

Exhibit No.:

**Issue: Corporate Allocation and
Annualization/Normalization
of Expenses**

Witness: Leslie Jones

Sponsoring Party: City of Joplin

Type of Exhibit: Rebuttal Testimony

Case No.: WR-2007-0216, et al.

Date Testimony Prepared: July 13, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CITY OF JOPLIN

REBUTTAL TESTIMONY

OF

LESLIE JONES

**IN THE MATTER OF THE GENERAL RATE INCREASE
FOR WATER AND SEWER PROVIDED BY
MISSOURI-AMERICAN WATER COMPANY**

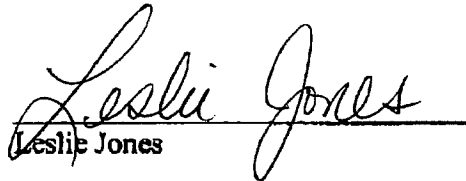
CASE NO. WR-2007-0216 et al.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

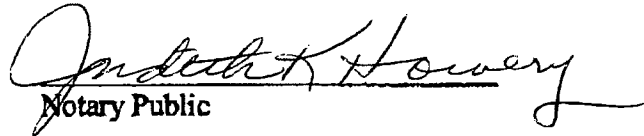
STATE OF MISSOURI)
)
COUNTY OF JASPER)

AFFIDAVIT OF LESLIE JONES

Leslie Jones, being of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


Leslie Jones

Before me personally appeared Leslie Jones, who being duly sworn stated that the foregoing is true and correct.


Notary Public

My Commission Expires: _____

JUDITH K. HOWERY
Notary Public - Notary Seal
State of Missouri, Jasper County
My Commission Expires Dec. 11, 2008
Commission # 04445197

REBUTTAL TESTIMONY**OF****LESLIE JONES****IN THE MATTER OF THE GENERAL RATE INCREASE****FOR WATER AND SEWER PROVIDED BY****MISSOURI-AMERICAN WATER COMPANY****CASE NO. WR-2007-0216 et al.****Q. Please state your name.****A. I am Leslie Jones.****Q. What is your position with the City of Joplin?****A. I am the Finance Director for the City of Joplin, Missouri.****Q. Have you reviewed the Direct Testimony filed by the PSC Staff in this matter?****A. I have.****Q. What is the purpose of your Rebuttal Testimony?****A. My testimony is to rebut the direct testimony of the PSC Staff previously filed in this Matter.****Q. Have you reviewed the Corporate Income Statement and Distribution Statement?****A: Yes.****Q: Have you reviewed the Corporate Income Distribution Allocation Factors?****A: Yes****Q: Do you agree that the current factors for Administrative and General Operating Expenses should be used?****A: No.**

1 **Q: Which factors should be used?**

2 **A: There are several factors that would be more appropriate than the current factors, the most**
3 **appropriate factor being "Length of the Mains."**

4 **Q: Why?**

5 **A: Because the amount of usage of corporate services is directly tied to the actual infrastructure**
6 **on the ground in an utilities environment. Other allocation factors do not accurately reflect**
7 **the needs and uses of corporate resources to the extent that infrastructure bases would. As**
8 **the Finance Director for the City of Joplin, we also have to allocate certain city overhead, and**
9 **have found the best method is that of infrastructure measurement.**

10 **Q: Do you agree that the normalization and annualization of Administrative and General**
11 **Expenses, Deprecation, and Chemicals are appropriate?**

12 **A: No.**

13 **Q: Why?**

14 **A: The payroll tax normalization (under Administrative and General Expenses) does not flow**
15 **or follow with the payroll normalization contained in the staff schedules. While I find no**
16 **problem with the payroll normalization, the payroll tax normalization should follow directly**
17 **the payroll normalization, since payroll taxes are a direct percentage of payroll.**

18 **The staff rates on depreciation are excessive for normalization based upon the assets of the**
19 **Joplin district. The depreciation amount should be reduced to reflect the actual age and value**
20 **of the assets in the Joplin district.**

21 **The test year was a heavy water usage year, due to the drought in the Joplin area. As a result,**
22 **the chemical usage for water treatment in the test year, should have been above the average**

1 for a "normal" year. Therefore, if any normalization is required of the chemicals used for
2 treatment, the amount should be reduced thus resulting in lower costs after normalization and
3 annualization

4 **Q: Does this conclude your testimony?**

5 **A: Yes.**