

Exhibit No.:
Issue(s): *Uncollectible Expense,
Recommendations*
Witness: *Paul K. Amenthor*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *WR-2023-0006*
Date Testimony Prepared: *July 21, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

PAUL K. AMENTHOR

CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.

CASE NO. WR-2023-0006

Jefferson City, Missouri
July 2023

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PAUL K. AMENTHOR
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1 Q. On page 6, lines 1 through 5, of Mr. Thies' Rebuttal testimony, he states that
2 Confluence utilizes an allowance methodology in order to record 1% of each month's revenue
3 into the allowance for doubtful accounts. Does Staff agree that this proposal is an appropriate
4 methodology for including uncollectible expense in the revenue requirement?

5 A. No. The calculation of 1% of revenue is just an educated estimate of what
6 amount of overall revenue will ultimately become uncollectible. In reality, actual experience
7 may demonstrate that this amount may be more or less than 1% of revenue recorded. While
8 Confluence's method is prescribed by Generally Accepted Accounting Principles ("GAAP")
9 which utilizes accrual accounting, for ratemaking purposes in Missouri, a historical test year
10 concept has been consistently employed using known and measureable data. Staff does not
11 include forecasted or estimated costs in its revenue requirement calculation. It is Staff's position
12 that costs in rates must be known and measurable. Known, in the sense that the amount is an
13 actual incurred cost, and measurable, meaning that the cost can be calculated with a high degree
14 of accuracy. Forecasted or estimated costs are not known and measurable, as those costs have
15 not actually been incurred. Confluence proposes that uncollectible expense be set to 1% of
16 revenue. The 1% figure that Confluence proposes is arbitrary and the level of revenue that the
17 1% would be applied to is ultimately a forecast for determining the uncollectible allowance
18 recorded on the books of the utility. Utilizing Staff's net write-off method is known and
19 measureable, as it has actually incurred in the past, and the amount included in the revenue
20 requirement includes amounts for customer accounts that have shown to be uncollectible netted
21 against amounts that have eventually been recovered from customers.

22 Q. Does the history of actual net write offs suggest an increase of uncollectible
23 expense?

1 A. No. The actual net write offs from December 2019 through December 2022
2 showed an 87% decrease in uncollectible expense. The amount of net write offs has declined
3 year over year since 2019, which is an indication that either account delinquency has declined
4 or the amounts ultimately recovered from delinquent customers has increased over time.

5 Q. What amount did Staff include for uncollectible expense as part of its
6 update period?

7 A. Staff included the actual net write offs experienced by Confluence for the
8 12 months ending December 31, 2022, in the cost of service.

9 Q. On page 5, lines 14 through 22, of Mr. Thies' Rebuttal testimony, he discusses
10 that any determination of a balance that will be uncollectible in the future requires an educated
11 estimate, and that Staff is asking Confluence to make an educated estimate regarding amounts
12 that have no further possibility of collection. Is Staff's method an educated estimate similar to
13 Confluence's proposal?

14 A. No. Staff's task is to review the test year data to determine if that amount needs
15 to be adjusted in order to reflect what Staff believes a utility will experience when new customer
16 rates are in effect. Staff uses known historical information that shows actual experience of
17 delinquencies to determine its position. Staff reviews the history and test year of net write-offs,
18 as that is the amount that has actually been determined to be uncollectible and should be
19 included in this case. Staff's method is consistent with the methodology used in determining
20 the proper uncollectible expense for other Missouri utilities.

21 **REPORTING ISSUES**

22 **Response to Confluence Witness Thies**

23 Q. Did Staff request Confluence to maintain information in a specific format for
24 use in a future rate case?

1 A. Yes. I specifically asked Confluence to maintain certain information
2 regarding electric service, chemical usage, and billing for customer revenue. The reporting that
3 Staff witness Ashley Sarver recommends in her testimony is being requested on a quarterly
4 basis, between rate cases. The information that Staff witness Jane Dhority and I are requesting
5 is for specific information to be perpetually maintained by Confluence so it can be readily
6 furnished to Staff upon request during a rate case. The request for perpetual maintenance of
7 this data is to assist Staff in completing its audit during a rate case. As the parties and the
8 Commission are aware, a rate case has a statutory 11-month process from start to finish and
9 approximately 4 ½ months of that time relates to procedure and Staff's audit of the entirety of
10 the utility's books and records. If Staff must spend all of its time compiling data from invoices,
11 after the time taken for discovery to get the invoices, there is little to no time for analysis,
12 testimony writing, and compiling Staff's accounting schedules.

13 Q. On page 25, lines 3 through 14, of Mr. Thies' Rebuttal testimony, he discusses
14 the revenue data that Staff received in discovery and, that due to bringing billing in-house,
15 consistency and complete data should be available moving forward in a future case. Does this
16 satisfy Staff?

17 A. As I discussed in my Direct testimony¹, there were different formats of
18 information and missing months of data for some systems. As long as the data detailed in my
19 Direct testimony² is maintained, preferably electronically, by month, for a future rate case, then
20 Staff believes that will resolve the problem. The information requested is information that
21 Confluence should readily have available for its own customer service as well as financial
22 needs. As this information must be maintained for Confluence's own needs in responsibly

¹ Amenthor Direct, Page 2, lines 2-15 and Page 5, lines 1-13.

² Amenthor Direct, Page 15, lines 17-25 and Page 16, lines 1-3.

1 operating its business, no additional overhead should be incurred for additional employees as
2 this should be maintained by current employees in the CSWR billing department.

3 Q. On page 25, lines 14 through 22 and page 26, lines 1 through 6, of Mr. Thies'
4 Rebuttal testimony, he states "In other instances, such as the issues with chemicals and electric
5 usage, the data sought by Staff is available but not in a summative [sic] fashion. Rather, it is
6 available by examining invoices." Does this alleviate Staff's concern?

7 A. No. Confluence is in possession of data that Staff is seeking and needs to
8 complete its audit, however, the information is not in a ready-to-use format. As stated above,
9 Staff has limited time to develop its case. Throughout this current rate case, Staff requested all
10 invoices for a historical period and found that for many of the expenses recorded on
11 Confluence's books and records, there were gaps in supporting documentation that required
12 Staff to seek further information from the Company on multiple occasions. In addition, Staff
13 held weekly informal meetings with Confluence personnel to address issues like missing
14 invoices, data request deficiencies, etc. This unnecessary time spent on discovery added to the
15 time compiling invoice data. In this case, it required compiling 30 systems worth of data.

16 Regarding information Staff is seeking for electric expense, Staff is simply asking that
17 Confluence maintain a general list of information, which includes the system name, how many
18 accounts Confluence has for each system and whether each account applies to electricity
19 provided for water or sewer purposes, the phase of electricity for each bill each system receives
20 and what assets the electricity is being provided for (e.g. power pumps, wells, blowers, aerators,
21 lighting etc.). Sometimes the electric bill contains that information and sometimes it does not,
22 as there are multiple electric providers and not a uniform bill format (some are cooperatives
23 and some are investor-owned utilities). Staff requests that this list be generated for the systems
24 currently owned by Confluence and for any new acquisitions that may be added prior to the

1 next rate proceeding. Compiling this list should not be time consuming, as once it is assembled,
2 it simply needs to be updated intermittently. This assists Staff in determining whether any
3 account information is missing that Staff must still seek from the utility. In addition,
4 Confluence needs to maintain complete copies of the bills with all usage information included.
5 In this case, Staff was provided with proof of payment, but without the corresponding usage
6 information for some months.

7 Regarding what Staff is seeking for chemical usage information; it is important for Staff
8 to accurately annualize/normalize chemical expense by determining how much of each
9 chemical is used in water operations and wastewater operations at each system owned by
10 Confluence. This can only be done by understanding what chemicals and how much of each is
11 needed at each type of system and the costs involved. The invoices that Staff sees are purchases
12 of chemicals, not usage of chemicals. Sometimes these chemicals are purchased in bulk and
13 for multiple systems, which requires Staff to make assumptions when utilizing the data. Staff
14 cannot determine how much of the chemical purchased is used without the usage information
15 also being provided. If more than one year of a chemical is purchased, Staff does not know
16 over how many years to normalize that cost, as Staff does not know how much is used and how
17 long a quantity purchased lasts without that historical information. Staff asks that Confluence
18 maintain a list of chemicals used for each water and wastewater system, what the chemical is
19 used for, and the quantity of each chemical used by month. This should demonstrate what
20 chemicals are used, how much and when chemicals are needed, or when they may be
21 discontinued. In addition, some of the invoices or receipts provided to Staff in this case did not
22 always have clear chemical names, quantities and amounts for each chemical purchased,
23 whether directly from a vendor by Confluence or purchased by Confluence indirectly through
24 the operators. Confluence needs to ensure that all invoices contain clear information without

1 abbreviations. Staff asked Confluence in discovery if there would be any impediment to
2 providing clear chemical purchase information, and they relayed that there was no impediment.
3 See Staff Data Requests 0075.1 (water) and 0075.2 (sewer) with responses attached to this
4 testimony as Schedule PKA-s1 and Schedule PKA-s2.

5 There should be no or very little additional overhead necessary as the electric expense
6 information requested is not very work intensive for Confluence, and the chemical usage
7 information should be maintained by the third party operators that already maintain the
8 Missouri systems. When the operators add chemicals to the system, as they already do, they
9 just need to write down the date, chemical used and quantity. In addition, as the accounts
10 payable employees are already reviewing invoice information, this request simply asks that
11 these employees verify that this information is included and clear. Because of issues Staff
12 has encountered obtaining information necessary throughout this rate case, Staff urges
13 the Commission to order Confluence, moving forward, to maintain the information Staff
14 is requesting.

15 **Response to Confluence Witness Caitlin O'Reilly**

16 Q. On page 11, lines 14 through 21 and page 12, lines 1 through 5, of Ms. O'Reilly's
17 Rebuttal testimony, she stated that it would generate additional cost and divert man-hours from
18 other roles to populate a monthly report. Does Staff agree?

19 A. No. As Staff explains above, there are time constraints on Staff, and as a utility
20 grows larger, that time becomes even more limited. Staff is requesting basic information be
21 compiled and intermittently updated so it is ready for a rate case. Confluence and Staff have
22 spent hours in weekly informal meetings during this rate case, and the time Confluence has had
23 to spend trying to find information is better used ensuring the information is readily available.

Surrebuttal Testimony of
Paul K. Amenthor

1 Staff would think that time spent on this task intermittently would ultimately be helpful to
2 CSWR personnel as well as Staff in the long run, especially when CSWR is embroiled in
3 multiple states' rate cases simultaneously as they have so relayed to Staff in this case.

4 Q. Does this conclude your Surrebuttal testimony?

5 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for)
Authority to Implement a General Rate)
Increase for Water Service and Sewer)
Service Provided in Missouri Service Areas)

Case No. WR-2023-0006

AFFIDAVIT OF PAUL K. AMENTHOR

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) ss.

COMES NOW PAUL K. AMENTHOR and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Paul K. Amenthor*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



PAUL K. AMENTHOR

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 30th day of July 2023.

LISA M. FERGUSON
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: June 23, 2024
Commission Number: 16631502



Notary Public

Missouri Public Service Commission

Respond Data Request

Data Request No.	0075.1
Company Name	Confluence Rivers Utility Operating Company, Inc.-(Water)
Case/Tracking No.	WR-2023-0006
Date Requested	5/11/2023
Issue	General Information & Miscellaneous - Other General Info & Misc.
Requested From	Aaron Silas
Requested By	Travis Pringle
Brief Description	Questions specific to chemicals purchased for water systems
Description	<p>Please refer to Company's response to Staff DR 75 1. Identify all individuals by name, employing entity and job title that are responsible for the decision to purchase chemicals used for water systems in bulk. This should include any individual that is a representative of a third party and any employee of Confluence Rivers Utility Operating Company. 2. Describe the exact process for how chemicals are purchased for Missouri water systems. Such a description should include but not be limited to the following: (A.) Over what time period does a bulk chemical purchase last? (B.) Are visual inspections of chlorine levels documented and reviewed? (C.) How are the bulk quantities distributed to each separate water systems? (D.) Does Confluence Rivers procure its chemicals directly from vendors or through third parties? (1.) If it is through third parties, provide the entity names and provide the markup percentages charged on top of the actual cost of the chemicals for this service. (2.) If it is directly from a vendor that manufactures and/or distributes chemicals identify these entities. 3. List, identify and explain in detail all impediments that exist that would prevent a Confluence River Utility Operating Company or a third party operator from documenting the quantity of chemicals that are used at each separate water system on a quarterly basis. If no real impediments exist, indicate if this is something that can be accomplished on a going forward basis. 4. Many invoices supplied to Staff do not show quantity or price per unit of bulk chemicals on the invoice documentation provided. (A.) List all individuals at Confluence Rivers Utility Operating Company (employee name and job title) that are responsible for verifying that the amount of chemical purchased in bulk is accurate and properly charged prior to issuing payment. (B.) Describe the exact process these individuals undertake to determine the quantity and price are accurate for each bulk chemical invoice? Explain separately for instances when quantity and price is reflected on the invoice and for instances when quantity and price are not reflected on the invoice. (C.) How and where do these individuals document the quantity and price when it is not properly reflected on the invoice? Provide a copy of all such documentation that indicates the actual quantity and price for each bulk chemical purchase where quantity and price are not properly reflected on the invoice. (D.) List and explain all impediments that exist that would prevent Confluence Rivers Utility Operating Company from requiring that all invoices properly reflect quantity and cost per unit of chemicals purchased on all invoices that are received. If no real impediments exist, is this something that can be accomplished on a going forward basis. 5. How are bulk chemical purchase costs allocated to each separate water system? Provide the allocation factors showing all calculations and explain the rationale for each such allocation factor. Requested by: Paul Amenthor (paul.amenthor@psc.mo.gov)</p>
Response	<p>1. Todd Thomas, Senior VP Central States Water Resources 2. Please see the Company's responses below for a description of the process for how chemicals are purchased: (A.) Chemical usage can</p>

vary throughout the year. Confluence Rivers bulk chemical deliveries range from 4-6 months apart. (B.) Yes, chlorine levels are documented by third-party contractors and reviewed by CSWR EHS team members. (C.) Bulk quantities are distributed on an as needed basis, based on the documented chemical levels from the visual inspections. (D.) Confluence procures chemicals directly through the vendor when possible. There are instances where the chemicals cannot be delivered and the third-party operators need to physically pick up the chemical. (D.) (1.) If Clearwater Solutions is utilized there is a 10% markup. (D.) (2.) If chemicals are purchased directly from the vendor, Hawkins is utilized. 3. No impediments; this can be accomplished on a going-forward basis. 4. (A.) Brad Thibault, Regional Manager 4. (B.) Price is set by the vendor and the vendor has an internal tracking mechanism that calculates the quantity of chemical delivered to the Confluence Rivers sites. This process is utilized regardless of the instance. 4. (C.) The quantity and cost per unit of chemicals is documented on Hawkins invoices. 4. (D.) No such impediments, the quantity and cost per unit of chemicals is documented on Hawkins invoices. 5. Invoices include the service areas for which the bulk chemicals are purchased. Cost for the bulk chemicals is divided equally amongst the listed service areas on the invoice.

Objections NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **WR-2023-0006** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Confluence Rivers Utility Operating Company, Inc.-(Water)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Confluence Rivers Utility Operating Company, Inc.-(Water)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security : Public
Rationale : NA

Missouri Public Service Commission

Respond Data Request

Data Request No.	0075.2
Company Name	Confluence Rivers Utility Operating Company, Inc.-(Water)
Case/Tracking No.	WR-2023-0006
Date Requested	5/11/2023
Issue	Expense - Miscellaneous Operations Expense
Requested From	Aaron Silas
Requested By	Travis Pringle
Brief Description	Questions specific to chemicals purchased for sewer systems
Description	<p>Please refer to Company's response to Staff DR 75 1. Identify all individuals by name, employing entity and job title that are responsible for the decision to purchase chemicals used for sewer systems in bulk. This should include any individual that is a representative of a third party and any employee of Confluence Rivers Utility Operating Company. 2. Describe the exact process for how chemicals are purchased for Missouri sewer systems. Such a description should include but not be limited to the following: (A.) Over what time period does a bulk chemical purchase last? (B.) Are visual inspections of wastewater chemical levels documented and reviewed? (C.) How are the bulk quantities distributed to each separate sewer systems? (D.) Does Confluence Rivers procure its chemicals directly from vendors or through third parties? (I.) If it is through third parties, provide the entity names and provide the markup percentages charged on top of the actual cost of the chemicals for this service. (II.) If it is directly from a vendor that manufactures and/or distributes chemicals identify these entities. 3. List, identify and explain in detail all impediments that exist that would prevent a Confluence River Utility Operating Company or a third party operator from documenting the quantity of chemicals that are used at each separate sewer system on a quarterly basis. If no real impediments exist, indicate if this is something that can be accomplished on a going forward basis. 4. Many invoices supplied to Staff do not show quantity or price per unit of bulk chemicals on the invoice documentation provided. (A.) List all individuals at Confluence Rivers Utility Operating Company (employee name and job title) that are responsible for verifying that the amount of chemical purchased in bulk is accurate and properly charged prior to issuing payment. (B.) Describe the exact process these individuals undertake to determine the quantity and price are accurate for each bulk chemical invoice? Explain separately for instances when quantity and price is reflected on the invoice and for instances when quantity and price are not reflected on the invoice. (C.) How and where do these individuals document the quantity and price when it is not properly reflected on the invoice? If it exists, then provide a copy of all such documentation that indicates the actual quantity and price for each bulk chemical purchase where quantity and price are not properly reflected on the invoice. (D.) List and explain all impediments that exist that would prevent Confluence Rivers Utility Operating Company from requiring that all invoices properly reflect quantity and cost per unit of chemicals purchased on all invoices that are received prior to issuing payment. If no real impediments exist, indicate if this something that can be accomplished on a going forward basis. 5. How are bulk chemical purchase costs allocated to each separate sewer system? Provide the allocation factors showing all calculations and explain the rationale for each such allocation factor. 6. Separately for each mechanical, lagoon, sand filter, sock filter, etc. Missouri sewer system indicate the following: a. type of treatment used for effluent (chlorination tablets, UV, etc.) prior to discharge. b. for each system using chlorination</p>

indicate if each such system currently has a dechlorination chamber and if uses dechlorination tablets, etc. 7. Separately for each lagoon Missouri sewer system indicate which lagoon systems require chemicals to control duckweed and exactly what type of chemical is used at each system for this purpose. Also indicate frequency and quantity that chemicals used to control duckweed are used at each separate lagoon facility. Requested by: Paul Amenthor (paul.amenthor@psc.mo.gov)

Response

1. Todd Thomas, Senior VP Central States Water Resources 2. Please see the Company's responses below for a description of the process for how chemicals are purchased: (A.) Chemical usage can vary throughout the year. Confluence Rivers bulk chemical purchases are intended to last the entire year. 2. (B.) Yes, chlorine levels are documented by third-party contractors and reviewed by Confluence's EHS team members. 2. (C.) Bulk quantities of chemicals are distributed on an as needed basis based on documented chemical levels from the visual inspections. 2. (D.) The Company procures its chemicals through third parties. 2. (D.) (I.) The Company purchases its chemicals through Clearwater Solutions at a markup of 10%. 2. (D.) (II.) N/A 3. No impediments; this can be accomplished on a going-forward basis. 4. (A.) Brad Thibault, Regional Manager 4. (B.) No such process exists. 4. (C.) No documents exist. 4. (D.) No impediments; this can be accomplished on a going-forward basis. 5. Invoices include the service areas that the bulk chemicals are purchased for. Cost for the bulk chemicals is divided equally amongst the listed service areas on the invoice. 6a. See attached document entitled "DR 75.2 6a Effluent Treatment." 6b. Facilities with chlorination are utilizing de-chlorination to meet the residual chlorine limits that are outlined by the NPDES Permit issued by the MODNR. 7. Lagoon facilities chemically treat duckweed on an as needed basis if duckweed is hindering the treatment of the lagoon.

Objections

NA

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Security : Public
Rationale : NA