

**STATE OF TENNESSEE
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

24-00044

IN RE:

LIMESTONE WATER UTILITY OPERATING COMPANY

DIRECT TESTIMONY

OF

CLARE DONOVAN

ON

**ACCOUNTING CONTROLS AND BUDGET PROCEDURES, TEST YEAR REVENUES,
OPERATING EXPENSES**

SPONSORING PETITIONER'S EXHIBITS:

Petitioner's Exhibit CD 1.1

Petitioner's Exhibit CD 1.2

FILED: July 16, 2024

**INDEX TO THE DIRECT TESTIMONY OF
CLARE DONOVAN, ON BEHALF OF
LIMESTONE WATER UTILITY OPERATING COMPANY, LLC**

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LIST OF EXHIBITS

**Petitioner’s Exhibit CD-1.1: Operating Expenses Known & Measurables
Adjustments-Sewer**

**Petitioner’s Exhibit CD-1.2: Operating Expenses Known & Measurables
Adjustments-Water**

1 **DIRECT TESTIMONY**
2 **OF**
3 **CLARE DONOVAN**
4

5 **I. INTRODUCTION**

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

7 A. My name is Clare Donovan, and my business address is 1630 Des Peres Rd., Suite
8 140, St. Louis, Missouri 63131.

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

10 A. I am employed by CSWR, LLC ("CSWR") as a Special Project Accountant.

11 **Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?**

12 A. I am filing on behalf of Limestone Water Utility Operating Company, LLC
13 ("Limestone Water" or "Company"). Limestone Water is the Tennessee utility
14 operating company of CSWR, LLC ("CSWR"). CSWR is a holding company that
15 owns and operates utility operating companies in 11 states.

16 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE ANY STATE**
17 **UTILITY COMMISSIONS?**

18 A. No, this is my first time filing testimony.

19 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
20 **BACKGROUND.**

21 A. I received my Bachelor of Business Administration (BBA) with an emphasis in
22 Accounting from the University of Tulsa. My professional experience includes
23 various roles in accounting with additional duties involving treasury management.
24 I have been employed for the past two years at CSWR.

1 **Q. WHAT ARE YOUR DUTIES AS SPECIAL PROJECTS ACCOUNTANT AT**
2 **CSWR?**

3 A. My responsibilities involve creating financial data models and exhibits for rate
4 cases, as well as handling finance and accounting data requests from rate cases,
5 acquisition cases, and financing cases. Another key aspect to my role is
6 management of diverse projects, such as debt reporting, investor reporting, and
7 various other assignments. I work closely with teams across different functions,
8 such as finance, legal, and regulatory departments, to ensure appropriate and
9 punctual reporting to regulatory authorities.

10 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. My testimony supports various aspects of the quantification of the revenue
13 requirement as presented by Company Witness Mr. Thies. Specifically, I will
14 address CSWR's accounting controls and budget procedures. Next, I will address
15 the method by which Limestone Water quantified test period revenues. Finally, I
16 will address quantification of operating expenses, including the allocation of
17 CSWR corporate costs to Limestone Water and the annualization of expenses for
18 systems that were acquired during the test period as well as other expenses that
19 were changed by events that occurred during the test period.

20 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

21 A. Yes. I am sponsoring the following exhibits.

22 **Petitioner's Exhibit CD-1.1: Known & Measurables-Sewer**

23 **Petitioner's Exhibit CD-1.2: Known & Measurables -Water**

1 **Q. WAS THE INFORMATION CONTAINED IN YOUR TESTIMONY AND**
2 **EXHIBITS OBTAINED OR DERIVED FROM THE BOOKS AND**
3 **RECORDS OF LIMESTONE WATER?**

4 A. Yes.

5 **Q. WERE YOUR TESTIMONY AND THE EXHIBITS THAT YOU SPONSOR**
6 **PREPARED BY YOU?**

7 A. Yes, under the supervision of Mr. Thies, CSWR's Vice President and Corporate
8 Controller.

9 **II. ACCOUNTING CONTROLS AND BUDGET PROCEDURES**

10 **Q. PLEASE SUMMARIZE THE CORPORATE ACCOUNTING POLICIES**
11 **FOR LIMESTONE WATER AND CSWR.**

12 A. CSWR and Limestone Water keep and maintain financial accounting records on an
13 accrual basis in accordance with General Accepted Accounting Practices
14 ("GAAP") in the United States. Financial statements are maintained for all CSWR
15 entities on a calendar year basis. The Company uses the account structure and
16 procedures provided in the Uniform System of Accounts for Water and Wastewater
17 Utilities as published by National Association of Regulatory Utility Commissioners
18 ("NARUC"). CSWR has obtained unqualified audit opinions, based on GAAP,
19 annually since 2015. These audits have included a review of control procedures
20 and the corporate control environment.

21 **Q. HOW ARE OPERATING BUDGETS FOR LIMESTONE WATER**
22 **DEVELOPED?**

1 A. The Company undertakes an annual budgeting process and proposes a budget to
2 management in November of each year. Operating budgets are developed based
3 on available data from prior periods, which are adjusted for any changes to
4 operations. For systems that have been owned and operated by Limestone Water,
5 or any other affiliate, the most recent monthly results are analyzed by internal
6 accounting and finance staff. Once known changes have been incorporated, the
7 operating budgets are sent to operations staff for review and adjustment. For
8 systems that are expected to be acquired, budgets are set by examining the records
9 available from prior owners, by comparing historical data from similar facilities
10 that are already owned and by incorporating any estimates obtained for contracted
11 services. Once the operations team reviews, adjusts and confirms all amounts, the
12 budgets are sent to management for review and approval.

13 **Q. WHAT IS THE CAPITALIZATION POLICY OF CSWR AND**
14 **LIMESTONE WATER?**

15 A. The Company is engaged in capital improvement in the systems that it owns across
16 the State of Tennessee. At the same time, operational enhancements and capital
17 maintenance are ongoing. The Company seeks to capitalize all costs that represent
18 new assets or serve to restore, expand or enhance the useful lives of existing assets.
19 To limit *de minimis* items and inefficient procedures, the Company capitalizes costs
20 of construction, individually installed equipment or other capital items that
21 aggregate to \$500 or more.

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1 **III. REVENUES**

2 **Q. CAN YOU EXPLAIN THE ROLE THAT REVENUES HAS IN THE**
3 **QUANTIFICATION OF THE REVENUE DEFICIENCY?**

4 A. Yes. As explained in greater detail in Mr. Thies' Direct Testimony, a utility's
5 revenue requirement for a test period is calculated based upon a return on capital
6 invested plus allowable operating and other types of expenses. This revenue
7 requirement is then compared to the expected revenues for the same test period.
8 The difference between test period revenue requirement and test period revenues is
9 the utility's test period revenue deficiency.

10 **Q. HOW DID THE COMPANY CALCULATE TEST PERIOD REVENUES?**

11 A. In general, the Company annualized the revenues from the 8 wastewater and the 2
12 water systems that the Company owned as of April 30, 2024.¹

13 **Q. PLEASE EXPLAIN WHAT IS MEANT BY "ANNUALIZED THE**
14 **REVENUES."**

15 A. As set forth in *Accounting for Public Utilities*, "historic data will likely require
16 restatement for actual occurrences not expected to recur or for events that are
17 expected to occur but did not exist (in whole or in part) in the test year."² The
18 treatise then explicitly recognizes that one of the various types of pro forma
19 adjustments are "annualizing adjustments (to extend over the period, or to eliminate
20 from the period, events that had partial period effects and are either recurring or
21 have terminated.)"³

¹ A discussion of the basis for the historical test year used in this case is contained in the Direct Testimony of Mr. Thies.

² *Accounting for Public Utilities*, Hahn & Aliff, 1989, Section 7.05.

³ *Id.*

1 **Q. HOW DID THE COMPANY ANNUALIZE REVENUES FOR THE TEST**
2 **PERIOD?**

3 A. Limestone Water annualized revenues for each system the Company owned as of
4 the April 30, 2024 end of test period. For those systems for which Limestone Water
5 charges simply a flat monthly charge, the Company took the number of bills as of
6 the end of the test period and multiplied them by the flat monthly rate. This
7 expected monthly revenue figure for each system was then multiplied by 12 to
8 provide an annualized expected revenue for each system. The Company then
9 subtracted the test period actual revenues from these annualized numbers to get the
10 proforma revenue adjustment ending April 30, 2024.

11 The methodology was largely the same for those systems for which
12 Limestone Water also charges a usage rate. Specifically, the Company took the
13 number of bills as of the end of the test period and multiplied them by the flat
14 monthly revenue amount. The Company then estimated the average daily flow
15 times number of days in the year, to calculate the usage rate for the test year. This
16 usage rate was then multiplied by the usage charge to produce the expected monthly
17 revenues produced by system associated with usage. The usage component was
18 then added to the revenues produced from the flat monthly charge. That number
19 was then subtracted from test period actuals to calculate the proforma revenue
20 numbers for the test period ending April 30, 2024. In cases where commercial
21 equivalencies were not available, Limestone Water used 2,958 gallons as an
22 estimate.⁴

⁴ Since the Candlewood Lakes system is not metered, I used the usage date of 2,958 from the Aqua Utilities water system as a surrogate.

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IV. OPERATING EXPENSES

Q. PLEASE DESCRIBE THE OPERATING EXPENSES INCLUDED IN THE RATE CASE.

A. The operating expenses included in Limestone Water’s cost of service are categorized into three main groups. ***First***, there are costs that are directly incurred by Limestone Water, including contract operations, fuel & power, chemicals, maintenance, bad debt, depreciation and amortization, property taxes and administrative expenses. ***Second***, there are costs incurred by Limestone Water that are part of contracts or invoices in which services to all CSWR subsidiaries are combined for administrative and cost efficiency and directly charged to the operating utility subsidiaries. These jointly billed costs include property and liability insurance, certain software and management consulting services and billing system costs. ***Third***, there are indirect charges in the form of overhead charges allocated to Limestone Water by its parent, CSWR. The methodologies used to assign direct charges, jointly billed charges and indirect charges to Limestone Water are the same as those used to assign charges to all other CSWR affiliates and are part of CSWR’s written accounting policy as outlined in the Company’s Cost Allocation Manual (“CAM”).⁵

A. DIRECTLY INCURRED COSTS

Q. PLEASE DESCRIBE CONTRACT OPERATIONS EXPENSE, WHICH IS A DIRECTLY INCURRED COST.

⁵ Details regarding the Company’s CAM is described in greater detail below. The CAM is provided in Minimum Filing Guideline “Limestone Water MFG 042 – Cost Allocation Manual”.

1 A. Limestone Water does not employ water or sewer field operations staff but instead
2 contracts with professional third-party water and sewer operations and maintenance
3 companies. These contractors are managed by an employee of CSWR who is
4 assigned as Regional Manager for the system operations of Limestone Water.⁶ This
5 model provides the ability to expense operations and management costs in a direct
6 manner that does not require further allocation methodologies. Since these contract
7 operations costs are incurred exclusively for Limestone Water, they are billed
8 directly to Limestone Water. Similarly, operations and management costs for other
9 state utility operating subsidiaries are billed directly to those subsidiaries.

10 **Q. WHAT AMOUNT OF BAD DEBT EXPENSE IS INCLUDED IN THE**
11 **FILING?**

12 A. The Company has historically experienced a bad debt expense equivalent to 1% of
13 gross revenue. This is also the amount the Company uses for planning purposes.
14 This amount has been included in the cost-of-service calculations.

15 **Q. ARE THERE OTHER COSTS THAT ARE DIRECTLY ASSIGNED TO**
16 **LIMESTONE WATER?**

17 A. Yes. My reference to third-party operations and maintenance costs and bad debt
18 expense are simply examples of costs that are directly assigned, with third-party
19 operations and maintenance costs being the largest one. As mentioned earlier, other
20 costs that are directly assigned include fuel & power, chemicals, maintenance,
21 depreciation and amortization, property taxes and administrative expenses.

⁶ Please see the Direct Testimony of Company Witness Todd Thomas for a discussion of the duties of Limestone Water's regional manager.

1 **Q. DID ANY DIRECTLY ASSIGNED COSTS HAVE TO BE ANNUALIZED?**

2 A. Yes.

3 **Q. PLEASE EXPLAIN WHAT IS MEANT BY AN ANNUALIZED COST.**

4 A. As explained previously with regard to the annualization of revenues, proper
5 ratemaking accounting necessitates that certain data be restated for events that did
6 not exist, in whole or in part, for the test year. Thus, while expenses for 9 of the 10
7 systems owned by Limestone Water were incurred for a full 12 months, expenses
8 for a system that was acquired during the test period would need to be annualized
9 in order to include a full 12 months of those expenses. Specifically, the DSH
10 system was acquired in January 2024, therefore, fuel and power, chemicals,
11 maintenance, depreciation and amortization, property taxes and administrative
12 expenses must be annualized for that system in order for rates going forward to
13 reflect a full year of expense associated with the system.

14 **Q. PLEASE EXPLAIN HOW YOU ANNUALIZED EXPENSES FOR THE DSH**
15 **SYSTEM.**

16 A. Expenses for the DSH system were annualized based on the three months of actual
17 expenses incurred from February to April 2024. The average of the three months
18 of expense was used to calculate the average run rate of the particular expense for
19 the system. The run rate was used to estimate the annualized expense for the nine-
20 month period where no expenses were incurred during the test period.

21 **Q. WERE THERE ANY OTHER ADJUSTMENTS MADE TO DIRECTLY**
22 **INCURRED COSTS?**

1 A. Yes. As reflected on **Petitioner’s Exhibits CD-1.1 and CD-1.2**, Limestone Water
2 has made known and measurable adjustments to its test year for certain
3 expenditures that changed during or subsequent to the test year. These include
4 adjustments for the costs associated with ongoing negotiations to certain contracts
5 with third parties, as well as exclusions of one-time out of period expenses.

6 **Q. PLEASE DESCRIBE THE ADJUSTMENTS.**

7 A. In addition to minor adjustments, I will highlight three significant known and
8 measurable adjustments related to ongoing operations. First, a new contract with
9 the third-party O&M contractor took effect on April 1, 2024 – one month prior to
10 the end of the test period. As a result of this event, an adjustment has been made
11 to the contract operations expense during the test period to reflect the contracted
12 rates now in effect. The increase of contract operation expense is necessary to
13 ensure alignment in expenses stipulated by the new contract. Second, the Company
14 has been negotiating a replacement contract with its third-party customer service
15 representatives during the test period. These negotiations have resulted in a
16 reduction of test year billing expense. Finally, other expiring or out of period
17 expenses have been excluded as well. Please see **Petitioner’s Exhibit CD-1.1 and**
18 **CD-1.2**, which outline all known and measurable adjustments to the test period.

19 **B. JOINTLY BILLED COSTS**

20 **Q. HOW DOES CSWR ALLOCATE JOINTLY BILLED COSTS?**

21 A. As the managing entity for its various operating utility subsidiaries, CSWR is able
22 to negotiate agreements on behalf of its subsidiaries that reflect economies of scale
23 and administrative efficiencies each individual affiliate could not achieve on its

own. The Company refers to these charges as jointly billed charges. Examples include insurance costs and certain software costs. When this situation occurs, CSWR identifies the cost drivers related to the incurred service and directly charges that cost to its utility operating subsidiaries consistent with those cost drivers as stated in the CAM.

Q. PLEASE DESCRIBE THE INSURANCE EXPENSE INCLUDED IN THE TEST YEAR, WHICH IS A JOINTLY BILLED COST.

A. Property, general liability and environmental liability insurance coverage is provided to Limestone Water and other utility subsidiaries as part of a single policy held by CSWR. The policy is billed to CSWR but covers all the regulated utility subsidiaries owned by CSWR. Procuring a combined policy creates cost efficiencies and results in better coverage than might otherwise be obtained should each utility operating company seek an individual policy. The costs for the policy coverage are allocated to Limestone Water and each regulated utility subsidiary based on the replacement values of covered assets. Again, insurance expense is simply an example of a cost that is jointly billed. There are other costs that are jointly billed to the utility operating subsidiaries.

Q. PLEASE IDENTIFY AND DESCRIBE ANY ADJUSTMENTS TO JOINTLY BILLED COSTS.

A. An adjustment was applied to the test year expense for property insurance. The annualized run rate of expense for DSH was incorporated into the test year property insurance expense, along with a reconciliation for all other service areas. In 2024, the total cost of the Company's policies decreased, leading to a reduction in the

1 amount billed to Limestone Water. The adjustment to property insurance expense
2 has been included in order to accurately reflect a full 12 months of the reduced
3 insurance expense under the current policy.

4 **C. INDIRECT CHARGES**

5 **Q. WHAT ARE INDIRECT CHARGES AND PLEASE PROVIDE AN**
6 **EXAMPLE OF AN INDIRECT CHARGE IN THIS CASE.**

7 A. Costs that cannot be directly charged to the operating subsidiaries are considered
8 indirect charges. For instance, certain general and administrative expenses are
9 allocated by CSWR to Limestone Water and the other operating subsidiaries. These
10 expenses support the operations of all operating subsidiaries, including Limestone
11 Water, and include the cost of services such as executive management, legal,
12 accounting, human resources, customer experience, regulatory, finance, billing, IT,
13 and other business services. These shared administrative expenses allow
14 Limestone Water and its component systems to benefit from the cost efficiencies
15 and shared expertise of a larger organization that otherwise would not be available
16 to a company like Limestone Water. Further, if CSWR did not provide these types
17 of services to the operating subsidiaries, then each operating utility, including
18 Limestone Water, would need to employ personnel or seek external expertise to
19 provide those services because they are necessary for the provision of utility
20 operations.

21 **Q. DO COSTS ALLOCATED FROM CSWR INCLUDE PAYROLL AND**
22 **BENEFITS COSTS?**

1 A. Yes. The overhead allocations include payroll and benefits costs for CSWR
2 employees who perform tasks and provide services necessary for Limestone Water
3 to function.

4 **Q. DOES CSWR EXCLUDE ANY COSTS FROM THE POOL OF INDIRECT**
5 **ALLOCATION EXPENSES?**

6 A. Yes. CSWR incurs expenses that are excluded from the calculation of costs that
7 are allocated to its subsidiaries. In addition to costs such as advertising, lobbying
8 and charitable donations, CSWR also excludes certain charges that are related
9 exclusively to its business development activities.

10 **Q. HOW ARE INDIRECT CHARGES ALLOCATED TO LIMESTONE**
11 **WATER?**

12 A. CSWR uses a three-factor formula to allocate general and administrative costs and
13 other corporate overhead costs that cannot otherwise be directly assigned or jointly
14 charged to its subsidiaries. The component factors of the allocation formula are
15 operating expense, customer count, and utility plant in service (“UPIS”). These
16 factors correspond to the significant drivers of corporate overhead expenses that
17 CSWR incurs for its affiliates. For example, a higher level of operating expense in
18 a particular subsidiary would naturally require more time and higher expense at the
19 corporate level to perform the necessary accounting procedures to track costs and
20 ensure timely payment of vendors. Similarly, a larger number of customers at a
21 particular subsidiary would result in more management time, and the associated
22 compensation expense, devoted to that subsidiary from groups like the Customer

1 Experience staff. Calculation of the three-part Overhead Allocation is reviewed at
2 the end of each fiscal quarter by CSWR management.

3 For the expense included in this filing, the total allocated overhead expense
4 during the test year was determined using the actual cost incurred by CSWR for the
5 period and adjusted for known and measurable items. The table below shows the
6 percentages used to allocate expenses to Limestone Water.

Factors for Allocation of CSWR, LLC Expense			
	Limestone Water	Other Regulated Utility Affiliates	Total
Q2-2023	2.2%	97.8%	100.0%
Q3-2023	2.5%	97.5%	100.0%
Q4-2023	2.3%	97.7%	100.0%
Q1-2024	2.3%	97.8%	100.0%
Q2-2024	2.1%	97.9%	100.0%

7
8 **Q. WHAT IS THE TOTAL AMOUNT OF COST ASSIGNED TO LIMESTONE**
9 **WATER FROM CSWR?**

10 A. The total amount of overhead costs allocated from CSWR to Limestone Water as
11 part of the calculation of cost of service is \$302,373 for sewer and \$90,522 for
12 water.

13 **Q. IS CSWR’S COST ALLOCATION APPROACH REASONABLE?**

14 A. Yes. As reflected in **Petitioner’s Exhibit MD-1** attached to the Direct Testimony
15 of Company Witness Mike Duncan, CSWR has a number of regulated affiliate
16 entities. The affiliates are organized primarily by state. Each state in which CSWR
17 affiliates operate has at least one holding company, which contains no transactional
18 activity, and at least one regulated state operating company. When allocating costs,

1 CSWR directly assigns costs as much as possible. To the extent that a cost is
2 directly incurred on behalf of a particular state utility operating company, it is billed
3 to that state. In this way, CSWR avoids the possibility that a cost that is beneficial
4 to one state impacts another. As discussed previously, there are instances, however,
5 when costs cannot be directly billed to CSWR's utility operating subsidiaries.
6 These jointly billed costs are billed by CSWR in such a way that they are only
7 assigned down from CSWR and are never assigned from one state operating entity
8 to other states. This helps to appropriately maintain costs at the state that receives
9 the benefits.

10 In addition to the policies for incurring and allocating expenses, it is worth
11 noting that CSWR does not have any non-regulated operations. While CSWR uses
12 many vendors for engineering, construction, operations and some customer service
13 functions, these are all third parties, independent from CSWR. With no non-
14 regulated operations, CSWR has no reason to shift these costs or allocations among
15 its subsidiaries in an unreasonable way. Ultimately, other than equity and working
16 capital contributions provided by CSWR or the allocation of indirect costs from
17 CSWR, the state operating entities do not engage in any affiliate transactions.
18 Given that there are limited affiliate transactions and that CSWR provides the same
19 services for all of its regulated utility subsidiaries, I believe that CSWR's allocation
20 methodology is reasonable and beneficial to its customers.

21 Finally, in the last two years, CSWR's allocation approach has been
22 reviewed in rate cases before the Louisiana, Mississippi, Texas, Kentucky and
23 Missouri state utility commissions. In none of those cases did any party

1 recommend changes to CSWR's cost allocation approach nor did the respective
2 commissions order any changes to CSWR's cost allocation approach.

3 **Q. ARE YOU FAMILIAR WITH THE AFFILIATE TRANSACTION**
4 **STANDARD IN TENNESSEE?**

5 A. I understand that the Tennessee Public Utility Commission ("TPUC" or
6 "Commission") has enacted Rule § 1220-04-13-.16 for wastewater utilities.⁷ That
7 rule dictates certain accounting procedures for recording any transactions between
8 a regulated wastewater utility and its affiliate. Most relevant to Limestone Water,
9 the rule requires that services provided by CSWR to Limestone Water must be
10 recorded in Limestone Water's accounts at CSWR's fully allocated cost or market
11 rate, whichever is lower.⁸ Similarly, whenever CSWR sells assets to Limestone
12 Water, they must be recorded at the lower of net book value or fair market value of
13 the asset.⁹

14 **Q. DO LIMESTONE WATER'S ALLOCATED CORPORATE COSTS**
15 **COMPLY WITH THE TENNESSEE AFFILIATE STANDARD?**

16 A. Yes. The costs charged to Limestone Water are composed of the same component
17 pieces as those charged to other affiliates; therefore, the prices charged to
18 Limestone Water are no higher than the prices CSWR charges to other affiliates for
19 the same item. Costs for corporate overhead items such as rent, office supplies,
20 salaries, etc. are subjected to the allocation methodology described above but are

⁷ There does not appear to be a comparable standard for water utilities. In any event, even if applied to Limestone Water as a water utility, the Company's answer would be the same.

⁸ TPUC Rule 1220-04-13-.16(4)(c).

⁹ TPUC Rule 1220-04-13-.16(4)(a).

1 not otherwise modified before being expensed to the books and records of any
2 subsidiary.

3 **Q. HAS LIMESTONE WATER INCLUDED ANY COSTS ASSOCIATED WITH**
4 **CHARITABLE OR CIVIC CONTRIBUTIONS, LEGISLATIVE-ADVOCACY**
5 **EXPENSES OR POLITICAL/PROMOTIONAL ADVERTISING?**

6 A. No. Limestone Water has not included any costs related to donations, lobbying
7 activities or political/promotional advertising.

8 **Q. PLEASE DESCRIBE ANY RATE CASE EXPENSE THE COMPANY HAS**
9 **INCLUDED IN THIS FILING.**

10 A. The Company has incurred costs associated with legal and contractor services,
11 including the preparation of a cost of capital study, as well as supporting testimony.
12 These costs also include the cost of regulatory counsel involved in this proceeding.
13 The Company expects to update rate case expense amounts as invoices are received
14 throughout this case. I propose that this amount be amortized over two years and
15 included as a surcharge to rates once final rate case expenses are approved. The
16 two-year amortization period is intended to recover such costs prior to a subsequent
17 Limestone Water rate case.¹⁰

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

19 A. Yes.

¹⁰ The Company has no set plans for the timing of the next Limestone Water rate case.

Limestone Water Operating Company, LLC

24000-XXX

Known & Measurables - Sewer

For the Period Ending April 30, 2024

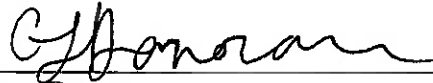
Line Number	NARUC Acct. No.	Account Type	Account Name	Pro Forma Adjustments	Narrative Discussion of Pro Forma Adjustments
(A)	(B)	(C)	(D)	(E)	(K)
1	403.100	Depreciation & Amortization	CIAC Amort	\$6,981	Annualization
2	403.000	Depreciation & Amortization	Depreciation	(\$22,495)	Annualization
3	521.000	Operating Revenue	Revenue-Sewer	\$23,975	Annualization
4	532.000	Operating Revenue	Sewer - Late Fees	\$225	Annualization
5	536.000	Operating Revenue	Sewer - Misc. Service Revenue	\$383	Annualization
6	715.000	Operations & Maintenance	Sewer - Purchased Power	(\$2,151)	Annualization
7	720.000	Operations & Maintenance	Sewer - Materials and Supplies	(\$316)	Annualization
8	730.204	Operations & Maintenance	Sewer - Collection Maint - Maint of Mains	(\$600)	Annualization
9	735.000	Operations & Maintenance	Sewer - Contract Svcs - Testing	(\$318)	Annualization
10	903.100	General & Administrative	Cust Record Collect (Billing)	(\$5,617)	Annualization
11	924.400	General & Administrative	Property Insurance - Commercial	(\$2,081)	Annualization
12	928.100	General & Administrative	Regulatory Expense - DNR	(\$233)	Annualization
13	730.600	Operations & Maintenance	Sewer - T&D Maintenance	\$4,634	Exclusion (one time expense)
16	730.200	Operations & Maintenance	Sewer - Collection Maintenance	\$900	Exclusion (one time expense)
17	903.100	General & Administrative	Cust Record Collect (Billing)	\$1,871	Exclusion (one time expense)
18	923.400	General & Administrative	OSS - Legal	\$3,713	Exclusion (one time expense)
19	923.900	General & Administrative	OSS - IT	\$252	Exclusion (one time expense)
20	921.110	General & Administrative	Office Exp - Meals and Travel	\$31	Exclusion (one time expense)
22	730.000	Operations & Maintenance	Sewer - Contract Operations	(\$84,642)	Known and Measurable
23	903.100	General & Administrative	Cust Record Collect (Billing)	\$21,775	Known and Measurable
24	414.000	Depreciation & Amortization	Gain/Loss of Utility Property	\$76,473	Known and Measurable
25	923.500	General & Administrative	OSS - Audit and Accounting	\$2,618	Known and Measurable
26	924.400	General & Administrative	Property Insurance - Commercial	\$556	Known and Measurable
27	521.000	Operating Revenue	Revenue-Sewer	\$301,781	Known and Measurable
28	403.100	Depreciation & Amortization	CIAC Amort	(\$170,162)	Known and Measurable
29					
30					

Limestone Water Operating Company, LLC
24000-XXX
Known & Measurables - Water
For the Period Ending April 30, 2024

Line Number	NARUC Acct. No.	Account Type	Account Name	Pro Forma Adjustments	Narrative Discussion of Pro Forma Adjustments
(A)	(B)	(C)	(D)	(E)	(K)
1	403.100	Depreciation & Amortization	CIAC Amort	\$356	Annualization
2	403.000	Depreciation & Amortization	Depreciation	(\$5,912)	Annualization
14	630.605	Operations & Maintenance	Water - T&D Maint - Meter Maint	\$2,858	Exclusion (one time expense)
15	630.200	Operations & Maintenance	Water - Source of Supply Maintenance	\$900	Exclusion (one time expense)
17	903.100	General & Administrative	Cust Record Collect (Billing)	\$25	Exclusion (one time expense)
18	923.400	General & Administrative	OSS - Legal	(\$231)	Exclusion (one time expense)
21	630.000	Operations & Maintenance	Water - Contract Operations	(\$11,991)	Known and Measurable
23	903.100	General & Administrative	Cust Record Collect (Billing)	\$6,720	Known and Measurable
24	414.000	Depreciation & Amortization	Gain/Loss of Utility Property	\$229	Known and Measurable
25	923.500	General & Administrative	OSS - Audit and Accounting	\$784	Known and Measurable
26	924.400	General & Administrative	Property Insurance - Commercial	\$167	Known and Measurable
27	460.000	Operating Revenue	Water - Unmetered Revenue	\$12,834	Known and Measurable
28					
29					
30					

VERIFICATION

I, Clare Donovan, Special Project Accountant, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 12th day of July, 2024.



Clare Donovan
Special Project Accountant

STATE OF MISSOURI

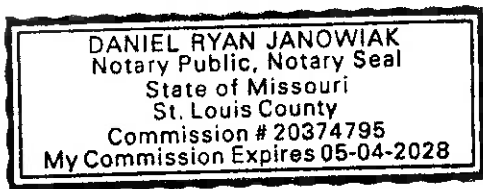
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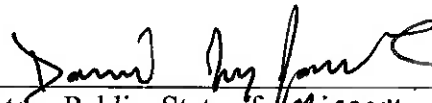
COUNTY OF ST. LOUIS

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SUBSCRIBED AND SWORN TO before me on this the 12th day of July, 2024.





Notary Public, State of Missouri

My Commission Expires 5/4/28