BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of South Dakota Intrastate Pipeline Company for Authority to Increase its Natural Gas Transportation Rate	**Docket No. NG17-009**

SUPPLEMENTAL

DIRECT TESTIMONY

AND EXHIBITS

OF

LISA MURPHY

ON BEHALF OF SOUTH DAKOTA INTRASTATE PIPELINE COMPANY

November 20, 2017

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SUPPLEMENTAL DIRECT TESTIMONY OF LISA MURPHY

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Lisa Murphy. My business address is South Dakota Intrastate Pipeline Company, 1415 Airport Road, Pierre, SD, 57501.

Q. What is your occupation and by whom are you employed?

A. I am the Chief Financial Officer of South Dakota Intrastate Pipeline Company ("SDIPC")

Q. Did you offer direct testimony in this proceeding?

A. Yes.

Q. On whose behalf are you testifying?

A. SDIPC.

Q. Please summarize the purpose of your supplemental direct testimony.

A. The purpose of my testimony is to provide an update to SDIPC's revenue requirement, cost of service using a calendar year 2016 test year, and known and measurable changes to SDIPC's 2016 test year. In so doing, I will summarize Statements A through Q, as applicable to SDIPC's operations and customer base, with adjustments that are known and measurable at the time of this filing.

II. FINANCIAL OVERVIEW

Q. Please describe the financial statements included in your filing.

A. Consistent with South Dakota law, SDIPC's initial filing included information required by ARSD 20:10:13:49 through 20:10:13:107, inclusive. The information was based on a 2016 calendar year, ending December 31, 2016 (the "Test Year"), as allowed by ARSD 20:10:13:44. In addition, SDIPC included adjustments that would become effective before December 31, 2018. Consistent with recent precedent from the South Dakota Supreme Court,[1] SDIPC reserved the right in its direct testimony to make additional adjustments that become known and measurable prior to any hearing date established by the South Dakota Public Utilities Commission. To the benefit of customer(s), SDIPC goes further and builds its case on having the pipeline fully depreciated which doesn't occur until late 2018; and, therefore includes the revenue requirement effects of the eliminating the pipeline from rates post 2018.

Q. Is SDIPC updating information included in the Test Year?

A. Yes. SDIPC has undergone a thorough review of its initial filing with a new accountant, who assisted in the preparation of revised financial statements for the calendar year ending December 31, 2016. Our accountant's independent compilation report is attached as Exhibit (LM-SD-1).

Q. What is the impact of the independent compilation report?

A. As a result of this effort, numerous changes were made to SDIPC's statements and schedules. SDIPC is therefore re-filing information required by ARSD 20:10:13:49 through 20:10:13:107, inclusive.

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1 *In the Matter of the Application of Black Hills Power, Inc. for Authority to Increase Electric Rates*, 2016 S.D. 92 (S.D. 2016).

Q. What is the impact of these amendments and adjustments to SDIPC's request in this proceeding?

A. SDIPC's revised revenue requirement is $2,444,080, which is a significant decrease from SDIPC's initial petition. The proposed increase in revenue requirement is $250,236 which represents a 10.24 percent increase.

Q. Please summarize SDIPC's revenue requirement as calculated using the Test Year.

A. SDIPC's overall cost of service is set forth on revised Statement M. Because SDIPC only has one customer, SDIPC proposes to base its rate on a flat monthly charge. In other words, SDIPC proposes to take its annual revenue requirement and divide by 12 to determine a just and reasonable charge per month. A table reflecting SDIPC's current and proposed revenue, including adjustments, appears on the following page:

Table 1.

	South Dakota Intrastate Pipeline Company					
	Pipeline Pro Forma Revenue Requirement					
	Twelve Months Ended December 31, 2016					
	Revenue Requirement Summary (Whole Dollars)					
		WITH PRESENT RATES			**WITH PROPOSED RATES**	
Line No.	**DESCRIPTION**	**Per Books**	**Restating and Pro Forma Adjustments**	**Pro-forma Total**	**Proposed Revenues & Related Exp**	**Proposed Total**
	a	*b*	*c*	*d*	*e*	*f*
	Operating Revenues					
1	Operating Revenues	2,193,844	-	2,193,844	250,236	2,444,080
2	*Total Operating Revenues*	2,193,844	-	2,193,844	250,236	2,444,080
	Operating Expenses					
3	Operation Expense	1,791,402	324,640	2,116,042	-	2,116,042
4	Maintenance Expense	91,801	3,495	95,296	-	95,296
5	Depreciation Expense	857,546	(805,671)	51,875	-	51,875
6	Taxes O.T.I.T.	115,868	639	116,507	-	116,507
7	*Total Operating Expenses*	2,856,617	(476,897)	2,379,720	-	2,379,720
8	*Operating Income Before Taxes*	(662,773)	476,897	(185,876)	250,236	64,360
	Provision for Income Taxes					
9	Deferred	-	-	-	-	-
10	Current	-	(74,350)	(74,350)	100,094	25,744
11	Debt Interest	-	-	-	-	-
12	*Total Provision for Income Taxes*	-	(74,350)	(74,350)	100,094	25,744
13	***Net Operating Income***	**(662,773)**	**551,247**	**(111,526)**	**150,141**	**38,616**
	Rate Base					
14	Utility Plant	14,325,852	228,190	14,554,042	-	14,554,042
15	Accumulated Depreciation	(12,601,686)	(1,693,050)	(14,294,736)	-	(14,294,736)
16	Deferred Income Taxes	-	-	-	-	-
17	Working Capital	-	174,092	174,092	-	174,092
18	***Total Rate Base***	***1,724,166***	***(1,290,768)***	***433,398***	**-**	***433,398***
19	*Rate Of Return*	-38.4%		-25.7%		8.9%

Q. How does this table compare to what was in your direct testimony?

A. Table 1 differs substantially from the prior testimony version. Virtually all numbers have changed except for present revenues. As noted previously, SDIPC did a complete review of its records and accounting and it should not be surprising that the numbers have changed. Our comprehensive review is also in response to Commission staff who have submitted numerous data requests. These requests led us to review our initial case and thoroughly review our assumptions and data. Given the breadth of our revision, I would encourage parties to focus on this supplemental testimony filing and the adjustments contained herein. The summary table showing proforma results do not include the initial filing adjustments and restatements for ease of clarity.

III. ADJUSTMENTS

Q. Please summarize adjustments to SDIPC's Test Year.

A. The principal adjustment to the 2016 Test Year is the elimination of the pipeline net plant and associated depreciation expense. The elimination of the pipeline net plant is the major reason for the reduction in Total Rate Base from $1,724,166 to $433,398. Second, the calculation of the Management Fee is corrected to better reflect that designed by FERC in the Tarpon order. The result of this correction is to roughly cut in half the dollar amount of Management Fee. A third critical change from the initial filing is the treatment of decommissioning costs. We are proposing the Commission open a docket to have parties develop a decommissioning mechanism that begins collection of decommissioning dollars, and ensure the dollars collecting accrue the maximum interest while ensuring minimal risk to principal.

SDIPC has a number of adjustments to the test year, which are known with reasonable certainty and measurable with reasonable accuracy, and set forth in detail on Statement M of its application. These adjustments can be broken down into two categories, restating adjustments and proforma adjustments. SDIPC Gordon Woods covers proforma adjustments relating to operations expense, integrity management expense, fixed assets - office and operations, fixed assets-trucks and equipment, public awareness expense, and vehicle/truck expense. My testimony below addresses the remaining adjustments.

A. Restating Adjustments

i. Income Taxes

Q. Please summarize adjustments to SDIPC's Income Taxes.

A. The Income taxes are reduced as a result of an operating loss on the 2016 Test Period actual results.

ii. Working Capital

Q. Please summarize adjustments to SDIPC's Working Capital.

A. The working capital was increased to $174,092. This increase is due to the fact that working capital was not initially included in the 2016 Test Period results but clearly needs to be added to reflect actual company operations and requirements.

iii. Depreciation

Q. Please summarize adjustments to SDIPC's depreciation.

A. As noted previously above, this is one of the major adjustments that eliminates the pipeline net plant and associated depreciation expense.

Q. What was SDIPC's depreciation expense for the 2016 test year?

A. $857,546.

Q. What is the company now proposing for an adjustment?

A. As directed by the Commission in SDIPC's 1992 rate case, SDIPC has been depreciating the pipeline to be fully depreciated as of August 31, 2018. Thus, there will be no depreciation expense at the time rates take effect in this proceeding. SDIPC's proposed depreciation expense is $51,875, which is associated with SDIPC non-pipeline remaining plant. The remaining plant is primarily trucks, pipeline equipment and miscellaneous plant.

Q. What about the previously proposed adjustment for decommissioning?

A. SDIPC now proposes that, in its final order in this general rate case, the Commission direct a new docket be opened where staff, interested parties, and SDIPC are charged with developing a rate mechanism and design that both collects the decommissioning costs, as well as ensures a sound investment of such monies collected, so that the funds will be available and in sufficient amount to cover decommissioning costs. This proposal is covered in SDIPC's supplemental direct testimony of witnesses Gordon Woods and Dr. Marc Hellman.

iv. Management Fee

Q. What is SDIPC's proposal with respect to a management fee?

A. SDIPC proposes a management fee of $102,400, modeled after the Tarpon FERC decision. SDIPC supports the presence of a Management Fee and the basis of the Management Fee is discussed in the testimony of Dr. Marc Hellman.

Q. What did SDIPC previously propose with respect to a management fee?

A. SDIPC previously requested $244,864 for a management fee. In reviewing the FERC order, SDIPC realized that its calculation resulting in the $244,864 was in error. This fee calculation has been corrected in the supplemental testimony to properly reflect the FERC Tarpon methodology and results in a Management Fee of $102,400.

B. Proforma Adjustments

i. Rent Expense

Q. What was the 2016 test year rent expense?

A. $50,400.

Q. What is SDIPC now proposing?

A. Effective January 1, 2017, rent increased to $4,800 per month, or $57,600 annually. SDIPC is therefore requesting a revised adjustment of $7,200 for rent expense.

Q. Is this rent reasonable for the Pierre, SD, market?

A. Yes. To verify the reasonableness of this rent increase, and respond to a discovery request in this proceeding, SDIPC had DVI Appraisal Service research local business rents. The conclusion reached by DVI Appraisal Service is that a monthly rent between $4,500 and $5,000 per month is justified under current market conditions. The letter from DVI Appraisal Service detailing this conclusion is attached to my testimony as Exhibit (LM-SD-2).

ii. Utilities Expense

Q. What was the 2016 test year utilities expense?

A. $35,415.

Q. What does utilities expense include?

A. Per SDIPC's books, SDIPC's utilities expense includes telephone (both landlines and wireless), electric, and natural gas services.

Q. What is SDIPC now proposing?

A. SDIPC proposes an adjustment $2,154. Adding this adjustment to the 2016 teat year utilities yields total utility expense of $37,569.

Q. Please explain why the $2,154 increase is reasonable?

A. Actual expense for utilities expense (telephone, gas, and electricity) over the 2011-2016 time period is as follows:

- 2011: $25,592
- 2012: $29,716
- 2013: $25,183
- 2014: $29,187
- 2015: $35,466
- 2016: $37,470

Over the 2011-2016 time period, this expense item has increased by $11,748, or 46%. On an annualized basis, this translates to a percentage increase of 7.87%. From 2014-2016, this expense item increased by $8,283, or 28%. Expressed on an annualized basis, the percentage increase equals 13.2%. Therefore increasing the expense by $2,154 to $37,569 is conservatively low, and represents a three percent per year increase.

iii. Training Expense

Q. What was the 2016 test year training expense?

A. $4,155.

Q. What is SDIPC proposing for an adjustment now?

A. SDIPC training expense for the pro forma adjusted test period is $7,590. The $7,590 value is based on the three-year moving average with an adder of a seven-year average for training in integrity management. The latter training is relatively costly. After further consideration of this expense category, we propose using a three-year moving average. The actual expense for training expense over the 2014-2016 time period is as follows:

- 2014: $4,485
- 2015: $6,667
- 2016: $4,155
- 2017: $22,207

The 2017 training included a session that occurs once every seven years. The average 2014-2016 expense was $5,102. The significant integrity management training, which occurs once every seven years, was $17,419. As this expense occurs every seven years, it is reasonable to build in a $2,488 expense. ($17,419/7 = $2,488) SDIPC proposes using the 3-year average over 2014-2016 and the $2,488, or $5,102 + $2,488 = $7,590. Attached to this testimony as Exhibit (LM-SD-3) is evidence of the 2016 and 2017 expense.

iv. Professional Services - Rate Case Filing

Q. What did SDIPC previously estimate for rate case expense?

A. SDIPC previously estimated a total of $410,000, based on estimates provided by counsel and consultants, which did not include fees of the South Dakota Public Utilities Commission (“Commission”)

Q. Recent natural gas rate cases by large utilities had the following estimates of rate case expense which included consulting witnesses and attorneys: NG15-005 - $317,280 (which included a $175,000 PUC fee), NG14-005 - $349,000 (which

included a $250,000 PUC fee). Please explain why SDIPC's $410,000 estimate, which does not include Commission fees, is reasonable.

A. SDIPC is indeed a smaller utility than either Montana-Dakota Utilities (NG15-005) or MidAmerican Energy (NG14-005). As a result, SDIPC has fewer internal resources to handle general rate case filings. Although SDIPC cannot verify the outside legal expense for either proceeding referenced in the question, it appears that the estimates of $20,000 (NG14-005) and $25,000 (NG15-005) for legal fees in those proceedings contemplate significant reliance on in-house legal resources, which SDIPC does not have.

The benefit of a leaner staff is reduced employee expense. This benefit comes at a cost of more significant, but not unreasonable or excessive, rate case expense when SDIPC comes before the Commission. As evidence of the reasonableness of SDIPC's rate case estimate, SDIPC urges the Commission to consider rate case expense in other jurisdictions (e.g., Minnesota, where one of SDIPC's attorneys regularly practices), which demonstrates the reasonableness of SDIPC's estimate. Outside legal expense for Otter Tail Power Company in *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in Minnesota*, Docket No. E017/GR-15-1033, was estimated at $900,000. See Exhibit (LM-SD-4) attached to this testimony. Otter Tail Power Company's rate case expense and two-year amortization proposal was approved by the Administrative Law Judge handling the case - See *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in Minnesota*, Docket No. E017/GR-15-1033, Findings of Fact, Summary of Public Testimony, and Conclusions of Law and Recommendation, 94-95 (Jan 5, 2017); and adopted by the Minnesota Public Utilities

Commission. Findings of Fact, Summary of Public Testimony, and Conclusions of Law and Recommendation, at 8 (May 1, 2017).

Outside legal expense for Minnesota Energy Resources Corporation (MERC) in *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G011/GR-17-563, is estimated to be $792,000, less than the $1,016,612 MERC incurred in its 2016 case. See Exhibit (LM-SD-5) attached to this testimony.

Q. What is the status of SDIPC's estimate?

A. It is likely understated. As noted above, SDIPC has undertaken a significant effort to correct its year end financials and revise its schedules in this proceeding. Furthermore, SDIPC has, at the request of parties to this proceeding, commissioned various reports and studies. Furthermore, the initial estimate did not include Commission Staff's fees for its work in this proceeding.

Q. How does SDIPC propose to address rate case expense now?

A. SDIPC's updated adjustment is $440,000, and this value includes South Dakota Commission fees of $19,420 as well as the decommissioning study cost $6,246. As indicated in various responses to information requests, SDIPC proposes to recover actual rate case expense and amortize recovery of that expense over a two-year period.

Q. What if actual rate case expense is greater or less than this updated adjustment?

A. SDIPC will update this adjustment again at the time of rebuttal testimony to ensure reasonable accuracy and account for the best available information at that time. SDIPC is also committed to ensuring recovery of rate case expense is limited to the actual amount incurred.

Q. How would the Commission be ensured that recovery of this cost is limited to the actual amount incurred, which is presently estimated to be $440,000?

A. One option the Commission could consider is having a tariff rider that would reduce rates in two years by $220,000 annual, after the rate case expenses have been recovered. SDIPC commits to filing such a tariff rider (rate credit) no less than two months prior to the two-year anniversary date of the tariffs that go into effect with this docket.

v. Professional Services - Office

Q. What was the 2016 expense for professional services - office?

A. $13,518.

Q. What is SDIPC now proposing for an adjustment?

A. SDIPC is now proposing $17,490 as an adjustment, and the proposed total for professional services is $31,008.

Q. Please explain why this adjustment is reasonable.

A. SDIPC transports natural gas solely based upon a tariff established by the Commission, increases in company expenses may necessitate additional filings. Additionally, should the Company enter into transportation contracts with MDU, it will be necessary to prepare and negotiate any such contract. The Company expects an increase in professional fees associated with negotiating contracts with MDU, and potentially an ethanol facility, both of which could require revision and/or renegotiation on an annual basis. For these reasons, and for legal fees alone, we anticipate a significant increase in professional services and average $31,008 on a going-forward basis.

vi. Management Fee

Q. What was the 2016 expense for Management Fee?

A. $0.

Q. What did SDIPC now propose for an adjustment?

A. $102,400. As discussed earlier in my testimony, and dealt with at length in Dr. Hellman's testimony, we are proposing a Management Fee consistent with the FERC Tarpon order. SDIPC finds itself in an analogous situation with its major pipeline investment being fully depreciated.

vii. Employee Benefits

Q. What was the 2016 expense for employee benefits?

A. $31,798.

Q. What does employee benefits include?

A. Employee benefits in this supplemental testimony is comprised of 401K and dental insurance. The 401K component includes both the cost of the plan as well as the company contributions.

Q. This is a significant change from the initial filing. What caused the change?

A. Based on an IRS withholding audit, SDIPC was informed that its accounting of various portions of employee-related compensation and benefits needed to be recoded to other accounts. That caused changes in various accounts as expenses were shifted among accounts in order to comply with IRS requirements.

Q. Is SDIPC recommending an adjustment to this 2016 restated value?

A. Yes. SDIPC recommends an adjustment of $1,748. This results in expenses requested for this category of costs of $33,546. The basis of this adjustment is to reflect a four percent increase in compensation per year.

Q. With respect to 401k expense portion of employee benefits, please clarify the employees who participate in SDIPC's profit sharing contribution of a maximum of four percent of salary.

A. One employee, Walter Woods, has elected not to participate in SDIPC's 401k plan. All other employees participate and contribute at least four percent of their respective annual salaries.

Q. Please explain why this adjustment is reasonable.

A. As detailed in the payroll expense adjustment in my testimony below, the Company has budgeted and plans for 4% increase in compensation and did so on September 1, 2017. This salary adjustment is based on the Order Approving Revenue Requirement in *In the Matter of the Application of the South Dakota Intrastate Pipeline Company for Approval of Initial Rates and Tariffs*, SD PUC Docket No. 92-005 (March 25, 1993), in which the Commission approved an annual increase of four percent to operations expense, consistent with Commission Staff's recommendation. This amount was built into the amended and restated transportation agreement between SDIPC and MDU. Because 401k benefits are tied to compensation, there is a corresponding cost increase to 401k expense.

viii. Property Taxes

Q. What was the 2016 expense for property taxes?

A. In 2016, SDIPC paid $41,378 in property taxes.

Q. Did SDIPC previously propose an adjustment for property taxes?

A. Yes, SDIPC previously proposed an upward adjustment based upon inflation.

Q. What adjustment does SDIPC now propose for property taxes?

A. In 2017, Property Taxes paid were $17,506. SDIPC was surprised that property taxes fell; however, we were informed by the South Dakota Department of Revenue, that our property tax mainly reflects our pipeline net plant and as it depreciates our property tax will decline. We were also informed that the property tax will not decline to zero. There was also a year, from 2013 to 2014, where property taxes increased. Given the uncertainty in future property taxes, and the fact that this expense is entirely outside of SDIPC's control, SDIPC no longer proposes an adjustment.

ix. Insurance Expense

Q. What was the 2016 expense for insurance expense?

A. $111,678.

Q. What is SDIPC's projection for 2017 and 2018 insurance expense?

A. The insurance expense for 2017 does not need to be estimated. SDIPC has already received bills for 2017 and insurance expense in 2017 totals $126,219. While the 2017 insurance expense has substantially increased from 2016, an increase of 13 percent, to be conservative, the estimate for 2018 is the 2017 value increased by just four percent. That calculation yields a 2018 insurance expense of $131,268. Therefore the average of the

2017 and 2018 insurance expense equals $128,744. The adjustment to 2016 insurance expense is therefore $17,066.

x. Pipeline Safety Tax Expense

Q. What was the 2016 expense for pipeline safety tax?

A. $56,233.

Q. What has been SDIPC's pipeline safety tax expense for 2017, year to date?

A. Year to date, the pipeline safety tax has totaled $60,906 ($54,763 for federal and $6,143 for state). For 2018, SDIPC estimates that pipeline safety tax increases by four percent and will total $63,342. The average for 2017 and 2018 is $62,124. The adjustment from 2016 levels is $5,891.

xi. Gross Receipts Tax

Q. What was the 2016 expense for gross receipts tax?

A. $3,060.

Q. What does SDIPC propose for an adjustment to gross receipts tax?

A. SDIPC proposes an adjustment of $639. The gross receipts tax for 2017 and 2018 was calculated by taking 0.0015 and multiplying it by the SDIPC recommended revenue requirement. That calculation yields a gross receipts tax of $3,699 a year.

xii. Payroll Expense

Q. What was the 2016 expense for payroll?

A. $716,372. This value changed significantly from the initial filing because some additional expenses and taxes were moved from employee benefits to payroll expense. The $716,372 reflects paid salary, inclusive of any pay increases (not annualized), medical benefits, any bonuses awarded in 2016, as well as payroll taxes.

Q. Was a pay increase given to given to employees in 2017?

A. Yes. Based on the Order Approving Revenue Requirement in *In the Matter of the Application of the South Dakota Intrastate Pipeline Company for Approval of Initial Rates and Tariffs*, SD PUC Docket No. 92-005 (March 25, 1993), the Commission approved an annual increase of four percent to employee compensation, consistent with Commission Staff's recommendation. This increase is consistent with that order.

Q. Please explain the health insurance cost reimbursement and why it is reasonable.

A. The SDIPC sharing in the employee's cost of health insurance benefits was established in 2013 where the Company set the amount provided by the employer equal to 50 percent of the highest existing health insurance premium paid for by an employee. The SDIPC contribution per employee is $275 per employee per pay period. There are 26 pay periods per year. Including FICA on this amount equals total cost of $296.04 per pay period. A monthly equivalent value is $641.41. ($296.04*26/12).

The contribution of 50 percent towards health insurance is well below the national average of 70 percent and SDIPC costs are also well below the national average. According the Kaiser Foundation Survey, for 2017, the average annual premiums for employer-sponsored family health coverage reached $18,764 this year, up 3% from last year, with workers on average paying $5,714 towards the cost of their coverage. See Exhibit (LM-SD-6) attached to my testimony. The total Kaiser foundation company cost of $13,050 ($18,764 - $5,714) translates to a monthly employer cost of $1,087.50. SDIPC monthly costs are well below the national average.

Q. Please list the previous salaries and current salaries for each employee.

A. The table below displays the 2017 salary levels.

		Salary	Salary after pay increase	Percentage Increase
William Murphy	President/CEO	153,059	159,181	4%
Gordon Woods	VP/COO	120,670	125,497	4%
Lisa Murphy	VP/CFO	116,990	121,670	4%
Robert Thomason	Operations Manager	77,219	80,308	4%
Bruce Easland	Senior Operator	74,325	77,297	4%
Keith Briggs	Operator	53,045	55,167	4%
Walter Woods	VP - Consultant	16,922	17,599	4%

Q. These salaries total less than 2016 payroll expense. Please explain the discrepancy.

A. Payroll expense includes more than salaries as noted above and so one should not expect salaries alone to equal payroll expense.

Q. What is SDIPC now proposing for an adjustment?

A. For 2017, payroll expense is projected to $729,074. This value takes the 2016 payroll expense and for the 2016 salary component only, increases that by four percent and associated payroll taxes increase accordingly. For the 2018 payroll expense, this process is repeated as well, namely increasing the salary component by four percent. In addition, there is added $13,954 of temporary help, which is based on reviewing past temporary help activity and projecting that for 2018. These adjustments yield a 2018 payroll expense of $771,269. Averaging 2017 and 2018, yields an average payroll expense of $750,172. The adjustment from 2016 payroll expense is therefore $33,800.

Q. Does this conclude your testimony?

A. Yes.