

Exhibit No.:
Issue(s): *Main Break Expense,
Maintenance Supplies
And Services and PSC
Assessment*
Witness: *Angela Niemeier*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SUREBUTTAL TESTIMONY

OF

ANGELA NIEMEIER

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

Jefferson City, Missouri
February 2021

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ANGELA NIEMEIER
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1 **SURREBUTTAL TESTIMONY OF**

2 **ANGELA NIEMEIER**

3 **MISSOURI-AMERICAN WATER COMPANY**

4 **CASE NO. WR-2020-0344**

5 Q. Please state your name and business address.

6 A. Angela Niemeier, 200 Madison Street, Jefferson City, Missouri 65101.

7 Q. Are you the same Angela Niemeier that contributed to Staff's Cost of Service
8 Report filed November 24, 2020 and rebuttal filed January 15, 2021, in
9 Case No. WR-2020-0344?

10 A. Yes.

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

12 A. The purpose of my surrebuttal testimony is to respond to Missouri-American
13 Water Company (MAWC or Company) witness Nikole L. Bowen regarding the
14 PSC assessment. I will also provide an update to building maintenance expense and
15 maintenance supplies and services expense. Lastly, I will respond to MAWC witnesses
16 Bowen's and Brian W. LaGrand's rebuttal testimonies regarding main break expense.

17 **PSC ASSESSMENT**

18 Q. Are you now the Staff witness responsible for addressing the issue of
19 PSC Assessment?

20 A. Yes. As of February 2, 2021, I adopted the PSC Assessment issue from
21 Jane C. Dhority, who filed all previous testimony regarding this issue. Going forward, I will
22 address this issue.

23 Q. How does MAWC propose to address the PSC Assessment?

1 A. In rebuttal testimony, beginning page 12, line 21, Ms. Bowen states
2 “MAWC calculated the PSC Assessment based on a three-year average expense derived
3 from 2017, 2018, and 2019. Use of a three-year average is more representative of the
4 fluctuations in the fee and expense for the period in which rates are in effect.”

5 Q. Does Staff agree with MAWC’s proposed treatment of the PSC Assessment?

6 A. No, it does not.

7 Q. How did Staff calculate the PSC Assessment amount to be included in
8 MAWC’s rates?

9 A. Staff annualized the PSC Assessment expense to reflect the most current
10 assessment issued on July 1, 2020. This is consistent with the method Staff has historically
11 used in both Case Nos. WR-2015-0301 and WR-2017-0285, and generally in all rate cases, to
12 determine the amount of PSC Assessment to be included in a company’s rates.

13 Q. Why is Staff’s method of calculating the PSC Assessment appropriate?

14 A. Staff’s method is appropriate as it uses the most current amount of
15 PSC Assessment in its calculation. The PSC Assessment is based on the most current hours
16 reported to the PSC. MAWC files a rate case an average of approximately every three years
17 and the amount of PSC Assessment is highest in years that include rate cases. MAWC’s
18 approach includes the two years in between in which rate cases are filed; that dilutes the amount
19 of the PSC Assessment.

20 **BUILDING MAINTENANCE EXPENSE**

21 Q. Has Staff updated building maintenance expense since its rebuttal testimony?

22 A. Yes. Staff reviewed additional information and now believes that a three-year
23 average is more representative of an ongoing amount of building maintenance expense, instead

1 of the 12 months ending June 30, 2020 that it recommended in rebuttal testimony. This will
2 increase the building maintenance expense from \$974,543 to \$1,044,802.

3 **MAINTENANCE SUPPLIES AND SERVICES EXPENSE**

4 Q. Has Staff updated maintenance supplies and services expense since
5 rebuttal testimony?

6 A. Yes. Staff reviewed additional information and now believes that a
7 three-year average is more representative of an ongoing level of maintenance supplies and
8 services expenses, instead of the 12 months ending June 30, 2020 that it recommended in
9 rebuttal testimony. This will increase the maintenance supplies and services from \$3,278,019
10 to \$4,481,303.

11 **MAIN BREAKS EXPENSE**

12 Q. Has Staff updated main breaks expense since rebuttal testimony?

13 A. Yes. Due to oversight, main breaks expense for St. Louis areas was not updated
14 to the 12 months ending June 30, 2020 in Staff's earlier filings. Updating to June 30, 2020
15 decreases main breaks expense from \$2,919,864 to \$2,823,052. The updated data caused a
16 decrease in average cost per main incident and a decrease in the average number of main
17 break incidents.

18 Q. Does MAWC have an issue with Staff's calculation of main break expense?

19 A. Yes. In her rebuttal testimony, Ms. Bowen, beginning on page 16, line 11, states
20 that there is an issue with the way Staff calculates the average number of breaks, specifically
21 when Staff normalizes a month high in main break occurrences.

22 Q. How did Staff calculate the average number of main breaks?

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1 A. Staff normalized the number of main breaks. Staff used the same method to
2 normalize the high number of main breaks that occurred in January 2018 that Staff
3 used to normalize the number of main breaks in prior rate Case Nos. WR-2017-0285
4 and WR-2015-0301. In both prior cases, Staff used the prior three years to calculate an average
5 for January 2014 when there was 405 main breaks, which was excessive compared to the rest
6 of the data. The average for the month of January for years 2011, 2012, 2013, 2015, and 2016
7 is 138 main breaks. In this case, there were 422 main breaks listed for January 2018.

8 Q. Does MAWC agree that January 2018 had an excessive number of main breaks?

9 A. Yes. In response to Staff Data Request No. 0009, MAWC stated
10 “Temperatures in St Louis remained below freezing from December 23, 2017 through
11 January 6, 2018, with near-record low temperatures recorded on three days of that two-week
12 period. Similar conditions occurred in other MAWC service areas as well. As a result, MAWC
13 experienced over 1300 main breaks - more than five times the normal monthly average - in
14 January of 2018, with St. Louis operations being affected to the greatest extent.” In response
15 to Staff Data Request No. 0131.1, MAWC responded, “In January 2018, Missouri experienced
16 extremely cold winter weather and colder than normal river temperatures. The colder river
17 temperatures cause a thermal change in the internal piping which provide favorable conditions
18 for main breaks. There are no other known factors that contributed to this increase.”

19 Q. Should a month that includes a high number of main breaks be normalized?

20 A. Yes. There are no guarantees that there will be a month with a high number of
21 main breaks in each rate case. In this case, according to the response to Staff Data Request
22 No. 0131 there were approximately 300 additional main breaks in the month of January 2018
23 for the St Louis area. Without normalization, the average main breaks would increase

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1 by 97 and increase main break expenses by over \$448,140 per year (\$4,620 cost per main
2 incident for 97 additional main break events) for an event that may not occur again
3 in the future¹.

4 Q. Does MAWC have another issue with Staff's calculation of main break expense?

5 A. Yes. In her rebuttal testimony, Ms. Bowen, beginning on page 17, line 21, also
6 states that Staff has left out certain expenses from accounts associated with main breaks.

7 Q. How does Staff respond?

8 A. Accounts 62002400, 62520700, 625208024, and 63150024, which are
9 associated with main breaks, include more than main breaks for the St. Louis area. As in prior
10 cases, Staff calculated tank painting expense, main breaks, and maintenance expenses
11 separately. The difference in this case is that the Company divided maintenance expense into
12 two categories, building maintenance expense and maintenance supplies and services. In her
13 rebuttal, on page 18, line 9, Ms. Bowen states that Staff removed \$1,265,118 from these
14 accounts associated with main breaks. However, the Company did not calculate main breaks
15 for areas outside St. Louis, whereas Staff did. Staff's intent is to divide the intermingled
16 maintenance accounts into the categories the Company proposed. A breakdown of the division
17 of these maintenance accounts is shown below and has been updated with the latest numbers.
18 Tank Painting Expense is zero for the test year because it is mixed in with main break accounts
19 and maintenance supplies and services expense:

¹ The \$4,620 is the cost Staff calculated as the average cost per main break for St. Louis. Staff also calculated that the average number of main breaks would increase by 97 per year without normalization by area based on data supplied by MAWC in response to Staff Data Request Nos. 0131 and 0132.

Surrebuttal Testimony of
Angela Niemeier

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	Test Year	Company	Staff's Recommendation
Main Breaks	\$4,384,057	\$1,909,607	\$2,823,052
Tank Painting Expense	0	\$1,134,942	\$1,427,020
Building Maintenance	\$1,066,073	\$1,066,078	\$1,044,802
Maintenance Supplies and Services	\$3,572,960	\$5,511,206	\$4,481,303
Totals	\$9,023,090	\$9,621,833	\$9,776,177

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3 Q. In his rebuttal testimony filed January 15, 2021, on page 5, line 14,
4 Brian W. LaGrand mention a true-up of main breaks. Does Staff intend to true-up main
5 break expense?

6 A. At this point, Staff does not intend to true-up main break expense. Staff has just
7 updated main break expense to June 30, 2020 which caused a decrease of \$96,812.

8 Q. Does this conclude your surrebuttal testimony in this proceeding?

9 A. Yes, it does.

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-2020-0344

AFFIDAVIT OF ANGELA NIEMEIER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

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

Further the Affiants sayeth not.

/s/ Angela Niemeier
ANGELA NIEMEIER