

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Rate Case Expense/
Credit Card Fee Expense

Conner/Rebuttal

Public Counsel

WR-2020-0344

REBUTTAL TESTIMONY

OF

AMANDA C. CONNER

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 AMANDA C. CONNER

Amanda C. Conner, 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/ Amanda C. Conner
Amanda C. Conner
Utility Regulatory Auditor
Office of the Public Counsel

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REBUTTAL TESTIMONY

OF

AMANDA C CONNER

MISSOURI AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

1 **I. INTRODUCTION**

2 **Q. To whose direct testimony are you responding?**

3 A. I respond to Missouri American Water Company's (MAWC) witness Brian W. LaGrand and
4 Staff's witness Caroline Newkirk's direct testimonies regarding rate case expense, and Staff
5 witnesses Scott J. Glasgow and Kimberly Bolin's direct testimonies on credit card fee
6 expense.

7 **RATE CASE EXPENSE**

8 **Q. On page 38, line 2 of Mr. LaGrand's testimony, he states "rate case expenses are no**
9 **different than other costs". Do you agree with this statement?**

10 A. No, rate case expense is different from other costs because MAWC is in complete control of
11 what they choose to spend on a rate case. Where other expenses are affected by customer
12 usage and needs, and are known and measurable at the time of a rate case, rate case expense,
13 excluding Commission required studies, is used only in the rate case process and is dependent
14 on what MAWC wants to pursue in litigation. Unlike other expenses, there is a direct
15 correlation between the expenses incurred and the benefits realized by shareholders, such as
16 the use of expert cost of capital consultants to argue for higher shareholder returns.

17 **Q. Mr. LaGrand states that the company should not be penalized for supporting its case.**
18 **Do you think that sharing of the rate case is unfair to the company?**

19 A. No. Requiring a company to share in rate case expenses is not a penalty, but is instead an
20 equitable division of an expense that greatly benefits shareholders. The Commission has
21 ordered the sharing of rate case expense in past cases because, though the Company has the

1 burden of proof, it also has more resources than both Staff and OPC in order to put towards
2 the rate case process. While sharing of rate case expense does not level the playing field, it
3 does soften the imbalance in available resources between a large company like MAWC and
4 the more limited resources of the OPC and Staff. OPC and Staff are limited in the money and
5 time they can spend on the rate case process, so if a company chooses to put a lot of changes
6 in their rate case filing, OPC, due to a limited amount of personnel and budget, may not be
7 able to adequately verify and research those issues.

8 **Q. Do you agree with Staff's recommendation of 50/50 sharing?**

9 A. I agree MAWC and ratepayers should share the rate case expense. The reason for OPC's
10 sharing methodology, as explained in my direct testimony, is that it incentivizes the company
11 to request no more than an appropriate amount of rate increase and only when increases are
12 absolutely needed. By linking the Company's revenue request with the amount found just and
13 reasonable by the Commission, the Company actually has the chance to be reimbursed all of
14 its rate case expense. If the initial amount of the requested rate increase is reasonable and the
15 Commission orders that amount, the Company would collect 100% of the rate case expense.

16 **Q. On page 38, lines 20-22, Mr. LaGrand states that the company has no control over the**
17 **issues proposed by other parties in the rate case. Do you agree with this?**

18 A. No, as stated above, if the Company is filing a prudent and reasonable rate increase, the
19 number of issues other parties will raise should be minor since a reasonable requested increase
20 would create less contention to the reasonableness of the request.

21 **Q. Do you agree with the Staff's position that rate case expense should be normalized and**
22 **not amortized?**

23 A. Yes. As Ms. Newkirk states, MAWC consistently files a rate case every three years. MAWC
24 must file a rate case every three years as a requirement if it wishes to continue charging

1 customers an infrastructure system replacement surcharge (ISRS). Rate cases are, therefore,
2 recurring events for MAWC. Thus, an allowance should be created to recognize rate case
3 activity is normal activity, similar to their annual report. There is no reason to amortize rate
4 case expense. Normalization is used for normal events with varying annual amounts over a
5 fixed period of time. Amortization is used for the costs of one-time events not expected to
6 occur again or on a regular basis. Rate cases are no longer separate events occurring on an
7 unforeseen basis. It is known that rate case costs will not be incurred evenly over the years.
8 Thus, a three year average of rate case expense is preferable to normalizing these costs over a
9 fixed time period.

10
11 **CREDIT CARD FEE EXPENSE**

12 **Q. On page 72, lines 13-23, Mr. Glasgow and Ms. Bolin track MAWC performance,**
13 **savings, usage, and communication plans for including credit card fees. Do you agree?**

14 A. Yes. MAWC is seeking to include this fee in rates on the basis that doing so will encourage
15 more customers to use this method to pay their bill by credit card. Although I have opposed
16 including credit card fees in rates in other utility rate cases, I believe that if the Commission
17 does include credit card fees in rates it should do so with the Staff's recommendations. Being
18 able to verify whether subsidizing credit card usage through rates actually induces credit card
19 adoption would be helpful to see if including fees in rates is actually in the best interest of all
20 ratepayers.

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

22 A. Yes, it does.