

**Exhibit No.:** \_\_\_\_\_  
**Issue(s):** Vacant Payroll Positions/  
COVID-19 Accounting Authority Order  
("AAO") Cost Recovery  
**Witness/Type of Exhibit:** Roth/Rebuttal  
**Sponsoring Party:** Public Counsel  
**Case No.:** WR-2020-0344

**REBUTTAL TESTIMONY**

**OF**

**KERI ROTH**

Submitted on Behalf of the Office of the Public Counsel

**MISSOURI-AMERICAN WATER COMPANY**

CASE NO. WR-2020-0344

January 15, 2021

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

**VERIFICATION OF KERI ROTH**

Keri Roth, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my rebuttal testimony in the above-captioned case.
2. My answer to each question in the attached rebuttal testimony is true and correct to the best of my knowledge, information, and belief.

*/s/ Keri Roth* \_\_\_\_\_

Keri Roth  
Senior Utility Regulatory Auditor  
Office of the Public Counsel

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**REBUTTAL TESTIMONY**  
**OF**  
**KERI ROTH**  
**MISSOURI AMERICAN WATER COMPANY**  
**CASE NO. WR-2020-0344**

1 **I. INTRODUCTION**

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

3 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

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

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Senior Utility  
6 Regulatory Auditor.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the OPC.

9 **Q. What is the nature of your duties at the OPC?**

10 A. My duties include performing audits and examinations of the books and records of public  
11 utilities operating within the state of Missouri. I have performed audits in water, sewer,  
12 electric and gas cases and have performed audits or accounting analysis in acquisition cases,  
13 complaint cases, and rate cases.

14 **Q. Please describe your educational background.**

15 A. I graduated in May 2011 from Lincoln University in Jefferson City with a Bachelor of Science  
16 Degree in Accounting.

1 **Q. Have you received specialized training related to public utility accounting?**

2 A. Yes. In addition to being employed by the OPC since September 2012, I have also attended  
3 the NARUC Utility Rate School held by Michigan State University.

4 **Q. Have you previously filed testimony before the Missouri Public Service Commission**  
5 **(“Commission” or “PSC”)?**

6 A. Yes. Please refer to Schedule KNR-1, attached to this testimony, for a listing of cases in  
7 which I have submitted testimony.

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

9 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Missouri  
10 American Water Company’s (“MAWC”) witness, Nikole Bowen, regarding the issue of  
11 vacant payroll positions and to discuss my position regarding the treatment of cost recovery  
12 related to MAWC’s COVID-19 AAO in response to MAWC witness Brian LaGrand.

13 **II. VACANT PAYROLL POSITIONS**

14 **Q. Has MAWC included vacant positions in its annual level of payroll?**

15 A. Yes. MAWC witness, Ms. Bowen, states in her direct testimony the pro forma salaries and  
16 wages expense were calculated on a position-by-position basis, based on 714 full-time  
17 positions and 13 temporary summer positions.<sup>1</sup> However, in response to Staff data request  
18 0159, MAWC’s data shows only 672 employees as of the update period in the case, June 30,  
19 2020.

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<sup>1</sup> Nikole Bowen direct testimony, page 5, lines 11 – 12

1 **Q. Has Missouri Public Service Commission Staff (“Staff”) included vacant positions in its**  
2 **annual level of payroll?**

3 A. No. Staff witness, Ali Arabian, states in the Staff Cost of Service Report that Staff used  
4 employee levels as of June 30, 2020 to calculate the annualized level of base payroll.<sup>2</sup>

5 **Q. Do you support the use of actual employee levels that existed as of the update period**  
6 **and/or true-up period in this case?**

7 A. Yes. Ratepayers should not be responsible for paying rates that include unfilled positions.

8 **III. COVID-19 ACCOUNTING AUTHORITY ORDER (“AAO”) COST**  
9 **RECOVERY**

10 **Q. Please describe MAWC’s COVID-19 AAO.**

11 A. The Commission *Order Approving Non-Unanimous Stipulation and Agreement*, filed in case  
12 number WU-2020-0417, states the signatories to the Agreement requested that the  
13 Commission issue an order authorizing MAWC to track and defer into a separate regulatory  
14 asset, assigned by service area, or allocated by service area and booked separately as between  
15 water and sewer, the following incremental costs directly related to the COVID-19 pandemic,  
16 beginning March 1, 2020:

17 (a) New or incremental operating and maintenance expense, limited to the  
18 following eligible costs:

- 19 (i) Additional cleaning of facilities and vehicles;  
20 (ii) Personal protective equipment;  
21 (iii) Sanitizers;  
22 (iv) Signage related to pandemic safety;

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<sup>2</sup> Staff Cost of Service Report, direct testimony, page 50, lines 3 – 7

1 (v) Rental equipment, to include vehicles, portable hand washing  
2 stations, portable lavatories, and temporary office trailers;

3 (vi) Other incremental COVID-related costs as agreed to by the parties  
4 or order of the Commission;

5 (b) Increased bad debt expense to the extent total bad debt expense exceeds  
6 \$2,600,000 on an annual basis;

7 (c) Interest expense on MAWC's approximately \$70.0 million 364 day term loan  
8 entered into on March 20, 2020, with an interest rate of London Interbank Offered Rate  
9 (LIBOR) plus 80 basis points;

10 (d) Late payment fees waived during the moratorium period up to \$785,351;

11 (e) Reconnection charges and disconnection charges waived during the  
12 moratorium period up to \$783,200.<sup>3</sup>

13 The Stipulation and Agreement also states:

14 Savings to be deferred: Deferred operating and maintenance cost reductions will be tracked  
15 and recorded as a regulatory liability separately from the deferred costs regulatory asset. All  
16 deferred COVID-19 operating and maintenance cost reductions will be deferred so long as  
17 the total expense in each cost category is below the level included in rate in MAWC's last rate  
18 case. Operating and maintenance cost reductions to be deferred are reductions to the  
19 following:

20 (a) Travel expense (hotels, airfare, meals, entertainment);

21 (b) Training expense;

22 (c) Conferences;

23 (d) Office supplies;

24 (e) Utility service provided to facilities leased or owned by MAWC;

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<sup>3</sup> Case number WU-2020-0417, *Order Approving Non-Unanimous Stipulation and Agreement*

1 (f) Staffing reductions after March 1, 2020, and throughout the AAO  
2 accumulation period;

3 (g) Reduced employee compensation and benefits after March 1, 2020, and  
4 throughout the AAO accumulation period;

5 (h) Any taxable net operating loss that is carried back to previous tax years per  
6 the CARES Act; and,

7 (i) Any direct federal and state assistance MAWC, American Water Works  
8 Company, or any other affiliate that allocates costs to MAWC receives related to COVID-19  
9 relief; and,

10 (j) Other incremental COVID-related savings as agreed to by the parties or by  
11 Order of the Commission.<sup>4</sup>

12 **Q. How does MAWC propose to address the AAO in this case?**

13 A. MAWC witness Brian LaGrand testifies that the Company proposes to treat the deferred  
14 amounts through the test period as part of this rate case, and presumably is seeking rate  
15 recovery of the deferred items in the AAO.<sup>5</sup>

16 **Q. Has OPC previously stated a position on the cost recovery of items approved to be  
17 tracked in the Commission ordered AAO?**

18 A. No. Per the Commission's order approving the provisions of the Non-Unanimous Stipulation  
19 and Agreement, MAWC was ordered to provide a report within two weeks after the  
20 Commission's approval identifying the categories to be tracked and deferred from the period  
21 March 1 – June 30, 2020. The report is to identify all cost, revenues, and savings described  
22 previously related to the pandemic that have been identified to date.<sup>6</sup> The report was provided  
23 on November 11, 2020. Due to the timing of the filing of the report, parties in the case were

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<sup>4</sup> Case number WU-2020-0417, *Nonunanimous Stipulation and Agreement*

<sup>5</sup> Brian LaGrand direct testimony, page 4, lines 20 – 22

<sup>6</sup> Case number WU-2020-0417, *Nonunanimous Stipulation and Agreement*



1 still reviewing the data provided; therefore, no OPC witness was able to determine a position  
2 on the issue at that time.

3 **Q. What is your position on the cost recovery of the items the Commission approved**  
4 **MAWC to track through the AAO?**

5 A. Staff's recommended revenue requirement for MAWC is an overall decrease of \$19,923,654.<sup>7</sup>  
6 Due to Staff's recommended decrease of MAWC's revenue requirement, I propose not to  
7 include cost recovery of the items the Commission approved MAWC to track through the  
8 AAO. It is unreasonable for customers to cover additional costs through rates when it has  
9 been determined that MAWC was already receiving an amount in rates higher than needed.  
10 Likewise, and to be consistent, the Commission should also not include the tracked cost  
11 savings in rates, and instead allow MAWC to retain those savings.

12 **Q. Does OPC have concerns regarding the recovery of interest expense on MAWC's**  
13 **approximately \$70.0 million 364 day term loan entered into on March 20, 2020?**

14 A. Yes. Please see OPC witness David Murray's rebuttal testimony.

15 **Q. Does this conclude your rebuttal testimony?**

16 A. Yes.

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<sup>7</sup> Staff Cost of Service Report, direct testimony, page 1, lines 25 – 26

**CASE PARTICIPATION  
OF  
KERI ROTH**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Summit Natural Gas of Missouri, Inc.	GR-2014-0086
Hickory Hills Water & Sewer Company, Inc.	WR-2014-0167/SR-2014-0166
Empire District Electric Company	ER-2014-0351
Laclede Gas Company	GO-2015-0178
Missouri Gas Energy	GO-2015-0179
Missouri American Water Company	WR-2015-0301
Empire District Electric Company	ER-2016-0023
Hillcrest Utility Operating Company, Inc.	WR-2016-0064
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202
Moore Bend Water Utility, LLC	WC-2016-0252
Terre Du Lac Utilities Corporation	WR-2017-0110
Indian Hills Utility Operating Company, Inc.	WR-2017-0259
Missouri American Water Company	WR-2017-0285
Gascony Water Company	WR-2017-0343
Liberty Utilities (Midstates Natural Gas) Corp. D/B/A Liberty Utilities	GR-2018-0013
Kansas City Power & Light Company	ER-2018-0145
KCP&L Greater Missouri Operations Company	ER-2018-0146
Spire Missouri, Inc.	GU-2019-0011
Osage Utility Operating Company, Inc.	WA-2019-0185
Confluence Rivers Utility Operating Company, Inc.	WA-2019-0299