

Exhibit No.:
Issue(s): *Changes to Water
Usage Revenues,
Customer Meter
Numbers, Power/Fuel
Expense, Chemicals,
Other Operating
Revenues*
Witness: *Ashley Sarver*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *WR-2020-0344*
Date Testimony Prepared: *January 15, 2021*

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY
OF
ASHLEY SARVER

MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2020-0344

Jefferson City, Missouri
January 2021

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **ASHLEY SARVER**

4 **MISSOURI-AMERICAN WATER COMPANY**

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

6 Q. Please state your name and business address.

7 A. Ashley Sarver, P.O. Box 360, Jefferson City, Missouri 65102.

8 Q. By whom are you employed and in what capacity?

9 A. I am employed by the Missouri Public Service Commission (Commission) as a
10 Senior Utility Regulatory Auditor in the Auditing Department, Financial and Business
11 Analysis Division.

12 Q. Are you the same Ashley Sarver who has previously contributed to the
13 Staff's Cost of Service Report in File No. WR-2020-0344, filed on November 24, 2020?

14 A. Yes, I am.

15 Q. What is the purpose of your rebuttal testimony in this proceeding?

16 A. I will explain Staff's changes to its direct filed revenue requirement regarding
17 industrial and residential usage for water revenues and the associated impacts on chemical
18 expense and fuel / power expense. I will also provide updates for other operating revenue and
19 fuel / power expense water loss, as well as meter units for St. Louis County.

20 **CHANGES TO OTHER OPERATING REVENUE**

21 Q. What revenue is classified as other operating revenue?

22 A. Missouri American Water Company's (MAWC) other revenues categories
23 include funds received for the following items: late payment charges, rents, collection for
24 others, non-sufficient funds check charges, application/initiation fees, the provision of usage

Rebuttal Testimony of
Ashley Sarver

1 data to other entities, reconnection fees, frozen meter fees, after hours charges, and
2 miscellaneous service.

3 Q. How did Staff determine the annualized other operating revenue in its
4 direct filing?

5 A. Staff reviewed the totals for each of these revenue categories for the most recent
6 five-year period. Based upon this review, Staff determined a three-year or less average was
7 most representative as a going forward level of revenue for all but three of these categories. For
8 two of the categories, rents and the provision of usage data to other entities, Staff used the actual
9 revenues for the twelve months ending June 30, 2020. For rent and usage data, Staff used
10 12 months ending June 30, 2020. For the third category, late payment fees, Staff used a two year
11 period ending June 30, 2020, as most representative of an ongoing level.

12 Q. Were there any other operating revenue categories Staff changed for this
13 rebuttal testimony?

14 A. Yes. Staff corrected errors in the following categories: application fees,
15 frozen meter, and collection for others. However, Staff has changed the number of years to be
16 annualized for the late payment and reconnect fees for the rebuttal filing. This will be explained
17 in detail below.

18 Q. Did Staff update Late Payment and Reconnect Fees for water and sewer?

19 A. Yes. Due to COVID-19, MAWC suspended receiving late payment and
20 reconnect fees from customers March 2020 through September 2020. Staff has determined the
21 test year level for Late Payment and Reconnect Fees is appropriate. MAWC has also proposed
22 using test year levels for late payment fees and reconnection fees.

Rebuttal Testimony of
Ashley Sarver

1 Q. Did Staff update Rent revenue?

2 A. Yes. In the direct filing, Staff excluded revenue booked to corporate until Staff
3 could review MAWC's response to Staff's Data Request No. 0291.1. In this data request
4 response, MAWC provided the actual corporate rent revenues to the appropriate service area.

5 Q. How did Staff update Rent revenue?

6 A. Staff used the actual rent revenue booked for the update period, the 12 months
7 ending June 30, 2020.

8 Q. Did Staff make an error regarding Application Fees in its direct filing?

9 A. Yes. Staff's direct testimony states that Staff used a three year average; however,
10 Staff inadvertently used a four year average.

11 Q. Did Staff change its approach after updating the work paper?

12 A. Yes. After reviewing three years of data, Staff determined the trend for
13 Application Fees is increasing; therefore, Staff used the 12 months ending June 30, 2020.

14 Q. Did Staff update any other account for Other Operating Revenues?

15 A. After reviewing three years of data, there is a trend for the following accounts:
16 frozen meter and collection for others. Staff used the update period ending 12 months
17 June 30, 2020, for frozen meters and collection for others.

18 Q. What is the direct filing and rebuttal filing normalized levels for
19 Other Revenues?

20 A. The Other Operating Revenues for MAWC in Staff's direct testimony was
21 \$5,484,550 and the normalized Other Operating Revenues for rebuttal is \$6,126,204, an
22 increase of \$641,654.

1 **CHANGES TO CUSTOMER USAGE (RESIDENTIAL AND INDUSTRIAL)**

2 Q. Did Staff update its water usage calculations for residential revenues from its
3 direct filing?

4 A. Yes. Staff witness Jarrod J. Robertson of the Commission's Water and Sewer
5 Department has made revisions to the normalized average gallons of usage per customer per
6 day for residential customers for each operating service area. Please see his rebuttal testimony
7 for more detail on the changes.

8 Q. Has Staff updated the usage per customer per day for residential revenues?

9 A. Yes. Staff used the normalized average gallons of water usage per customer per
10 day for residential customers for St. Louis County Service Area and All Missouri Service Areas
11 Outside of St. Louis County and Outside of Mexico as suggested by Mr. Robertson.

12 Q. How did Staff calculate the industrial water usage in the direct filing?

13 A. Staff used a five year average ending June 30, 2020, to normalize industrial
14 water usage.

15 Q. How did Staff update its industrial water usage from its direct filing?

16 A. Staff analyzed the usage for industrial customers for the five years ending
17 June 30, 2020, and noticed a decrease in usage for St. Louis County and St. Joseph. Staff
18 submitted Data Request No. 0027.1 requesting MAWC explain the decrease.

19 Q. What is Staff's revised position for St. Louis County and St. Joseph
20 industrial usage?

21 A. Staff used the 12 months ending June 30, 2020, for the industrial usage based on
22 the information provided by MAWC in response to Data Request No. 0027.1.

1 Q. Does changing the water usage for residential and industrial customers affect
2 other expenses?

3 A. Yes. Staff has updated chemicals expense and fuel / power expense to reflect
4 the updated usage assumptions.

5 Q. What is Staff's change from the direct testimony to rebuttal testimony for
6 chemical expense for MAWC?

7 A. The direct filing chemical expense for MAWC was \$9,630,797 and for rebuttal
8 it is \$9,645,640.

9 **CHANGES TO ST. LOUIS COUNTY METER NUMBERS**

10 Q. Did Staff update its St. Louis County meter numbers from its direct filing?

11 A. Yes. After Staff's direct filing, MAWC noticed that Staff did not include
12 "SLR charge" Meters for St. Louis County.

13 Q. What is the impact to revenue of adding more meters?

14 A. The tables provided below show the impact to revenue when more meters
15 are added:

16

Total Revenue for St. Louis County (Monthly)			
	Direct Filing	Rebuttal Filing	Difference
Residential	\$31,076,178	\$32,296,516	\$1,220,338
Commercial	\$82,327	\$4,067,756	\$3,985,429

Total Customer Meters for St. Louis County (Monthly)			
	Direct Filing	Rebuttal Filing	Difference
Residential	274,998	281,012	6,014
Commercial	27	12,005	11,978

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Total Revenue for St. Louis County (Quarterly)			
	Direct Filing	Rebuttal Filing	Difference
Residential	\$4,057,716	\$4,489,101	\$431,385
Commercial	\$1,822,746	\$1,822,945	\$199

Total Customer Meters for St. Louis County (Quarterly)			
	Direct Filing	Rebuttal Filing	Difference
Residential	34,994	36,811	1,817
Commercial	4,843	4,844	1

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3 **CHANGES TO FUEL / POWER EXPENSE WATER LOSS**

4 Q. Did Staff update the normalized percentage of water loss for fuel / power
5 expense to reflect a five-year average?

6 A. Yes. Staff included a five-year average for the water loss.

7 Q. How does water loss affect the calculated fuel/power expense?

8 A. The water loss is calculated by taking the system delivery divided by the meter
9 usage. This total includes all water sold to customers including export to wholesale customers
10 or other MAWC systems, as well as any water lost due to leaks, broken pipes, theft or
11 unauthorized use, unmetered authorized use, or other unaccounted for water.

12 Q. What average did Staff use in its direct filing?

13 A. In its direct filing, it was Staff's position to use a five year average; however, in
14 the work paper Staff inadvertently used a ten year average for fuel / power expense.

15 Q. Why is a five year average a more reasonable approach?

16 A. Staff's position is that use of the actual five-year average for system delivery
17 represents a reasonable annualized water loss percentage, which better normalizes the
18 fluctuations over time. Staff also used a five year average in the previous MAWC rate case.

Rebuttal Testimony of
Ashley Sarver

1 Q. What is Staff's adjustment from direct testimony to rebuttal testimony for
2 fuel / power expense?

3 A. The direct filing MAWC fuel / power expense was \$10,803,011 and for rebuttal
4 it is \$11,099,311.

5 Q. Does this conclude your rebuttal testimony?

6 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 General Rate Increase for Water) Case No. WR-2020-0344
and Sewer Service Provided in Missouri)
Service Areas)

AFFIDAVIT OF ASHLEY SARVER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW ASHLEY SARVER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Ashley Sarver*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Ashley Sarver
ASHLEY SARVER