

Exhibit No.:  
Issues: Labor and Labor Related Expenses,  
Support Services, Other Operating  
Expenses; Miscellaneous Expense,  
Maintenance Supplies and Services, and  
Employee Expense  
Witness: Nikole L. Bowen  
Exhibit Type: Surrebuttal  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2020-0344  
Date: February 9, 2021

**MISSOURI PUBLIC SERVICE COMMISSION**

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

**SURREBUTTAL TESTIMONY**

**OF**


**NIKOLE L. BOWEN**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

## AFFIDAVIT

I, Nikole Bowen, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Director of Regulatory Services for American Water Works Service Company, 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.

  
Nikole L. Bowen

February 8, 2021  
Dated

**SURREBUTTAL TESTIMONY  
NIKOLE L. BOWEN  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR-2020-0344**

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**SURREBUTTAL TESTIMONY**

**NIKOLE L BOWEN**

**I. INTRODUCTION**

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

2 A. My name is Nikole L. Bowen, and my business address is 727 Craig Road, St. Louis,  
3 MO, 63141.

4 **Q. Are you the same Nikole L. Bowen who previously submitted direct and revenue**  
5 **requirement rebuttal testimony in this proceeding on behalf of Missouri-**  
6 **American Water Company (“MAWC,” “Missouri American” or “Company”)?**

7 A. Yes.

8 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

9 A. The purpose of my surrebuttal testimony is to respond to the labor and labor related  
10 issue raised by Missouri Public Service Commission (“Staff”) witness Bolin, Dues and  
11 Memberships issue raised by Staff witness Dhority, Building Maintenance,  
12 Maintenance Supplies and Services and Engineered Coating issues raised by Staff  
13 witness Niemeier, three Support Services related issues raised by Office of the Public  
14 Counsel (“OPC”) witness Schallenberg. I will also discuss the discrete adjustments the  
15 Company is proposing for labor and labor related, postage, and Insurance Other than  
16 Group.

17 **II. LABOR AND LABOR RELATED EXPENSES**

18 **Q. Does Staff address the Company’s labor and labor related expenses?**

19 A. Yes. Staff witness Kimberly Bolin discusses MAWC staffing levels for the future test

1 period on p. 13 of her rebuttal testimony.

2 **Q. What were the Company's staffing levels as of December 31, 2020?**

3 A. As of December 31, 2020, Missouri-American had 715 full time equivalent ("FTE"), 1  
4 part time, and 2 temporary full-time employees.

5 **Q. Can you discuss the comparison Ms. Bolin makes between this case and Case No.**  
6 **WR-2017-0285?**

7 A. Yes. Staff witness Bolin compares projected headcount of 708, which includes  
8 temporary summer employees, from Case No. WR-2017-0285, to the current request  
9 in this case of 727 positions, which also includes temporary summer employees. Staff  
10 witness Bolin then noted MAWC's headcount of 672 on June 30, 2020.

11 **Q. Did the June 30, 2020 headcount include temporary summer employees?**

12 A. No. MAWC's June 30<sup>th</sup> headcount did not contain the temporary summer employees.  
13 Missouri American hired seven temporary summer employees between June and  
14 August 2020. These temporary employees were hired through an employment agency  
15 and not captured as part of MAWC's June 30<sup>th</sup> headcount. The expense is therefore  
16 captured in contract services for the period ending December 2020. MAWC has  
17 updated its labor and labor related workpapers to reflect this change.

18 **Q. What is the staffing level the Company is seeking in this case?**

19 A. MAWC is seeking recovery of 719 full time positions. This includes the Company's  
20 actual headcount at December 31, 2020 of 718 positions, and one open position for the  
21 Vice President of Operations. Missouri American is requesting this position to be

1 included as a discrete adjustment.

2 **Q. Has the Company proposed any additional discrete adjustments to labor and**  
3 **labor related expense?**

4 A. Yes. The Company is recommending a discrete adjustment for MAWC salary and  
5 wage increases. Non-Union salary and wage increases will be effective on March 8,  
6 2021. The Company calculated this adjustment using a non-union wage increase of  
7 2.76%, which is based on historic Company experience. MAWC union salary and  
8 wage increases were annualized based on contractual wage increases that will occur  
9 prior to May 31, 2021. This adjustment also results in increased labor related expense  
10 for group insurance, 401K, DCP, and ESPP. In total these adjustments equate to an  
11 increase to the December 31, 2020 salaries and wages expense level of \$563,655.

### 12 **III. SUPPORT SERVICES**

13 **Q. Can you discuss the arguments you will address regarding Support Services?**

14 A. Yes. There are three arguments that OPC witness Robert Schallenberg raises regarding  
15 Support Services that I will address. The first relates to Support Services expenses  
16 found in MAWC's annual report for the period ending December 2019. The second  
17 relates to American Water Works Company ("AWWC") officers' charges to MAWC.  
18 Finally, I will address the transfer of MAWC's direct charges for customer accounting  
19 to support services.

20 **Q. What issue was raised by OPC witness Robert Schallenberg regarding the**  
21 **expenses found in MAWC's annual report? Schallenberg RT, p.6).**

22 A. Mr. Schallenberg points out an expense item for \$4,112,876 on page S-4 of MAWC's

1 2019 annual report that was listed under “accruals and adjustments.” He further  
2 commented that MAWC did not provide a DR response (DR 1110) explaining this  
3 entry.

4 **Q. Has the Company provided a response to OPC Data Request 1110?**

5 A. Yes. The Company originally sent a response to OPC via email on November 17, 2020.  
6 The Company later discovered that due to the size of the attachment and limitations of  
7 the Company’s email capabilities, the email did not reach the intended recipients. The  
8 Company has since resent the response to OPC DR 1110. That response shows the  
9 detailed support for the \$4,112,876 in MAWC’s annual report.

10 **Q. What is the nature of that entry?**

11 A. At the time the report was compiled, the detailed information regarding the transaction  
12 was not available, therefore the expense was included in the accruals and adjustments  
13 line of the report. With the later benefit of that detailed information, the Company has  
14 determined the entire transaction is not an accrual. The detailed support shows the  
15 general ledger transactions in which the accrual amount was a credit of \$222,665.  
16 Regardless the recorded expense level remains the same for the Company’s Support  
17 Services expense for the period ending December 2019.

18 **Q. What allegation does OPC witness Schallenberg make in regard to the charges  
19 related to AWWC officers?**

20 A. In his rebuttal testimony, OPC witness Schallenberg alleges that because MAWC has  
21 its own officers, there is “no apparent need for additional officers and no justification  
22 for the validity of these charges.” (Schallenberg RT, p. 7).

1 **Q. Can you discuss the role of AWWC's Officers?**

2 A. Yes. Each executive officer is elected annually by the Board of Directors and serves  
3 until his or her respective successor has been elected and qualified or his or her earlier  
4 death, resignation, or removal. AWWC's Officers have a fiduciary responsibility for  
5 the day-to-day management of the parent company. These officers further provide for  
6 necessary legal and governance roles (e.g., General Counsel and Secretary, Corporate  
7 Governance and Assistant Secretary) and provide required tax and financial  
8 compliance roles, such as the Controller and Treasurer.

9 **Q. What justification is there for MAWC and AWWC to maintain a separate,**  
10 **independent body of officers?**

11 A. Sound Corporate Governance dictates that subsidiary operations, management,  
12 accounting, and financial documentation be handled apart from the operations of the  
13 parent and its other subsidiary and affiliated entities. Separate capacities may include:  
14 holding meetings; exercising independent business judgement; avoiding comingling of  
15 assets; ensuring arms-length transactions; and maintaining separate record keeping, all  
16 of which are essential to maintaining corporate formalities and properly insulating the  
17 subsidiary utility from that of its parent and affiliated entities.

18 **Q. What does OPC witness Schallenberg suggest in regard to the shift of customer**  
19 **accounting expenses?**

20 A. OPC witness Schallenberg erroneously maintains that he has "received no assurance  
21 that there is a not reduction in this case to completely offset the increase MAWC  
22 proposes to include in AWWSC's support service costs". (Schallenberg RT, p. 7).



1 **Q. Can you explain the shift of customer accounting to AWWC?**

2 A. Yes. As explained in my Direct Testimony, effective January 2020, the Company  
3 transferred postage and customer accounting expenses from MAWC to the Service  
4 Company. As a result, the following vendor costs were subsequently included as part  
5 of Service Company charges: United States Postal Service large meter postage; EOS  
6 CCA, GC Services and Penn Credit, the debt collection agency fees; Regulus form  
7 creation costs; ORC International customer survey fees; and language services  
8 provided by Metrolina. These vendors provide services for the Company’s bill print,  
9 first-party and third-party collections, as well as customer surveys and language line  
10 services for customers.

11 **Q. Was an adjustment made to MAWC expenses to reflect this change?**

12 A. Yes. To reflect the reclassification of these expenses, \$3,376,345 million was removed  
13 from MAWC’s customer accounting expense, and \$159,936 was removed from  
14 MAWC’s contract services expense for the base period ending December 2019. This  
15 adjustment can be seen in the Company’s Customer Accounting and Contract Services  
16 Workpapers. These expenses are included in Support Services for the Company’s  
17 expense levels through December 31, 2020, as the accounting change was effective as  
18 January 2020. The Company is also proposing a discrete adjustment to the customer  
19 accounting charges related to postage.

20 **Q. What is the discrete adjustment to customer accounting charges for postage?**

21 A. Effective January 24, 2021, the United States Postal Service (“USPS”) announced  
22 prices would increase approximately 1.8% for First-Class Mail and 1.5% for other

1 categories. In addition, MAWC has St Louis County customers the Company intends  
2 to convert from quarterly to monthly billing. These two adjustments result in a  
3 \$114,903 increase to the December 31, 2020, expense level.

4 **Q. Are there additional discreet adjustments the Company is recommending for**  
5 **Support Services?**

6 A. Yes. As referenced above, the Company is recommending a discrete adjustment be  
7 made for non-Union salary and wage increases that will be effective on March 8, 2021.  
8 The Company calculated this adjustment using a non-union wage increase of 3.10%,  
9 which is based on market data. Support Services, union salary and wage increases were  
10 annualized based on contractual wage increases. This adjustment equates to an increase  
11 to the December 31, 2020 salaries and wages expense level of \$768,574.

#### 12 **IV. OTHER OPERATING EXPENSES**

##### 13 **a. DUES AND MEMBERSHIPS**

14 **Q. Can you summarize Staff's adjustment to certain membership dues?**

15 A. Yes. As explained in Staff witness Jane Dhority's rebuttal testimony (Dhority RT, pp.  
16 1-3), Staff allowed expense associated with dues for the American Water Works  
17 Association ("AWWA"), the National Investor Relations Institute ("NIRI"), and the  
18 National Association of Water Companies ("NAWC"), after removing portions of the  
19 expense associated with lobbying. Staff excluded expense associated with National  
20 Association of Corporate Directors ("NACD") and is reviewing information related to  
21 certain attorney registration fees.

22 **Q. Do you agree with Staff's assessment of the AWWA, NIRI, and NAWC expenses?**

1 A. Yes. The Company agrees with Staff’s allowance of AWW, NIRI, and NAWC  
2 expenses.

3 **c. MAINTENANCE SUPPLIES AND SERVICES**

4 **Q. Staff witness Niemeier indicated maintenance and supplies expense should be**  
5 **\$3,278,019. (Niemeier RT, p. 4). Do you agree with the level of expense Staff**  
6 **calculated for maintenance supplies and services?**

7 A. No, I do not for the same reason I noted in my rebuttal testimony. The Company’s  
8 main break expense is recorded into General Ledger (“GL”) accounts 62002400,  
9 62520700, 62520824, and 63150024, which is part of the maintenance supplies and  
10 services expense. The GL for these accounts contains expenses associated not only  
11 with main break expense, but also tank painting, and other maintenance supplies and  
12 services expense. Upon review of Staff’s workpapers it appears that the expense in  
13 these accounts was pulled entirely from maintenance supplies and services and used as  
14 base year for main breaks. The base level expense used by Staff for the Maintenance  
15 Supplies and Services of \$3,572,960 as of June 30, 2020 is therefore understated. The  
16 Company recorded \$9,948,285 in total to the maintenance services and supplies  
17 accounts for the period ending December 31, 2020. This amount includes \$2,050,718  
18 in tanking painting expense, that was removed from the Company’s workpapers, and  
19 \$1,665,006 in main break expense for St Louis County.

20 **d. BUILDING MAINTENANCE**

21 **Q. Staff witness Neiemier recommended building maintenance expense in the**  
22 **amount of \$974,543. (Neiemier RT, p. 3). Can you discuss Staff’s treatment of**

1 **building and maintenance expense?**

2 A. Yes. The Company provided expenses of \$1,066,073 for the period ending June 30,  
3 2020. Staff included an annualized building maintenance expense of \$974,543 based  
4 on the 12 months ending June 30, 2020, after removing \$51,143 that should have been  
5 included in maintenance supplies and services. The Company has since provided  
6 updated numbers of \$1,279,956 for the period ending December 31, 2020.

7 **e. ENGINEERED COATINGS**

8 **Q. Staff witness Neiemier stated “MAWC provided MIEC and Staff different data.”**  
9 **(Neiemier RT, p. 4). Can you address the difference between the levels of expense**  
10 **in MAWC’s response to MIEC Data Request 1-005 and Staff Data Request 0128?**

11 A. Yes. In MIEC Data Request 1-005, the Company was asked to provide tanking  
12 painting expense separated by interior and exterior painting costs. The Company does  
13 not generally track expense in this manner but did provide what was available. Staff  
14 Data Request 0128 asked for tank painting expense from January 2018 to current,  
15 including copies of all invoices. Further, the Company’s updated response to MIEC  
16 Data Request 1-005 provides tank painting expense levels from 2011 through 2015,  
17 while Staff Data Request 0128 provides the full level of tank painting expense for the  
18 period of 2016 through 2020.

19 **f. INSURANCE OTHER THAN GROUP**

20 **Q. Can you discuss the discrete adjustment the Company is proposing for Insurance**  
21 **Other Than Group (“IOTG”)?**

22 A. Yes. The Company is recommending a discrete adjustment for IOTG expense in the

1 amount of \$126,988. This adjustment represents the various policy expense changes  
2 that were effective January 1, 2021.

3 **Q. Does this conclude your surrebuttal testimony?**

4 **A. Yes, it does.**