

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

OPC-6

Bad Debt Expense

Trippensee/Surrebuttal

Public Counsel

WR-2007-0216

## **SURREBUTTAL TESTIMONY**

**OF**

**RUSSELL W. TRIPPENSEE**

Submitted on Behalf of the Office of the Public Counsel

**MISSOURI AMERICAN WATER**

**CASE NO. WR-2007-0216**

July 31, 2007

OPC Exhibit No. 6  
Case No(s) WR-2007-0216  
Date 8-14-07 Rptr RF

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American )  
Water Company's request for Authority )  
to Implement a General Rate Increase )  
for Water Service provided in Missouri )  
Service Areas )

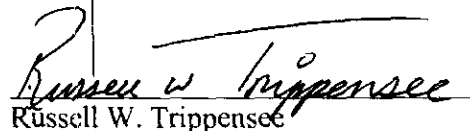
**WR-2007-0216**

**AFFIDAVIT OF RUSSELL W. TRIPPENSEE**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

Russell W. Trippensee, of lawful age and being first duly sworn, deposes and states:

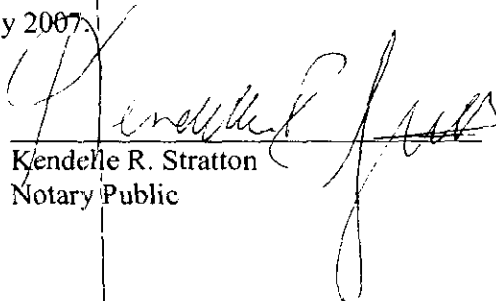
1. My name is Russell W. Trippensee. I am the Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
Russell W. Trippensee

Subscribed and sworn to me this 31st day of July 2007.



KENDELLE R. STRATTON  
My Commission Expires  
February 4, 2011  
Cole County  
Commission #07004782

  
Kendelle R. Stratton  
Notary Public

My commission expires February 4, 2011.

**SURREBUTTAL TESTIMONY**  
**OF**  
**RUSSELL W. TRIPPENSEE**  
**MISSOURI AMERICAN WATER COMPANY**  
**CASE NO. WR-2007-0216**

1   **Q.   PLEASE STATE YOUR NAME AND ADDRESS.**

2   A.   Russell W. Trippensee. I reside at 1020 Satinwood Court, Jefferson City, Missouri 65109, and my  
3       business address is P.O. Box 2230, Jefferson City, Missouri 65102.

4   **Q.   BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5   A.   I am the Chief Utility Accountant for the Missouri Office of the Public Counsel (OPC or Public  
6       Counsel).

7   **Q.   ARE YOU THE SAME RUSSELL W. TRIPPENSEE WHO HAS FILED DIRECT**  
8       **AND REBUTTAL TESTIMONY IN THIS CASE?**

9   A.   Yes.

10   **Q.   WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11   A.   To respond to the rebuttal testimony of Donald J. Petry on behalf of Missouri American Water  
12       Company (MoAm or Company). Specifically, I will respond to comments regarding an alleged trend  
13       in the level of uncollectible revenues, the appropriate time period to analyze, and the differences in  
14       the data period used by Public Counsel and the Company.

15   **Q.   DID MR. PETRY ADDRESS YOUR DIRECT TESTIMONY REGARDING**  
16       **UNCOLLECTIBLES IN HIS REBUTTAL TESTIMONY?**

17   A.   No. Mr. Petry's rebuttal testimony refers only to direct testimony filed by Roberta Grissum on behalf  
18       of the Staff. The updated information on this issue presented in my direct testimony is not addressed  
19       by either the Company or the Staff in their testimony.

1   **Q.   PLEASE EXPLAIN THE SIGNIFICANCE OF THE UPDATED INFORMATION**  
2   **REGARDING UNCOLLECTIBLE COSTS?**

3   A.   I used information based on the five calendar years beginning in 2002 through 2006. The data  
4   referenced in Mr. Petry's testimony is based on annual data ending June 30, 2006. Therefore the  
5   information I have used is more current and therefore reflects the most current trends if any exist.

6   It is also significant in my opinion to recognize the highest level of usage for water companies occurs  
7   during the summer months and that analyzing data for a year ending in June can result in misleading  
8   results. Weather has a significant influence on summer water usage and thus on revenue levels.  
9   Revenues that are not able to be collected are not recognized as being written off for several months  
10   subsequent to the month in which the revenue was generated. Thus fluctuations in revenue levels on  
11   a per customer basis or total company basis can create a distortion in the data. Therefore I believe an  
12   analysis should look at data on a calendar year basis to minimize this potential distortion.

13   **Q.   MR. PETRY ASSERTS THAT BAD DEBTS HAVE INCREASED IN EACH OF**  
14   **THE LAST 3 YEARS. (PETRY REBUTTAL, PAGE 2, LINES 2 - 7) DOES**  
15   **YOUR ANALYSIS AGREE WITH HIS ASSERTION?**

16   A.   No. As seen on Schedule RWT-2 to my direct testimony, the Net Cash Uncollectibles declined in  
17   calendar year 2006 as compared to 2005. This decline occurred while revenues grew by over \$11  
18   Million for the same periods.

19   **Q.   HAS THE PERCENTAGE OF NET CASH UNCOLLECTIBLES AS A PERCENTAGE**  
20   **OF REVENUES BEEN DECLINING FOR THE LAST THREE YEARS?**

21   A.   Yes. This decline can be seen on the last column on Schedule RWT-2.

1 Q. DOES THIS DECLINE SUPPORT THE COMPANY'S PROPOSAL THAT  
2 INCREASED REVENUES WILL RESULT IN INCREASED EXPENSES?

3 A. No, the data indicates that a direct linear relationship between net uncollectible write-offs and  
4 revenues does not exist. The Company's proposal to increase uncollectible expense if this  
5 Commission authorizes a revenue increase is not supported by the data applicable to this Company.

6 Q. IS PUBLIC COUNSEL'S RECOMMENDATION BASED ON A TWO-YEAR  
7 AVERAGE?

8 A. Yes. I explained the rationale for this on page 9, lines 8 - 16 of my direct testimony. While the  
9 Company also used a two-year average, I have used data that is more current and does not have some  
10 of the problems that can result from ending the data period during the middle of high revenue months.  
11 As I pointed out in my testimony, the use of a three-year average would not significantly alter my  
12 recommendation. The insignificant change between a two-year and three-year average indicates that  
13 a trend does not exist.

14 Q. MR. PETRY QUOTED FROM A KANSAS CITY POWER & LIGHT ORDER  
15 REGARDING THE APPROPRIATENESS OF INCREASING UNCOLLECTIBLES IF  
16 A RATE INCREASE OCCURS. DO YOU HAVE A COMMENT ON THIS  
17 ASSERTION?

18 A. Yes. Whether this relationship exists or not should be determined on a company specific basis. I  
19 discussed the lack of a linear relationship between net uncollectible costs and revenues in my direct  
20 testimony. The net uncollectible costs have remained constant over the period 2004 - 2006 despite  
21 and increase in revenues of almost \$20 Million.

1        This lack of change in absolute dollars of net uncollectible costs could result from several factors  
2        including improved economic conditions for customers, more effective collections efforts by the  
3        Company, improved collection data from the Company's new EDIS computer system, or a multitude  
4        of other factors.

5        The other point regarding the case referenced by Mr. Petry is that Kansas City Power & Light is an  
6        electric company that serves a predominantly metropolitan service area. The absolute dollar amount  
7        of an electric bill is normally much higher per customer than a water bill. The economic situations  
8        facing a metropolitan utility company versus a company that serves smaller political subdivisions can  
9        also impact the relative ability of customers to meet increased costs of utility service.

10    Q.    DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

11    A.    Yes.