

*Exhibit No.:*  
*Issue(s):* *Building Maintenance  
Expense; Cash Working  
Capital; Insurance Expense;  
Engineered Coatings  
(Tank Painting)*  
*Witness:* *Angela Niemeier*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *WR-2022-0303*  
*Date Testimony Prepared:* *January 18, 2023*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**ANGELA NIEMEIER**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2022-0303**

*Jefferson City, Missouri*  
*January 2023*

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1 **REBUTTAL TESTIMONY OF**

2 **ANGELA NIEMEIER**

3 **MISSOURI-AMERICAN WATER COMPANY**

4 **CASE NO. WR-2022-0303**

5 Q. Please state your name and business address.

6 A. My name is Angela Niemeier, and my business address is 200 Madison Street,  
7 Jefferson City, MO 65101.

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

9 A. I am employed by the Missouri Public Service Commission (“Commission”) as  
10 a Senior Utility Regulatory Auditor.

11 Q. Are you the same Angela Niemeier who filed direct testimony in this case on  
12 November 22, 2022?

13 A. Yes, I am.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your testimony in this case?

16 A. The purpose of this testimony is to explain corrections to Staff’s building  
17 maintenance expense, cash working capital, and insurance expense. I will also address the direct  
18 testimony of Missouri-American Water Company (“MAWC”) witness Rebecca B. Losli  
19 regarding engineered coatings (tank painting).

20 **BUILDING MAINTENANCE EXPENSE**

21 Q. What building maintenance expense corrections did Staff make since you filed  
22 your direct testimony?

1           A.     Staff made three corrections. First, Staff added a 2022 general ledger entry  
2 of \$4,250 for account number 52546011 that was inadvertently excluded in the direct filing  
3 and, therefore, was not included in Staff's calculation of the multi-year averages used in  
4 Staff's analysis.

5           The other two corrections are both related to the five-year averages referenced in Staff's  
6 workpaper. For one, the "5 year Average" heading on the Analysis tab of the workpaper was  
7 misleading. Because in January 2018 MAWC started recording building maintenance costs in  
8 general ledger accounts separately from the maintenance supplies and services costs accounts,  
9 the data set for the average is limited to four-and-a-half years ending June 30, 2022.  
10 Staff corrected its workpaper to change the heading to "4.5 year Average." Lastly, although  
11 Staff calculated a four-and-a-half-year average in its direct workpaper, it inadvertently included  
12 amounts from the last six months of 2019 twice resulting in a double count. Staff removed these  
13 double-counted amounts for this rebuttal filing. Please note that the four-and-a-half-year  
14 average was not used to calculate Staff's building maintenance expense adjustment, but it was  
15 considered in Staff's analysis as an option for Staff's direct filing.

16           All of these corrections are reflected in an updated Building Maintenance Expense  
17 workpaper supporting my rebuttal testimony.

18     **CASH WORKING CAPITAL**

19           Q.     What correction was made to cash working capital since the filing of your direct  
20 testimony?

21           A.     Staff omitted one amount during the entry for annualized waste management.  
22 The amount entered for District B in the direct filing for annualized waste management was  
23 \$126,754, when the amount should have been \$1,326,754.

1 **INSURANCE EXPENSE**

2 Q. What correction has been made to insurance expense since the filing of your  
3 direct testimony?

4 A. Staff intended to remove the capitalized portion from workers' compensation  
5 insurance in its cost of service calculation. However, the formula Staff used included the  
6 capitalized portion of workers' compensation insurance in insurance expense. Staff corrected  
7 the calculation to remove the capitalized portion, with the uncapitalized portion included in  
8 insurance expense for workers' compensation.

9 **ENGINEERED COATINGS (TANK PAINTING)**

10 Q. What is MAWC's position regarding engineered coatings (tank painting)  
11 expense?

12 A. As described on page 33 in the Direct Testimony of MAWC witness  
13 Rebecca B. Losli, MAWC's position is to remove these costs from expense and capitalize them.

14 Q. Is MAWC's current position different than how tank painting has been treated  
15 in the past?

16 A. Yes. In its rate cases prior to Case No. WR-2020-0344, MAWC proposed  
17 treating these costs as an expense, and the Commission ordered the same. In its last rate case,  
18 Case No. WR-2020-0344, MAWC initially sought to capitalize these costs. However, in  
19 paragraph 22 of the parties' *Stipulation and Agreement*, which the Commission approved on  
20 April 7, 2021, MAWC agreed to withdraw its request to capitalize tank painting expense.

21 Q. What is Staff's position regarding tank painting?

1           A.     Staff’s position is that these costs should continue to be treated as expense and  
2 normalized using a five-year average ending December 31, 2021, as explained on pages 11-12  
3 of my Direct Testimony.

4           Q.     What does Staff rely on for treating these costs as an expense?

5           A.     The Missouri Code of State Regulations (CSR) prescribes the following:

6                     The uniform systems of accounts for Class A ... water companies, issued  
7 by the National Association of Regulatory Utility Commissioners in  
8 1973, as revised July 1976, are adopted and prescribed for use by all  
9 water companies under the jurisdiction of the Public Service  
10 Commission.<sup>1</sup>

11           MAWC is categorized as a Class A water company as it has annual operating revenues  
12 of \$500,000 or more. Therefore, Staff relies on the instructions found in the National  
13 Association of Regulatory Utility Commissioners (“NARUC”) 1976 Revisions of Uniform  
14 System of Accounts (“USOA”) for Class A and B Water Utilities 1973, for guidance on the  
15 classification and treatment of MAWC’s expenses and revenues.

16           Q.     What instructions does the USOA prescribe for tank painting expense?

17           A.     The utility plant instructions for Structures and Improvements accounts lists  
18 “painting, first cost” as an item to be included in this account category.<sup>2</sup> Since utility plant costs  
19 are capitalized, this guidance requires water utilities to only capitalize the first tank painting  
20 (“first cost”) that occurs prior to the tanks being placed in-service. None of MAWC’s  
21 engineered coating costs included in this case are associated with first-time tank painting.  
22 Therefore, it is Staff’s position to continue to include the entirety of engineered coating costs  
23 as expenses.

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<sup>1</sup> 20 CSR 4240-50.030 (1).

<sup>2</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 30, 8.H.29.

1 Q. How did MAWC record tank painting in this rate case?

2 A. In the general ledger for this rate case, MAWC recorded tank painting in the  
3 USOA accounts 672, 678, and 923. According to the USOA definition for account 672,  
4 “This account shall include the cost of labor, materials used and expenses incurred in the  
5 maintenance of distribution reservoirs, tanks, standpipes, and related facilities.”<sup>3</sup> According to  
6 the USOA definition for account 678, “This account shall include the cost of labor, materials  
7 used and expenses incurred in maintenance of plant.”<sup>4</sup> According to the USOA definition for  
8 account 923, “This account shall include the fees and expenses of professional consultants and  
9 others for general services which are not applicable to a particular operating function nor to  
10 other accounts.”<sup>5</sup>

11 Q. Please describe how the USOA defines items applicable to tank painting that are  
12 considered maintenance expense.

13 A. The operating expense instructions defines one item of maintenance expense as  
14 “Inspecting, testing, and reporting on condition of plant specifically to determine need for  
15 repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of  
16 repairs which have been made.”<sup>6</sup> In addition, the USOA defines another item as  
17 “Work performed specifically for the purpose of preventing failure, restoring serviceability or  
18 maintaining life of plant.”<sup>7</sup>

19 Q. According to MAWC, what is the purpose of tank painting?

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<sup>3</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 134.

<sup>4</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 135.

<sup>5</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 141.

<sup>6</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 38, 2.C.2.

<sup>7</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 38, 2.C.3.

Rebuttal Testimony of  
Angela Niemeier

1           A.     In her direct testimony, Ms. Losli states: “The rehabilitation of water storage  
2 tanks is essential to extending the life of a critical water system asset, the storage tanks. Without  
3 this work, the structural and environmental integrity of tanks would degrade quickly after the  
4 initial coating systems begin to fail and the service life of the tanks would be much shorter.”<sup>8</sup>

5           Q.     What is Staff’s position?

6           A.     Staff agrees the purpose of tank painting is to prevent failure and maintain the  
7 life of the tank. However, Staff’s position is that any tank painting that occurs “after the initial  
8 coating systems begin to fail” as stated in Ms. Losli’s testimony, should have the associated  
9 costs recorded as expense and not capitalized as plant.

10          Q.     Can you summarize how the explanation of the USOA details presented above  
11 support Staff’s position?

12          A.     Yes. According to the utility plant instructions, the first tank painting should be  
13 included in plant to be capitalized. According to the operating expense instructions, any cost to  
14 maintain the life of plant should be recorded as a maintenance expense. Therefore, tank painting  
15 should be a maintenance expense and not capitalized as a plant item.

16          Q.     Does this conclude your rebuttal testimony?

17          A.     Yes it does.

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<sup>8</sup> Direct Testimony of Rebecca B. Losli page 34, lines 2-5.



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water )  
Company's Request for Authority to )  
Implement General Rate Increase for Water )  
and Sewer Service Provided in Missouri )  
Service Areas )

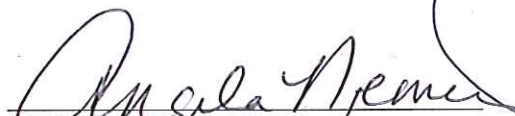
Case No. WR-2022-0303

**AFFIDAVIT OF ANGELA NIEMEIER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW ANGELA NIEMEIER** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Angela Niemeier*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
ANGELA NIEMEIER

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 11<sup>th</sup> day of January 2023.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
Notary Public