded equipment, offset by the removal of non-recurring and out-of-period expenses.

The \$682 thousand increase in depreciation expense is primarily attributable to the removal of test year credits to depreciation expense for contributed property, as well as additional depreciation expense for the 156th Street Interceptor Project and the Downtown Lift Station Project, which are the two major projects that went into service after the general plant cutoff date and are further described in the Verified Petition as well as by Petitioner's witness

~~Aaron Johnson.~~
Jeffrey A. Willman

I discuss these adjustments in more detail further below in my testimony.

Q. WHAT STEPS WERE TAKEN TO DETERMINE PRO FORMA ADJUSTMENTS TO THE TEST YEAR?

A. I reviewed the Utility's trial balance by account and by expense type. I discussed the test year financial statements with management and obtained input from

1 operations representatives on whether various expenses were reflective of normal
2 and ongoing expenditure levels. Additionally, I reviewed transaction level detail
3 for certain accounts and expense types where I thought the test year may have
4 included unusual costs. I also reviewed 170 IAC 1-3 (Advertising Expenditures
5 by Public Utilities), IC § 8-1-2-6(c) (Valuation of Property), and Commission
6 Orders for certain prior Citizens business unit rate cases to determine allowable
7 expenses.

8 **Q. DO YOU BELIEVE THAT THE PROPOSED PRO FORMA**
9 **ADJUSTMENTS ARE REASONABLE AND MATERIALLY COMPLETE?**

10 A. Yes. For purposes of determining pro forma adjustments, to the best of my
11 knowledge, I identified non-allowed expenditures at any level and generally used
12 a materiality threshold of \$1,000 for other types of adjustments for the Utility. For
13 example, I removed non-recurring expenses if they were above \$1,000 each as
14 direct-charged to the Utility. This threshold represents my assessment of a cost-
15 benefit limit based on my professional knowledge of the data and transactions of
16 the Utility.

17 While there is not specific reference to accepted materiality thresholds in
18 170 IAC 1-5 (Minimum Standard Filing Requirements for an Expedited Rate
19 Case), the regulations do establish a reporting threshold of \$10,000 in the section
20 on working papers and data for revenues, expenses and taxes (1-5-8, subdivision
21 20). I interpret this as confirmation that a threshold below that level to evaluate
22 test year transactions for pro forma adjustments is reasonable.

23 **Q. BRIEFLY EXPLAIN YOUR WORKPAPER FORMAT AND ORDER.**

1 A. I used the following numbering scheme for workpapers related to accounting
2 adjustments:

3	1xx:	Financial and Accounting Data
4	2xx:	Shared Services
5	3xx:	Pro Forma Adjustments to Payroll, Payroll Taxes
6	40x-42x:	Pro Forma Adjustments to Operations & Maintenance
7	43x:	Non-Allowed and Non-Recurring
8	47x:	Pro Forma Adjustments to Depreciation & Amortization
9	5xx:	Miscellaneous Informational Schedules

10

11 Where workpapers required additional supporting calculations, I have
12 numbered these supporting workpapers the same as the workpaper in question and
13 added the suffix -Sn, where n denotes the next sequential number (e.g. 301-S1 is
14 a supporting workpaper for workpaper 301).

15 **Q. DID YOU INCLUDE A SUMMARY OF ALL PRO FORMA**
16 **ADJUSTMENTS YOU SPONSOR IN YOUR TESTIMONY?**

17 A. Yes. Attachment SEK-3 presents a summary of my pro forma adjustments to
18 certain operating expenses of the Utility during the test year.

19 **Payroll**

20 **Q. PLEASE DESCRIBE YOUR PRO FORMA ADJUSTMENT TO**
21 **PAYROLL.**

22 A. I compiled a list of employees who direct-charged labor to the Utility during the
23 test year. I then updated this list with census data as of June 20, 2016 to obtain
24 current pay rates. For pro forma purposes, I removed employees who direct-
25 charged only minimal labor (less than 1.0% of their total hours) and those who
26 incurred labor for a non-recurring capital project (legacy billing system

1 conversion). I accounted for organizational changes announced in the latter part of
2 the test year by adding 40% of one employee who has been put in charge of
3 supervising operational aspects of the system.

4 I then annualized the base pay for all positions without applying any pay
5 increases because the census data already includes a pay increase effective April
6 2016 that covers the pro forma period. I considered the test year level of overtime
7 pay representative for pro forma purposes and consequently made no additional
8 adjustments to it. I added short-term variable pay at the percentages applicable to
9 each position and assumed 100% of target payout. Finally, I deducted the amount
10 of pro forma payroll associated with capital projects to obtain the amount of
11 expensed pro forma payroll. Overall, payroll expenses increased by \$43,175; the
12 detail calculations are presented in my workpapers 300 through 304.

13 **Payroll Taxes**

14 **Q. HAVE YOU MADE A COMPUTATION REGARDING PRO FORMA**
15 **PAYROLL TAXES?**

16 A. Yes. I applied the test year's effective payroll tax rate on expensed payroll to the
17 pro forma expensed payroll. The total adjustment to payroll taxes is a pro forma
18 increase of \$3,589; the detail calculations are part of my workpapers 300 and 301.

19 **Benefits**

20 **Q. ARE YOU PROPOSING ANY ADJUSTMENTS FOR PRO FORMA**
21 **BENEFIT COSTS?**

1 A. No. Since nearly all benefits costs are generated through Shared Services
2 allocations for which I am not proposing adjustments, I considered the test year
3 level of benefits to be reasonably representative of future experience. My
4 workpaper 162 provides a summary of the types of benefits costs incurred by the
5 Utility during the test year.

6 **Other Operations & Maintenance Expenses**

7 **Q. PLEASE DESCRIBE YOUR REMAINING ADJUSTMENTS TO O&M**
8 **EXPENSES.**

9 A. I normalized test year expenses for a number of items, explained individually
10 below.

11 Purchased Power

12 I adjusted the test year level of expense for purchased power to account
13 for power consumption for new equipment which was not operational during the
14 test year. The estimates for power consumption were provided by engineering
15 personnel and are based on experience with comparable motors and expected
16 usage of the equipment. I applied all applicable rates and riders to these estimates,
17 resulting in a pro forma increase of \$35,177 (see my workpaper 401).

18 Purchased Wastewater Treatment

19 The Utility purchases wastewater treatment from the City of Carmel
20 ("Carmel"). In January 2016, Carmel implemented a 37% rate increase to its
21 wholesale rate. Consequently, I calculated a pro forma adjustment using the test
22 year levels of purchased wastewater treatment at the current rate, yielding an

1 increase to purchased wastewater treatment expenses of \$244,007. The
2 calculation is presented in my workpaper 402.

3 Normalized Expenses

4 During my review of test year expenses, I determined the need for
5 adjustments to several items which are not representative of ongoing levels of
6 expenditures, listed individually below (see also my workpaper 405):

7 The Utility has engaged ADS Environmental to provide comprehensive
8 flow monitoring throughout its system. The test year does not reflect the full
9 twelve months of cost for this service, resulting in a pro forma increase of
10 \$13,025.

11 Next, I calculated the going level of expense for the rental of modular
12 space which replaced the rent of office space from the City of Westfield and
13 which is a shared expense with Citizens Water of Westfield. The test year
14 included certain one-time installation costs and four months of rent at the full
15 amount when 50% of the monthly rent should have been charged to Citizens
16 Water of Westfield. My adjustment resulted in a pro forma decrease of \$3,385.

17 I identified certain expensed transactions for the purchase and installation
18 of a confined space air monitor which should have been capitalized. I removed
19 these costs from the pro forma revenue requirement, a reduction of \$7,736.

20 Finally, I made a pro forma adjustment to business insurance expense to
21 account for the most current coverages and premiums, resulting in a pro forma
22 increase of \$22,740.

23 Out of Period Expenses

1 I made a pro forma adjustment to various operating expenses to account
2 for out-of-period charges (workpaper 413). Generally, transactions greater than
3 \$1,000 were selected for this adjustment, which I believe to be a reasonable
4 threshold. Applying this criterion, I listed all test year credits to expense for
5 reversals of prior year accruals, all charges that were expensed in the test year for
6 prior period invoices, and all expensed accruals at the end of the test year for
7 invoices not yet received. This establishes the net test year amount for out-of-
8 period charges. Next, I added amounts for invoices expensed after the test year
9 where services were rendered during the test year. This is the pro forma amount.
10 The resulting adjustment is a decrease of \$28,361.

11 Non-Recurring Expenses (O&M)

12 I generally applied the same threshold as for out-of-period expenses in my
13 search for non-recurring transactions. However, I included transactions below that
14 threshold if they were easily identified or otherwise known to me. For example,
15 identifying payments to the City of Westfield is a simple process where the
16 application of a threshold was unnecessary in avoiding burdensome detective
17 work.

18 I made a pro forma adjustment to remove a total of \$79,710 in non-
19 recurring expenses from the test year. My workpaper 431 presents a list of the
20 transactions that were identified as non-recurring. Following is a description of
21 the individual components of this adjustment:

- 22 (a) Business consulting projects of \$12,390 which are non-recurring in
23 nature.

(b) Payments to the City of Westfield of \$6,574 for renting office space; this expense was replaced with the cost of renting modular space, discussed under Normalized Expenses, above.

(c) Bill and remittance processing costs of \$60,746 associated with the legacy billing system which was replaced in January 2016. Such costs are now allocated through Shared Services and not direct-charged.

Non-Allowed Expenses

Q. HOW DID YOU DETERMINE NON-ALLOWED EXPENSES?

A. I reviewed IC § 8-1-2-6(c) which provides: "In determining the amount of allowable operating expenses of a utility, the commission may not take into consideration or approve any expense for institutional or image building advertising, charitable contributions, or political contributions." I reviewed the general ledger for the occurrence of such transactions in the test year and I inquired of other personnel familiar with the books and records whether they were aware of non-allowed expenses in the test year. I relied upon the advice of counsel to help interpret prior Commission rulings on this subject.

Q. PLEASE DESCRIBE YOUR ADJUSTMENTS TO NON-ALLOWED EXPENSES.

A. Non-allowed expenses are presented in my workpaper 432. I attempted to find non-allowed expenses at all transaction levels and did not confine my search to a minimum threshold. As a result of my review, I removed \$950 in charitable contributions made during the test year.

1 **Depreciation & Amortization**

2 Depreciation Expense

3 **Q. PLEASE DISCUSS YOUR PRO FORMA ADJUSTMENT TO**
4 **DEPRECIATION EXPENSE FOR PLANT IN SERVICE.**

5 A. I established the annual amount of depreciation expense on depreciable utility
6 plant in service, including contributed plant (CIAC), as of December 31, 2015
7 (the plant cutoff date) and applied the depreciation rate of 2.5% which was
8 approved by the Commission in the Order in Cause No. 44273 (the Acquisition
9 Order). I then added estimated depreciation for the 156th Street Interceptor
10 Project and the Downtown Lift Station Project, which were the two major projects
11 that have been placed in service after the end of the test year. Consistent with
12 prior Commission determinations, I did not subtract CIAC amortization from
13 these amounts.² The net adjustment results in a pro forma increase of \$682,203. I
14 present my calculation in workpaper 473.

15 Amortization Expense

16 I removed the test year expense for amortization of the acquisition adjustment for
17 which the Utility is not seeking recovery, yielding a pro forma reduction of
18 \$199,220 (see my workpaper 475).

19

20 **RATE BASE AND RETURN**

21 **Q. HAVE YOU CALCULATED THE UTILITY'S RATE BASE?**

² Indiana-American Water rate case Order, Cause No. 43680, page 86: "[...] we again reject the OUCC's proposal to amortize CIAC."

1 A. Yes. Attachment SEK-4 is a computation of the Utility's rate base, a total of
2 \$55,188,021 (line 17). The following individual components are necessary to
3 arrive at the Utility's rate base:

4 A. Net plant in service as of 12/31/2011 of \$27,477,000 (line 1), as supported
5 by Petitioner's witness ~~Johnson~~ ^{Willman}.

6 B. Unamortized portion of the fair value increment of \$16,283,048 (line 2),
7 as supported by Petitioner's witness ~~Johnson~~ ^{Willman}.

8 C. Original cost plant put in service after 12/31/2011 through 12/31/2015, net
9 of accumulated depreciation on these assets. I added to this net the
10 expected amount of the 156th Street Interceptor Project and the
11 Downtown Lift Station Project. The total combined amount is
12 \$14,293,794 (line 6).

13 D. Original cost for contributed property and customer advances, net of
14 accumulated depreciation. This is a subtraction from rate base for a total
15 of \$3,593,667 (line 10).

16 E. Allocated portion of net Shared Services plant, a total of \$716,003 for CSS
17 (line 11) and \$11,843 for SFS (line 16).

18 **Q. HAVE YOU CALCULATED THE RETURN FOR THE UTILITY?**

19 A. Yes; this calculation is also presented in Attachment SEK-4. I applied the
20 weighted average cost of capital of 8.76% as supported by Petitioner's witness
21 Sara Mamuska-Morris to the total rate base, resulting in a return of \$4,834,471
22 (line 19).

23

1 **CONSERVATION AND SAFETY MESSAGES**

2 **Q. DID YOU PROVIDE A SUMMARY OF ALLOWED ADVERTISING**
3 **EXPENSES INCURRED DURING THE TEST YEAR?**

4 A. Yes. Attachment SEK-5 presents the allowed test year advertising expenses
5 related to safety and conservation messages. I reviewed 170 IAC 1-3-3
6 (Allowable expenditures; includable costs) and 170 IAC 1-3-4 (Material benefit
7 defined) to determine the type of advertising costs allowed, and I obtained
8 representative samples of the items being charged in accordance with 170 IAC 1-
9 3-5 (Material benefit; burden of proof).

10 Of the \$3,094 in allowed advertising expenses allocated to the Utility by
11 CSS in the test year, \$2,298 was spent on conservation messaging. All media used
12 (print, TV, radio, billboard, and an LED sign inside a stadium) provided
13 messaging related to the conservation of energy or water. The remaining \$796
14 was spent on safety messaging.

15

16 **CONCLUSION**

17 **Q. DID YOU INCLUDE A LIST OF ALL WORKPAPERS SUPPORTING**
18 **YOUR TESTIMONY AND ATTACHMENTS?**

19 A. Yes, I present such a list in Attachment SEK-6.

20 **Q. DO YOU BELIEVE THAT THE PRO FORMA ADJUSTMENTS YOU**
21 **PRESENTED ARE JUST AND REASONABLE?**

22 A. Yes. I have made adjustments to obtain representative going-level costs and
23 believe I have done so reasonably and in accordance with acceptable standards,

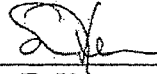
1 laws, and prior Commission rulings. I have made a good faith effort to review the
2 transactions during the test year and remove any non-recurring or non-allowed
3 items, and to make adjustments to normalize expenses where the impact would be
4 significant to the revenue requirement.

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A.** Yes, at this time.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of her knowledge, information and belief.

A handwritten signature in black ink, appearing to read 'S. Karner', is positioned above a horizontal line.

Sabine E. Karner

Westfield Wastewater
Statements of Financial Position
as of December 31

Attachment SEK-1
page 1

Line No.	Assets	2015	2014
	Utility Plant:		
	Plant in service at original cost		
1	Utility plant in service	\$ 88,841,680	\$ 87,095,472
2	Accumulated depreciation	(22,397,636)	(20,235,086)
3	Net plant in service at original cost	66,444,044	66,860,386
4	Acquisition adjustment, net	8,093,548	8,292,769
5	Net plant in service	74,537,592	75,153,155
6	Construction work in progress	4,700,921	1,107,598
7	Net Utility Plant	79,238,513	76,260,753
	Current Assets:		
8	Cash on hand	1,423,251	1,289,224
9	Accounts receivable, net	929,979	734,857
10	Accrued utility revenue	590,203	352,209
11	Other receivables	-	1,167,514
12	Prepayments and deposits	26,403	30,560
13	Total Current Assets	2,969,836	3,574,364
14	Deferred Charges	207,878	272,381
15	Total Assets	\$ 82,416,227	\$ 80,107,498
	<u>Capitalization and Liabilities</u>		
	Capitalization:		
16	Retained earnings	\$ 1,539,989	\$ 1,019,259
17	Additional paid-in capital	44,622,492	44,622,492
18	Total Equity	46,162,481	45,641,751
19	Long-Term Debt	15,270,000	15,270,000
20	Total Capitalization	61,432,481	60,911,751
	Non-Current Liabilities:		
21	Contributions in Aid of Construction	17,893,666	17,338,163
22	Other Non-Current Liabilities	597,417	164,272
23	Total Non-Current Liabilities	18,491,083	17,502,435
	Current Liabilities:		
24	Short term borrowings	1,000,000	1,000,000
25	Accounts payable and accrued expenses	1,492,663	693,312
26	Total Current Liabilities	2,492,663	1,693,312
27	Total Capitalization and Liabilities	\$ 82,416,227	\$ 80,107,498

**Westfield Wastewater
Statements of Operations
12 months ended December 31**

**Attachment SEK-1
page 2**

Line No.

	2015	2014
1 Operating Revenues	\$ 9,432,070	
Operating Expenses:		
2 Operations & maintenance	3,520,214	
3 Depreciation & amortization	2,006,556	Not available*
4 Taxes	<u>723,122</u>	
5 Total Operating Expenses	<u>6,249,892</u>	
6 Operating Income	3,182,178	
7 Other Income (Expense), Net	864	
8 Interest Charges	552,312	
9 Net Income	<u>\$ 2,630,730</u>	

* Comparative statements for the twelve months ended December 31, 2014 are not available. Citizens Wastewater of Westfield was acquired on March 21, 2014.

**Westfield Wastewater
Statement of Cash Flow
12 months ended December 31, 2015**

**Attachment SEK-1
page 3**

Line No.

Operating Activities:		
1	Net income	\$ 2,630,730
2	Depreciation and amortization	1,918,822
Changes in operating assets and liabilities:		
3	Accounts receivable and accrued utility revenue	(433,116)
4	Prepayments and deposits	4,157
5	Accounts payable and accrued expenses	1,624,786
6	Other long-term liabilities	433,145
7	Net cash provided by operating activities	<u>6,178,524</u>
8	Investing Activities:	(5,623,417)
9	Financing Activities:	(421,080)
10	Net change in cash and cash equivalents	134,027
11	Cash and cash equivalents at beginning of period	<u>1,289,224</u>
12	Cash and cash equivalents at end of period	<u>\$ 1,423,251</u>

Westfield Wastewater
Summary of Shared Services Allocations - CSS

Attachment SEK-2
page 1

Line	A Organization	B Gas	C Water	D CWA	E Steam	F WF Gas	G WF Water	H WF WW	I Other	J Total
1	Chief Officer	1,524,979	870,836	865,564	357,954	22,691	9,848	14,097	459,653	4,125,622
2	Community Relations	971,810	631,140	449,255	184,520	11,631	19,263	27,447	200,623	2,495,689
3	Corporate Development	-	-	-	-	79,791	50,738	51,900	968,644	1,151,073
4	CP&E	860,548	1,008,185	585,404	370,255	23,000	51,387	37,390	84,320	3,020,489
5	Customer Relationships	8,211,463	5,527,480	4,202,373	90,307	134,058	211,774	191,372	92,193	18,661,018
6	Environmental Stewardship	182,917	2,012,281	322,594	202,453	5,527	100,877	40,819	224,860	3,092,328
7	Facilities	202,070	126,699	109,679	42,818	2,500	4,574	6,170	37,393	531,904
8	Finance	2,073,063	1,299,109	1,269,316	578,102	90,536	100,933	114,627	782,556	6,308,243
9	Human Resources	1,370,340	1,018,517	445,977	285,957	12,466	33,496	40,029	185,388	3,392,170
10	Information Technology	5,226,140	3,301,462	2,587,066	1,029,477	69,810	138,267	159,750	913,098	13,425,071
11	Internal Audit	259,079	149,759	145,598	60,060	3,871	6,473	9,379	69,610	703,828
12	Legal	526,290	301,102	298,240	123,310	7,843	12,904	18,632	137,635	1,425,956
13	Legal & Auditing Fees	568,558	325,745	321,546	132,840	8,469	13,761	19,762	149,222	1,539,904
14	OHS & Security	537,790	400,211	374,600	229,527	7,059	14,924	19,991	155,389	1,739,492
15	Quality	220,382	125,607	125,223	51,816	3,280	5,385	7,733	57,019	596,445
16	Regulatory Affairs	483,866	353,166	330,705	272,343	70,417	34,290	101,911	101,694	1,748,392
17	Supply Chain	480,549	562,920	667,684	196,829	2,754	5,083	4,567	46,647	1,967,033
18	Trust Administration	6,839,342	5,069,992	3,730,168	1,214,316	155,669	229,724	254,719	1,425,602	18,919,533
19	Total Test Year Actual Costs	\$ 30,539,185	\$ 23,084,211	\$ 16,830,993	\$ 5,422,883	\$ 711,374	\$ 1,043,703	\$ 1,120,294	\$ 6,091,545	\$ 84,844,188
20	Overall allocation %	35.99%	27.21%	19.84%	6.39%	0.84%	1.23%	1.32%	7.18%	100.00%
21	CSS redistribution	3,985,741	3,014,006	(8,346,574)	708,263	92,892	-	-	545,672	-
22	Total Test Year incl. redistribution	34,524,926	26,098,217	8,484,419	6,131,146	804,266	1,043,703	1,120,294	6,637,217	84,844,188
23	Overall allocation % after redistributor	40.69%	30.76%	10.00%	7.23%	0.95%	1.23%	1.32%	7.82%	
Test Year Oct-Dec 2015, fiscal year 2016 allocation %										
24	Total CSS Costs	7,234,443	5,490,683	4,067,683	1,365,378	176,080	316,701	318,113	1,287,981	20,257,063
25	Overall allocation %	35.71%	27.11%	20.08%	6.74%	0.87%	1.56%	1.57%	6.36%	100.00%
Test Year Jan-Sep 2015, fiscal year 2015 allocation %										
26	Total CSS Costs	23,304,741	17,593,528	12,763,310	4,057,505	535,295	727,002	802,181	4,803,563	64,587,125
27	Overall allocation %	36.08%	27.24%	19.76%	6.28%	0.83%	1.13%	1.24%	7.44%	100.00%
Fiscal Year 2016 budget										
28	Total CSS Costs	31,385,681	23,112,642	17,456,518	5,739,045	742,087	1,301,620	1,329,204	5,411,183	86,477,981
29	Overall allocation %	36.29%	26.73%	20.19%	6.64%	0.86%	1.51%	1.54%	6.26%	100.00%

Westfield Wastewater
Summary of Shared Services Allocations - SFS

Attachment SEK-2
page 2

Line	A Organization	B Gas	C Water	D CWA	E Steam	F WF Gas	G WF Water	H WF WW	I Other	J Total
1	Customer Field Services	6,759,255	2,582,527	98,909	(9,583)	42,368	80,980	71,448	(3,994)	9,621,909
2	Depreciation	155,864	93,500	30,872	3,121	1,237	2,450	2,094	954	290,093
3	Administration	970,306	498,113	197,752	1,493	9,306	9,121	8,153	389	1,694,632
4	Fleet	1,492,836	1,551,684	241,670	207,970	5,513	59,742	46,094	66,813	3,672,323
5	Real Estate	-	31,305	31,305	-	-	3,478	3,478	-	69,567
6	SFS Executive	271,586	171,809	87,633	524	2,781	2,759	2,451	69	539,612
7	Dispatch	799,233	540,338	398,186	-	11,158	18,878	16,869	-	1,784,662
8	Meter Reading	2,168,854	1,698,214	1,195,272	4,978	28,355	6,511	5,860	-	5,108,043
9	Total Test Year Actual Costs	\$ 12,617,934	\$ 7,167,490	\$ 2,281,600	\$ 208,503	\$ 100,717	\$ 183,920	\$ 156,447	\$ 64,231	\$ 22,780,841
10	Overall allocation %	55.39%	31.46%	10.02%	0.92%	0.44%	0.81%	0.69%	0.28%	100.00%
Test Year Oct-Dec 2015, fiscal year 2016 allocation %										
11	Total SFS Costs	3,237,839	1,629,438	584,148	32,481	30,503	32,998	29,202	13,000	5,589,610
12	Overall allocation %	57.93%	29.15%	10.45%	0.58%	0.55%	0.59%	0.52%	0.23%	100.00%
Test Year Jan-Sep 2015, fiscal year 2015 allocation %										
13	Total SFS Costs	9,380,095	5,538,051	1,697,452	176,023	70,214	150,921	127,244	51,231	17,191,231
14	Overall allocation %	54.56%	32.21%	9.87%	1.02%	0.41%	0.88%	0.74%	0.30%	100.00%
Fiscal Year 2016 budget										
15	Total SFS Costs	13,185,498	7,140,257	2,618,762	221,887	122,863	165,324	145,826	90,023	23,690,441
16	Overall allocation %	55.66%	30.14%	11.05%	0.94%	0.52%	0.70%	0.62%	0.38%	100.00%

Westfield Wastewater
Pro Forma Adjustments sponsored by Sabine Karner

Attachment SEK-3

Description	Reference	Pro Forma Adjustment	
		Total	by NARUC subaccount
Payroll	wp 30x	43,175	
Collection-Operations			19,799
Treat & Disp-Maintenance			41
Treat & Disp-Operations			23,335
Payroll Taxes	wp 30x	3,589	
Collection-Operations			1,545
Treat & Disp-Maintenance			3
Treat & Disp-Operations			2,041
Purchased Power	wp 401	35,177	
Collection-Operations			6,973
Treat & Disp-Operations			28,205
Purchased Wastewater Treatment	wp 402	244,007	
Treat & Disp-Operations			244,007
Normalized Expenses	wp 405	24,644	
Admin & General			15,004
Collection-Maintenance			13,025
Treat & Disp-Operations			(3,385)
Out of Period Expenses	wp 413	(28,361)	
Admin & General			(23,115)
Collection-Maintenance			12,684
Collection-Operations			(2,661)
Treat & Disp-Operations			(15,269)
Non-Recurring Expenses	wp 431	(79,710)	
Admin & General			(18,214)
Customer Accounts			(60,746)
Treat & Disp-Operations			(750)
Non-Allowed Expenses	wp 432	(950)	
Admin & General			(950)
Depreciation & Amortization	wp 47x	482,983	
Depreciation			682,203
Amortization			(199,220)
Total		724,555	724,555
Summary by NARUC subaccount			
Admin & General			(27,275)
Collection-Maintenance			25,709
Collection-Operations			25,656
Customer Accounts			(60,746)
Treat & Disp-Maintenance			44
Treat & Disp-Operations			278,184
Depreciation			682,203
Amortization			(199,220)
Total			724,555

**Westfield Wastewater
Rate Base and Return**

Attachment SEK-4

Line No.		Amount
	Per Order in Cause No. 44273 and approved Settlement Agreement	
	(A)	
1	Net "12/31/2011-Plant" as of 12/31/2015, testimony of Aaron Johnson	\$ 27,477,000
	(B)	
2	Remaining Fair Value Increment as of 12/31/2015, testimony of Aaron Johnson	\$ 16,283,048
	Net original cost of plant put in service after 12/31/2011	
	(C)	
3	Original cost added since 12/31/2011 through end of test year	\$ 9,051,337
4	Accum. depreciation on assets added since 12/31/2011, through 12/31/2015	\$ (453,105)
5	Expected major additions through 12/31/2016	\$ 5,695,562
6	Net plant added since 12/31/2011	\$ 14,293,794
	(D)	
7	Original cost of contributions in aid of construction (CIAC) included in (C)	\$ (3,340,245)
8	Original cost of customer advances for construction (CAFC) included in (C)	\$ (421,080)
9	Accum. depreciation on CIAC and CAFC property included in (C)	\$ 167,658
10	Total net contributed property and advances	\$ (3,593,667)
	(E)	
	Shared Services plant in service as of 12/31/2015	
11	Corporate Support Services, original cost net of depreciation	\$ 45,605,305
12	% to Westfield Wastewater	1.57%
13	Amount to Westfield Wastewater	\$ 716,003
14	Shared Field Services, original cost net of depreciation	\$ 2,277,444
15	% to Westfield Wastewater	0.52%
16	Amount to Westfield Wastewater	\$ 11,843
	(F)	
17	Total Rate Base lines 1, 2, 6, 10, 13, 16	\$ 55,188,021
18	Weighted Cost testimony of Sara Mamuska-Morris	8.76%
19	Return line 17 * line 18	\$ 4,834,471

Westfield Wastewater **Attachment SEK-5**
Allowed Advertising included in Operations & Maintenance Expenses

Line	Description	A	B Amount
	Conservation Messaging		
1	Indianapolis Indians		\$ 175
2	Indianapolis Colts messaging		1,294
3	Indianapolis Motor Speedway messaging		357
4	Be WinterWise		407
5	Earth Day Indiana		64
6	Total Conservation Messaging		<u>2,298</u>
7	Safety Campaign		796
8	Total Allowed Advertising		\$ 3,094

Westfield Wastewater

Workpapers submitted by Petitioner's Witness Sabine E. Karner

Attachment SEK-6

Topic	Workpaper	MSFR	Description
Financial & Accounting Data	100	170 IAC 1-5-8 (7)	Trial Balance by GL account - all accounts
Financial & Accounting Data	101	170 IAC 1-5-8 (7)	Trial Balance by GL account - Income Statement accounts only
Financial & Accounting Data	102	170 IAC 1-5-8 (7)	Trial Balance by expense type - Income Statement accounts only
Financial & Accounting Data	103	170 IAC 1-5-6 (1)(A)	Balance Sheet by GL account
Financial & Accounting Data	104	170 IAC 1-5-6 (1)(C)	Income Statement by GL account
Financial & Accounting Data	105	170 IAC 1-5-6 (1)(C)	Income Statement by NARUC subaccount
Financial & Accounting Data	106	170 IAC 1-5-6 (1)(C)	Income Statement by NARUC account
Financial & Accounting Data	110	170 IAC 1-5-7 (2)	Standard monthly journal entries
Financial & Accounting Data	120	170 IAC 1-5-7 (3)	Audited Financial Statements Fiscal Year 2015
Financial & Accounting Data	131	170 IAC 1-5-7 (6) and (7)	Operating budget Fiscal Year 2015
Financial & Accounting Data	132	170 IAC 1-5-7 (6) and (7)	Operating budget Fiscal Year 2016
Financial & Accounting Data	133	170 IAC 1-5-7 (6) and (7)	Construction budget Fiscal Year 2015
Financial & Accounting Data	134	170 IAC 1-5-7 (6) and (7)	Construction budget Fiscal Year 2016
Financial & Accounting Data	141	170 IAC 1-5-8 (18)	Monthly amounts of injury and damage for the test year
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