

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Affiliate Transactions

Schallenberg/Surrebuttal

Public Counsel

WR-2020-0344

SURREBUTTAL TESTIMONY

OF

ROBERT E. SCHALLENBERG

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

**

**

Denotes Confidential Information that has been Redacted

February 9, 2021

PUBLIC

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

VERIFICATION OF ROBERT E. SCHALLENBERG

Robert E. Schallenberg, under penalty of perjury, states:

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

/s/Robert E. Schallenberg
Robert E. Schallenberg
Director of Policy
Office of the Public Counsel

SURREBUTTAL TESTIMONY

OF

ROBERT E. SCHALLENBERG

MISSOURI-AMERICAN WATER COMPANY

CASE NO.: WR-2020-0344

CASE NO.: SR-2020-0345

1 **Q. Who are you?**

2 A. My name is Robert E. Schallenberg.

3 **Q. Have you already testified in this case?**

4 A. Yes. I testified in direct and rebuttal for the Office of the Public Counsel (“OPC”) on the
5 topics of the appropriate allowance for funds used for construction (“AFUDC”) balance and
6 the AFUDC rate methodology for setting Missouri-American Water Company’s (“MAWC”) rates in this case, MAWC’s AFUDC rate in the future, and affiliate transactions.

8 **Q. Why are you testifying now?**

9 A. I reviewed MAWC’s, MIEC’s, and the Commission Staff’s rebuttal filings on the affiliate
10 transactions aspects in this rate case. Affiliate transactions are pervasive throughout MAWC’s
11 operations.

12 **Q. MAWC witness Ms. Bulkley argues in her rebuttal testimony for the Commission to use**
13 **MAWC’s book capital structure for purposes of setting MAWC’s rates in this case.**
14 **What is your response?**

15 A. Organizationally MAWC is incapable of having a truly separate capital structure. MAWC’s
16 capital structure is created to raise rates to improve American Water Works Inc. (AWK)’s
17 earnings. Schedule RES-S-1 is MAWC’s response to Staff’s data request 0020. The practices
18 contained in this response are confidential while the policies are not. This schedule shows the
19 level of control MAWC’s affiliated service company exercises over MAWC. What capital
20 structure is supporting MAWC’s rate base is a significant issue in this case. Schedule RES-
21 S-1 shows that it is MAWC’s parent and its affiliate service company who are operating
22 MAWC. **

23 _____** MAWC’s capital structure is created by the

1 employees of its service company affiliate who develop the real AWK capital structure. It is
2 AWK's capital structure that the Commission should use, not MAWC's manipulated book
3 capital structure.

4 **Q. When you were reviewing rebuttal testimony did you see anything else which you feel**
5 **warrants a response?**

6 A. Yes. Ms. Dewey and Mr. LaGrand address OPC's position that no rate increase should be
7 granted and rate case expense should be disallowed or shared.

8 **Q. What is your response to them?**

9 A. They overlook the viewpoint of MAWC's customers on MAWC's rate case and the rate case
10 expenses for which they will be charged.

11 **Q. How do MAWC's customers feel about MAWC's requested rate increase?**

12 A. The public comments in this case are overwhelmingly opposed to the requested rate
13 increase. Schedule RES-S-2 is a copy of the status of public comments in these cases. This
14 schedule shows the recording of approximately 270 public comments with only few
15 supportive of MAWC's efforts to raise its rates. A significant portion of their comments
16 addressed the amount of the increase and its impact on them personally.

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

18 A. Yes