

Exhibit No.:	
Issues:	Property Tax Expense
Witness:	John R. Wilde
Exhibit Type:	Surrebuttal
Sponsoring Party:	Missouri-American Water Company
Case No.:	WU-2017-0351
Date:	October 25, 2017

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WU-2017-0351**

**SURREBUTTAL TESTIMONY  
OF  
JOHN R. WILDE**

**ON BEHALF OF  
MISSOURI-AMERICAN WATER COMPANY**

## **SURREBUTTAL TESTIMONY**

**JOHN R. WILDE**

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

2   A.     My name is John R. Wilde, and my business address is 131 Woodcrest Road, Cherry  
3           Hill, New Jersey 08003.

4  
5   **Q.     Are you the same John R. Wilde that previously submitted direct testimony in this**  
6           **proceeding?**

7   A.     Yes.

8  
9   **Q.     What is the purpose of your surrebuttal testimony?**

10   A.     The purpose of my surrebuttal testimony is to respond to certain aspects of the rebuttal  
11           testimony of St. Louis County (“SLC”) witness, Suzanne Strain.

12  
13   **Q.     SLC witness Suzanne Strain implies there is a clear statutory road map to follow**  
14           **for assessing MAWC’s property, and that MAWC acted inconsistent with that**  
15           **roadmap in filing its property declarations with St. Louis County. (pages 1 and**  
16           **3, Q&A Nos. 5 and 10) Do you agree with the implication that Ms. Strain draws**  
17           **from these references?**

18   A.     No, the statutes referenced are not a clear statutory road map for the assessor to  
19           follow, as evidenced by Platte County’s decision to arbitrarily jump to a 50-year  
20           recovery period in assessing MAWC’s property for 2017. In addition, it is my

1 understanding that with locally assessed property, the consistency in administrative  
2 practice is generally judged within each county, and is not in this context judged on a  
3 state-wide basis. When the statute is not clear in this context, it is the assessor (and  
4 not the taxpayer) that is given discretion in setting administrative rules and practices  
5 to clarify statute, when the statute is unclear or where it allows the assessor discretion.  
6 To illustrate these points, see Schedule JRW-3, which is a copy of a letter from the  
7 State Tax Commission instructing county assessors on the inclusion of CWIP.

8

9 **Q. At page 4 of the rebuttal testimony of SLC witness Suzanne Strain, (Q&A nos.**  
10 **12 and 13), Ms. Strain states that she is unaware of any arrangement between St.**  
11 **Louis County and MAWC to file property declarations using a seven-year**  
12 **recovery period. What is your understanding of this arrangement?**

13 A. I am attaching to my surrebuttal testimony a copy of an email exchange (Schedule  
14 JRW-4) between Tammy Frost (with Joseph C. Sansone Co., MAWC's consultant)  
15 and Ms. Karen Leahy in the SLC Assessor's office regarding the way in which  
16 MAWC's 2007 property declaration should be reported. Ms. Frost specifically asked  
17 Ms. Leahy, "(w)ill we use the same depreciation as last year for all additions?" To  
18 which Ms. Leahy responded that she will be using "the existing schedules to locally  
19 assess the railroads and other utility companies that report to us also, and will apply  
20 the '06 rates." I have reviewed the property declaration that Joseph C. Sansone Co.  
21 filed on behalf of MAWC for its 2006 and 2007 property declaration and determined  
22 that distribution asset values were determined using a seven-year recoverable life  
23 which was consistent with prior years' property declarations. Subsequent to 2007,  
24 MAWC has consistently filed its annual property declarations using the seven-year

1 recoverable life for distribution assets and, more importantly, the SLC Assessor's  
2 office has accepted those filings until 2017 when it candidly admitted to its prior  
3 acceptance, asserting for the first time that this was an "oversight" on its part.  
4

5 **Q. At pages 5 and 6 of her rebuttal testimony, Ms. Strain expresses concerns**  
6 **regarding MAWC assessments going forward. First, she claims she does not see**  
7 **that any construction work in progress (CWIP) is being reported in SLC (page 6,**  
8 **Q&A no. 17). Is this a correct assertion?**

9 A. No. With the exception of Platte County for years prior to 2017, all of MAWC's  
10 property declarations filed with county assessors, including SLC, contain CWIP.  
11

12 **Q. Ms. Strain also expresses concern whether any contributions in aid of construction**  
13 **(CIAC) have been reported in MAWC's property declarations (page 6, Q&A no.**  
14 **17). Do you agree with this concern?**

15 A. No. All of the plant that MAWC owns in SLC, whether it was constructed using  
16 company supplied funds or through CIAC is reported in MAWC's property  
17 declarations filed with the SLC Assessor's office (as well as all other county assessor's  
18 offices) at its full cost to construct, without any reduction for contributions in aid of  
19 construction.  
20

21 **Q. Ms. Strain also expresses concern about MAWC's inability to provide county-**  
22 **specific information that details equipment that is also contained in MAWC's**  
23 **Annual Report to the Commission (pages 7-8, Q&A no. 21). How do you respond?**

1 A. The Missouri Commission Annual Report and the SLC property declaration are two  
2 different reports serving two different purposes. As Company Witness LaGrand  
3 explains in his surrebuttal, the Annual Report filed with the Commission is a total  
4 Company report detailing annual revenues, expenses and investments on a form that is  
5 provided by the Commission that includes only total dollar amounts taken from the  
6 accounts on the Company's books. The property declaration filed by MAWC with the  
7 SLC Assessor (and all other county assessors) is a detailed listing of all property and  
8 equipment, and its original cost, located in each respective county. While the total  
9 original cost of all plant located in the state would equal the total investment amount in  
10 MAWC's Annual Report to the Commission, that information is simply not broken  
11 down by county on the Company's books or in the Commission's Annual Report.  
12 Nevertheless, the property declarations that MAWC files with the St. Louis County  
13 assessors office comprehensively and correctly reflect all of the property which  
14 MAWC owns and identified in our source systems as located in SLC.

15

16 **Q. Can you update your direct testimony with respect to the status of any appeals**  
17 **or protests of St. Louis County and Platte County assessments?**

18 A. Yes, the Platte County Board of Equalization let the assessments stand, and MAWC  
19 has appealed those assessments to the Missouri State Tax Commission. MAWC is  
20 still evaluating the assessments made by St. Louis County, primarily to determine if  
21 their application of recovery periods are consistently applied to all like kind property  
22 being assessed in the county.

23

24 **Q. Does this conclude your surrebuttal testimony at this time?**

25 A. Yes.

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## STATE TAX COMMISSION

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TO: ASSESSORS  
FROM: MAUREEN MONAGHAN, CHIEF COUNSEL STATE TAX COMMISSION  
SUBJECT: CONSTRUCTION WORK IN PROGRESS  
DATE: APRIL 29, 2013  
CC: BOB EPPERSON, TA STAFF

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I have had several inquiries from assessors and utilities regarding the proper handling of construction work in progress (CWIP), its valuation and the ability to appeal the valuation.

Generally speaking, CWIP of a company whose distributable property is state-assessed, is locally assessed until it becomes integrated into the company's operating system. The taxable value of CWIP, therefore, is ultimately the responsibility of the assessor. The assessor should take care to assess property, including CWIP, consistently and uniformly within the county. If the assessor uses the cost approach, any depreciation or obsolescence will be within the discretion of the assessor using market information and experience.

CWIP, like any other locally assessed tangible property, may be appealed to the county Board of Equalization and the State Tax Commission.

If you have any questions, please feel free to contact me at (573) 751-1730.

**From:** Leahy, Karen <KLeahy@stlouisco.com>  
**Sent:** Monday, March 19, 2007 11:13 AM  
**To:** Tammy Frost  
**Subject:** RE: Missouri American Water Company Property Tax

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Tammy,

If you have depreciated the locally assessed personal property items in the past using our depreciation schedules, I see no reason why the 06 acquisitions shouldn't be depreciated using the new recovery schedules. This would seem consistent with how we have been doing it. I have used the existing schedules to locally assess the railroads and other utility companies that report to us also, and will apply the 06 rates. I'm not sure what the State uses for the items they assess entirely.

**Karen M. Leahy**  
*Personal Property Assessment Manager*  
*St. Louis County - Dept. of Revenue*  
*41 S. Central Ave. St. Louis, MO 63105*  
*PH 314-615-4221*

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**From:** Tammy Frost [mailto:tfrost@jcscsco.com]  
**Sent:** Monday, March 19, 2007 09:14  
**To:** Leahy, Karen  
**Subject:** Missouri American Water Company Property Tax

Good morning Karen,

Missouri American Water Company has for a long time declared their non-parcel real estate and personal property additions in a special format. I'm finalizing the 2007 values now and was wondering how, if at all, the recent MACRS implementation for personal property will affect utilities especially for the non-parcel real estate (distribution) asset values. I had thought that railroad and utility properties were exempt from HB 461, at least in the early versions of the bill, but want to make sure before the filing is complete.

Will we use the same depreciation as last year for all 2006 additions? Please advise.

Thanks,

*Tammy Frost*  
Sr. Director, Personal Property Services  
Joseph C. Sansone Co.  
1.800.394.0140 ext. 168  
1.636.733.2229 (fax)  
[www.jcscsco.com](http://www.jcscsco.com)