

Exhibit No.:  
Issues: Property Tax Issues  
Witness: Wesley E. Selinger  
Exhibit Type: Rebuttal  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2022-0303  
SR-2022-0304  
Date: January 18, 2023

**MISSOURI PUBLIC SERVICE COMMISSION**

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

**CASE NO. SR-2022-0304**

**REBUTTAL TESTIMONY**

**OF**

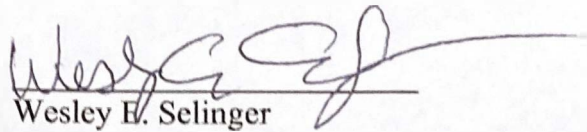
**WESLEY E. SELINGER**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

## AFFIDAVIT

I, Wesley E. Selinger, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Director, Rates and Regulatory for American Water Works Service Company Inc. that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.



Wesley E. Selinger

January 18, 2023

Dated

**REBUTTAL TESTIMONY  
WESLEY E. SELINGER**

**MISSOURI-AMERICAN WATER COMPANY  
CASE NO.: WR-2022-0303  
CASE NO.: SR-2022-0304**

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## **REBUTTAL TESTIMONY**

**WESLEY E. SELINGER**

### **I. INTRODUCTION**

1 **Q. Please state your name and business address.**

2 A. My name is Wesley E. Selinger and my business address is 727 Craig Road, Saint Louis,  
3 Missouri 63141.

4 **Q. Are you the same Wesley E. Selinger who previously submitted Direct Testimony in  
5 this proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your Rebuttal Testimony?**

8 A. The purpose of my Rebuttal Testimony is to address the property tax recommendations of  
9 Missouri Commission Staff (“Staff”) witness Courtney Horton.

### **II. PROPERTY TAX EXPENSE**

11 **Q. Please explain the Staff’s calculation of Missouri-American Water Company’s  
12 (“MAWC” or “the Company”) annual property tax expense included within Staff’s  
13 revenue requirement.**

14 A. Staff has recommended an annual level of property tax expense based on the property taxes  
15 paid by MAWC in December 2021 for plant levels through December 2020. Staff witness  
16 Horton states that the level of property tax expense included within Staff’s June 30, 2022,  
17 revenue requirement is \$29,750,494.<sup>1</sup>

18 **Q. What level of property tax expense did MAWC include within its filed revenue  
19 requirement?**

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<sup>1</sup> Horton DR, p. 11.

1 A. MAWC included an annual level of property tax of \$39,433,322 based on property taxes  
2 to be paid through the end of 2022 along with a discrete adjustment for property taxes  
3 related to select investments through May 31, 2023.

4 **Q. Will the Staff's annual level of property tax be trued-up in this case?**

5 A. The Company fully expects Staff's level of property tax to be trued-up later in this case.  
6 In addition, the Company proposes a discrete adjustment to property tax expense as  
7 supported in my Direct Testimony.

8 **Q. What factors typically drive increases to property tax expense?**

9 A. A significant driver of increases to property tax levels is capital investment. As described  
10 in the Direct Testimony of MAWC witness Brian LaGrand, since the Company's last rate  
11 case through the discrete adjustment period ending May 31, 2023, MAWC will have  
12 invested approximately \$770 million in capital investments. A significant amount of this  
13 investment has been to replace aging facilities and infrastructure, advancing the policy  
14 objectives of the Missouri General Assembly and the Commission.

15 **Q. Has MAWC's property tax expense increased in recent history?**

16 A. Yes, due to MAWC's level of capital investment, the Company's property tax has  
17 increased approximately 60% over the past five years.

18 **Q. Has the Missouri General Assembly taken actions to address fluctuations in property  
19 tax expense?**

20 A. Yes, As described in my Direct Testimony, on May 5, 2022, the Missouri General  
21 Assembly passed Senate Bill 745 enacting Section 393.1275 RSMo. Section 393.1275  
22 RSMo, which became effective on August 28, 2022, authorized MAWC to defer to a  
23 regulatory asset or liability the difference in state or local property tax expense incurred

1 with the property tax expense established as part of MAWC's base rates with the asset or  
2 liability included within the Company's rate base.

### 3 **III. PROPERTY TAX DEFERRAL**

4 **Q. Please describe the property tax deferral included within MAWC's proposed revenue**  
5 **requirement.**

6 A. To derive its proposed property tax deferral, MAWC used its actual 2020 property tax  
7 payment, plus a prorated amount of property tax expense recovered through its WSIRA  
8 mechanism since its last rate case, as its baseline of property tax expense currently being  
9 recovered in rates. The 2020 property tax payment aligns with the true-up date in MAWC's  
10 last general rate case and it is appropriate to recognize any additional expense recovered  
11 past that date through the WSIRA mechanism. The Company has taken the difference  
12 between this baseline level and its projected 2022 property tax expense, which will be  
13 trued-up later in this proceeding, and deferred that amount to a regulatory asset per the  
14 statute. MAWC has proposed to amortize the deferral over five years beginning with the  
15 effective date in this case.

16 **Q. Has Staff included a property tax deferral within its revenue requirement?**

17 A. Staff's workpapers contain an amount related to a property tax deferral, however, Staff  
18 notified the Company that this amount was included inadvertently, and that Staff is not  
19 supporting recovery of a property tax deferral in this case.

20 **Q. Why is the inclusion of a property tax deferral appropriate in this case?**

21 A. MAWC's calculated property tax deferral is made in accordance with the actions taken by  
22 the State of Missouri to address fluctuations in property tax expense due to additional  
23 investments, tax rate changes, or changes to assessment methodologies.

24 **Q. Does this conclude your Rebuttal Testimony?**

1 A. Yes.