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Exhibit No:

Issues: Income Taxes; True-up

adjustments: Pension, OPEB,

Defined Contribution Plan

Witness: Kofi A. Boateng Sponsoring Party: MoPSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No. WR-2015-0301

Date Testimony Prepared: March 4, 2016

MISSOURI PUBLIC SERVICE COMMISSION COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KOFI A. BOATENG

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2015-0301

Still Ex 6

Jefferson City, Missouri March 2016

Staff Exhibit No. 6
Date 3-21-16 Reporter The
File No. WR-2015-0301

1	SURREBUTTAL TESTIMONY		
2	OF		
3	KOFI A. BOATENG		
4	MISSOURI-AMERICAN WATER COMPANY		
5	CASE NO. WR-2015-0301		
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1	SURREBUTTAL TESTIMONY		
2	OF		
3	KOFI A. BOATENG		
4	MISSOURI-AMERICAN WATER COMPANY		
5	CASE NO. WR-2015-0301		
6	Q.	Please state your name and business address.	
7	Α.	Kofi A. Boateng, 111 N. 7 th Street, Suite 105, St. Louis, MO 63102.	
8	Q.	By whom are you employed and in what capacity?	
9	А.	I am a Utility Regulatory Auditor IV with the Missouri Public Service	
10	Commission ("Commission").		
11	Q.	Are you the same Kofi A. Boateng that was responsible for certain sections of	
12	the Staff's Revenue Requirement Cost of Service Report ("Staff Report") filed in this case for		
13	Missouri-American Water Company (MAWC or "Company") on December 23, 2015, and		
14	who also filed rebuttal testimony on February 11, 2016?		
15	A.	Yes, I am.	
16	Q.	What is the purpose of your surrebuttal testimony?	
17	A.	First, the purpose of my testimony is to respond to the rebuttal testimony of	
18	MAWC witness Carl R. Meyers regarding Staff's calculation of deferred income tax and		
19	MAWC witness Jeanne M. Tinsley on pension tracker. Secondly, I will address the true-up		
20	adjustments and items that I am sponsoring as part of Staff's true-up accounting schedules.		
21	INCOME TAX		
22	Q.	MAWC witness Meyers at page 5, lines 15 through 22, of his rebuttal	
3 .	testimony in	dicated that Staff's calculation of the deferred income taxes included the	

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non-taxable portion of Contributions in Aid of Contribution and Customer Advances. Mr. Meyers then suggests that including the non-taxable portions of the contributions and advances amounts in the deferred income tax calculation is duplicative and overstates the amount of the deferred taxes as the non-taxable piece has already been accounted to arrive at MAWC's tax basis. Rather, Mr. Meyers believes that Staff should have included the taxable portions of those items in the deferred income tax calculation. Does Staff agree with MAWC

Yes. Staff has revised its deferred income tax calculation based on data A. received from MAWC and incorporated the taxable portions of contributions and advances consistent with MAWC's tax basis calculation.

PENSIONS TRACKER

- At pages 24-26 of her rebuttal testimony, Ms. Tinsley discusses a "flaw" that Q. Staff found in the operation of MAWC's pension tracker prior to the last MAWC general rate proceeding, Case No. WR-2011-0337. Please comment.
- A. Yes. The flaw that Staff discovered in the operation of MAWC's prior pension trackers was that MAWC was capturing certain fluctuations in its accrued pension expense amounts from year to year and providing those differences rate base treatment, even though those accounting fluctuations did not affect either positively or negatively its actual cash investment in the pension trust funds. This flaw was corrected on a going-forward basis by the language on the pension tracker included in the Non-Unanimous Stipulation and Agreement ("Stipulation") between MAWC, Staff and other parties that was filed in Case No. WR-2011-0337 on February 24, 2012.

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Does Staff continue to maintain the position that MAWC's pension tracker Q. should only allow for rate base treatment of differences between the amount of MAWC's cash investment in its pension trust fund and its rate recovery for pension expense?

Yes. Contrary to the implication in Ms. Tinsley's rebuttal testimony, Staff's A. position on operation of MAWC's pension tracker is fully consistent with the terms of the pension tracker language in the 2011 rate case Stipulation, and Staff does not support in any manner a "return" to how the MAWC pension tracker was incorrectly operated prior to that agreement.

STAFF'S TRUE-UP AUDIT

- Q. Please identify the rate base items and income statement adjustments that you are sponsoring as part of Staff's true-up filing?
- A. For the rate base portion of the revenue requirement calculation, I am sponsoring regulatory assets / (liabilities) balances resulting from MAWC's pension and Other Post Employment Benefit Costs ("OPEBs") trackers, and accumulated deferred income taxes. In the income statement section, I am sponsoring adjustments to pension and OPEBs.

PENSION AND OPEBS TRACKER/TRUE-UP

- Q. Has Staff made any changes to pension and OPEBs tracker balances included in the cost of service?
- Yes. Staff has reflected the regulatory liability balances for both pension and A. OPEBs in the current rate case through January 31, 2016. Both of these regulatory liability balances reduce MAWC's rate base. Additionally, Staff has reflected MAWC's prepaid

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ACCUMULATED DEFERRED INCOME TAXES/TRUE-UP

- Q. Has Staff updated the accumulated deferred income taxes ("ADIT") balances included in the cost of service?
- A. Yes. Staff has reflected the ADIT balances in the current rate case through January 31, 2016. The ADIT balance is a reduction to the revenue requirement in the rate base section.

EXPENSES/TRUE-UP

- Q. Please discuss the various expense adjustments that Staff has reflected in its true-up filing.
- A. For pension and OPEBs costs, Staff has reflected the 2016 actuarial estimates developed by MAWC's actuaries and applied updated allocation factors to determine the ongoing level of these costs for inclusion in the cost of service calculation. In respect to defined contribution plan, Staff has included a normalized level of this cost in its accounting schedule. Additionally, Staff has reflected MAWC's pension and OPEBs tracker amortizations through January 31, 2016.
 - Q. Does this conclude your surrebuttal testimony?
 - 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 a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas Case No. WR-2015-0301 Case No. WR-2015-0301
AFFIDAVIT OF KOFI A. BOATENG, CPA, CIA
STATE OF MISSOURI)) ss. CITY OF ST. LOUIS)
COMES NOW KOFI A. BOATENG, CPA, CIA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing SURREBUTTAL TESTIMONY; and that the same is true and correct according to his best knowledge and belief. Further the Affiant sayeth not.
KOFIA. BOATENG, CPA, CIA JURAT
Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for
the City of St. Louis, State of Missouri, at my office in St. Louis, on this day of
March, 2016.
Notary Public LARHONDA ELLIS Notary Public - Notary Seal State of Missouri Commissioned for St. Louis City My Commission Expires: March 08, 2018 Commission Number: 14779965