

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

RECEIVED  
October 20, 2017  
Data Center  
Missouri Public  
Service Commission

In the Matter of the Application of	)	
Missouri-American Water Company for an	)	File No. <u>WU-2017-0351</u>
Accounting Authority Order Related to Property	)	
Taxes in St. Louis County and Platte County	)	

**WRITTEN REBUTTAL TESTIMONY OF SUZANNE STRAIN**

1. Q. What is your name and current occupation?
  - A. Suzanne Strain, Manager, Personal Property Appraisal
  
2. Q. What are your current job duties?
  - A. As Manager, I am responsible for planning, organizing, and implementing the valuation of all personal property in St Louis County in accordance with State Statutes, specifically MO Revised Statute Chapter 137 which deals with the Assessment and Levy of Property Taxes.
  
3. Q. How long have you held this position?
  - A. I have served as the Manager Personal Property Department of the St. Louis County Assessor's Office continuously since November 6, 2013.
  
4. Q. Were you involved in the assessment of MAWC for the tax year 2017?
  - A. Yes, I was. I received the 2017 filing submitted by Joseph C. Sansone Company as agent for MAWC's equipment located in St. Louis County.
  
5. Q. Under what authority do you assess MAWC?
  - A. Statute 137.010 defines the classifications of property and 137.115 mandates the classes of property and how it is assessed. Section 137.122 determines the class life, and how the equipment is depreciated. Section 137.340 requires all

taxpayers to file an itemized list of all tangible personal property owned or controlled as of January 1 of each year.

6. Q. Is there anything unique about the assessment process for MAWC?

A. MAWC is unique in two respects. First, MAWC is required to self-report their personal property (office furniture, shop equipment, meters, and lab equipment for an example) which is assessed at thirty-three and one-third percent of its true value in money. Second, they are also required to self-report their equipment used in the gathering, treatment and distribution of water separately, and this equipment is assessed at thirty- two percent of its true value in money. They also provide the assessments to us not by specific address, but by taxing district due to the nature of their equipment.

7. Q. Does MAWC file their assessment lists or declarations with the St. Louis County Assessor?

A. I received the filing for 2017 from Tammy Frost of Joseph C. Sansone Co.

8. Q. What information do they provide in their itemized list?

A. They provide an excel spreadsheet which breaks out their assessed values by tax district, along with “worksheets” that are used to support how they arrived at their assessed values. (EXHIBIT 1-ORIGINAL 2017 FILING)

9. Q. When examining the filing you received for 2017, what errors did you notice in the assessments they provided to your office?

A. When examining their filing for 2017, I noticed on the worksheets submitted to substantiate the assessments provided on their excel spreadsheets had a line item “assessment rate”. In the process of trying to figure out how they arrived at their

assessment rate, I realized they were using a 7 year recovery period to arrive at their assessment rate. Equipment used in the actual gathering, treatment and distribution of water should be assessed using a 20 year recovery period. This 20 year recovery period would be based on the class-life of the equipment as set out in the MACRS ("MACRS" being Modified Accelerated Cost Recovery System) table under the IRS Code, per Statute 137.122.

10. Q. Did you contact any other MO Counties to discern how MAWC was reporting to their jurisdiction?

A. Yes, I initially contacted Angie Ochoa in the Jefferson County Assessor's Office to verify that I was correct in my decision to assess their distribution equipment using a 20 year recovery period. I also contacted Matt Brown & David Buck of St. Charles County. Both counties confirmed MAWC reports their equipment using a 20 year recovery period, not using a 7 year recovery period as they had in St. Louis County.

11. Q. When did you notify MAWC that the assessments they provided to you were incorrect?

A. On May 30, 2017, I emailed Tammy Frost of Joseph C Sansone Co, advising her that in the past we have accepted 7-year recovery period for these types of assets, but it was due to an oversight on our part. It was also due to the fact that we relied on MAWC to self-report correctly. I asked her to resubmit the assessments for 2017 using a 20 year recovery period based on the class life in the MACRS table.

(EXHIBIT 2).

12. Q. Did you receive a response after you notified Joseph C. Sansone Co. of the discrepancy?

A. Yes. I received a phone call from Ms. Frost in which she mentioned she believed there was an arrangement in place between St. Louis County and MAWC to file using a 7 year recovery period. I informed her I was not aware of any agreement, and if she had something in writing, could she please forward to me. She also inquired how we assessed Laclede Gas. Laclede Gas is also unique that they have distribution equipment. I confirmed Laclede Gas reports their equipment and arrives at their assessments using a 20 year recovery period.

13. Q. Are you aware of any agreement that St. Louis County has in place with MAWC or Joseph C. Sansone Company, acting as MAWC's agent, with regards to assessment of their property period and the recovery period used to determine the fair market value?

A. When reviewing our files for previous years' assessments, I discovered the assessed values have always been based on the information self-reported to our office by the taxpayer. I am not aware of any arrangement that had been made between St. Louis County and MAWC or between St. Louis County and Joseph C. Sansone Company. I do not have any documentation in our files that show any type of special arrangement and when I requested documentation from Tammy at Joseph C. Sansone that shows an agreement exists, she was unable to supply any documentation. The idea of an arrangement seems questionable when I received in the data information request a copy of the email sent May 31, 2017 from Tammy Frost to Elizabeth Arriaga which Tammy mentions that they have



discussed frequently Missouri's implementation of MACRS depreciation and the valuation impact should that occur fully in St. Louis County. (EXHIBIT 3)

14. Q. In that phone call, were there any other comments made about the assessment and how it would affect MAWC?

A. Yes. Tammy pointed out that the assessments would probably double based on the change in recovery period.

13. Q. How did you proceed from that point?

A. After the conversation with Tammy, and the realization on the increase in assessment, I approached Sandy Youtzy, Chief Administrative Manager for the Assessor's Office. In an effort to be fair to MAWC, I proposed to Sandy that for 2017 we use a modified 20 year recovery period for the equipment. Equipment acquired in 2011 through 2016 would be depreciated using the 20 year recovery period, and equipment acquired 2010 and prior would use a 20% depreciation factor. If using a true 20 year recovery period, only equipment acquired prior to 2002 would be depreciated at 20%. I received approval to offer this to Sansone, which I outlined to Ms. Frost in an email on June 6, 2017. (EXHIBIT 4)

15. Q. What response did you receive after your proposal?

A. Tammy asked for more clarification of the depreciation table which I provided.

On June 16, 2017, I received their revised assessment list which incorporated the modified 20 year recovery period I had proposed earlier.

16. Q. Did MAWC appeal the assessed values for 2017?

A. MAWC has not filed an appeal with the St. Louis County Board of Equalization.

17. Q. Do you have any concerns with MAWC assessments going forward?

A. Yes I do. After researching the PSC information and the annual report filed by MAWC in 2016, it appears that the company is reporting CWIP on their annual report. CWIP or CIP is Construction in Progress or Construction Work in Progress- these are costs for assets that are not fully functional or ready for use and generally not on a fixed asset ledger with depreciation applied. CWIP/CIP could possibly include property that should be assessed. From the filing I have received, I do not see any CWIP or CIP that has been reported in St. Louis County. In addition, I would like to know if there was any CIAC (Contributions in Aid of Construction Costs) that have not been reported; for example, if MO Dept. of Transportation paid for lines to be installed, MAWC is still the owner and has control of those lines, even though they did not purchase them. This equipment should still be reported as the Statute 137.340 requires an itemized return listing all tangible personal property so owned or controlled on January first of each year.

18. Q. In the Data Information Request marked St. Louis County 1-002, the information provided by MAWC indicates they believe that a plain reading of the statute 137.122.2 & 137.122.3 places the responsibility for calculating depreciation on the Assessor. Is that your interpretation of the Statute?

A. Yes, the assessor is responsible for calculating the depreciation; however, it is the responsibility of the taxpayer per 137.340 to file the return listing all tangible personal property to the assessor. Due to the unique nature of MAWC as a self-reporting utility and the number of accounts involved, MAWC files its assessed values to St. Louis County in an excel spreadsheet by tax code (SEE EXHIBIT 1)

19. Q. In data information request response marked St Louis County 1-003, St. Louis County asked of Mr. Wilde when MAWC was planning on transitioning to a 20 year MACR class life in St. Louis County. The information provided states that MAWC was not planning on transitioning until St Louis County directed them to do so, and in attachment marked St Louis County 1-003 attachment 1, is an email from Tammy Frost of Joseph C Sansone Co to two individuals at MAWC in which she discusses the transition to the MACRS depreciation schedule. (EXHIBIT 3)

20. What in this email stands out to you as important information as it pertains to this hearing?

A. In the 2<sup>nd</sup> sentence, Tammy mentions that they (meaning Tammy representing Joseph C Sansone and Elizabeth Arriaga representing MAWC ) have discussed frequently Missouri's implementation of MACRS depreciation schedules (statewide) and the potential impact, should that fully occur in St. Louis County. Based on this statement, it appears to me that both parties were fully aware of the requirement to file following the MACRS schedule, but chose not to do so until St. Louis County brought it to their attention that they should be reporting using the 20 year recovery period.

21. Q. You had requested county-specific information that details the equipment filed in the annual report for the WATER UTILITY PLANT IN SERVICE for the years 2014-2016. MAWC has replied that information is not available as described. Why is this information important?

A. Providing a breakdown of equipment by county would verify that MAWC is indeed reporting all equipment as required in the Statute. As it stands, since they

self-report all costs, we do not have any way of knowing they are reporting correctly. This is especially important in light of the fact that they are reporting CIP (that is Construction in Progress) on the Annual Report, yet it does not appear they are declaring any in St. Louis County, which is most likely their largest Missouri customer.

22. Q. You also requested copies of the assessment list or itemized lists provided to any County in MO for the years 2014-2017, yet MAWC only provided the returns filed to St. Louis County and Platte County. Why is this important?

A. Looking at the itemized lists provided to other counties in MO would show whether MAWC, when self-reporting their assets to other counties, used the MACRS table as required under 137.122, or used a 7 year recovery period as MAWC did when self-reporting to St. Louis County.

23. Q. You requested a copy of the documentation MAWC provides for use in completing and filing assessments to their respective counties. MAWC replied that they do not prepare and file the assessment, that they provide a property declaration or assessment list to the County Assessor who makes the assessment. Is this information correct for St. Louis County?

A. This is not true. MAWC provides an excel spreadsheet annually that lists each tax district, tax sub code, Assessor Acct number and Assessed Value. St. Louis County verifies the assessed value totals balance with the totals on the worksheets provided for each tax district. It was not until reviewing the worksheets for 2017 that I realized they were using an assessment ratio by year which did not match the recovery period and depreciation factor outlined in 137.122. (Exhibit 1)



24. Q. MAWC responded to data information request 1-001 that they apply recovery periods to STL pursuant to the guidance of the County Assessor. Prior to this year, did you personally provide guidance to MAWC on recovery periods to be used when reporting their equipment?

A. I had not previously addressed the subject and to my knowledge no one else addressed this issue. There are several instances in which the response for our data requests refers to my email sent on May 30<sup>th</sup> in which I advised MAWC through their tax rep that they need to report using the 20 year recovery period, yet they fail to answer the question or provide documentation on why they reported using a 7 year recovery period to St. Louis County & 20 years to other counties.

25. Q. As you know, the St. Louis County Assessor's Office pro-actively intervened in this matter. Can you explain why this is important to St. Louis County Assessor's Office?

A. Our priority is fair and equitable assessments for all taxpayers. It would not be right if MAWC is allowed to take advantage of this situation by passing the cost of its fair share of taxes on to consumers.

26. Q. Does this conclude your written direct testimony?

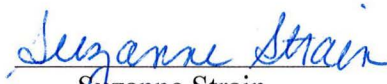
A. Yes.

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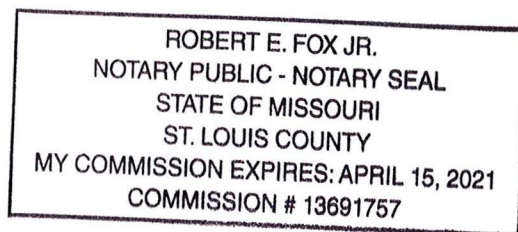
Suzanne Strain, being duly sworn, deposes and says that she is the witness who provided the accompanying testimony entitled "Rebuttal Testimony of Suzanne Strain" and that she prepared the rebuttal testimony and reviewed the attached exhibits and that the rebuttal testimony and exhibits are true and correct to the best of her knowledge.

  
Suzanne Strain

Subscribed and sworn to before me this 13<sup>th</sup> day of October, 2017.

  
Notary Public

My commission: 4-15-2021



**St. Louis County Exhibits**

Exhibit 1: MAWC's Person Property and Non-Personal Property Listing Exhibit 2: E-mail dated May 30, 2017 from Suzanne Strain to Tammy Frost

Exhibit 3: E-mail dated May 31, 2017 from Tammy Frost to Suzanne Strain

Exhibit 4: E-mail dated June 6, 2017 from Suzanne Strain to Tammy Frost