

EXHIBIT

FILED
March 8, 2012
Data Center
Missouri Public
Service Commission

Exhibit No.: OPC1-NP
Issue(s): Metropolitan Sewer District Contract/
Acquisition/
Rate Base Evaluation/
Rate Making
Witness/Type of Exhibit: Robertson/Direct
Sponsoring Party: Public Counsel
Case No.: WR-2011-0337

**DIRECT TESTIMONY
OF
TED ROBERTSON**

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2011-0337

**

**

Denotes Highly Confidential information that has been redacted

November 17, 2011

DPC Exhibit No. 1-NP **NP**
Date 2-21-12 Reporter JL
File No. WR-2011-0337

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 and Sewer Service Provided in)
Missouri Service Areas.)

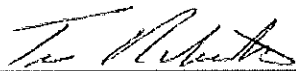
Case No. WR-2011-0337

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct 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.




Ted Robertson, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 17th day of November 2011.



KENDELLE R. SEIDNER
My Commission Expires
February 4, 2015
Cole County
Commission #11004782



Kendelle R. Seidner
Notary Public

My Commission expires February 4, 2015.

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**DIRECT TESTIMONY
OF
TED ROBERTSON**

**MISSOURI AMERICAN WATER COMPANY
CASE NO. WR-2011-0337**

9 I. INTRODUCTION

10 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

11 A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

12
13 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

14 A. I am employed by the Missouri Office of the Public Counsel (OPC or Public
15 Counsel) as the Chief Public Utility Accountant.

16
17 Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

18 A. My duties include all activities associated with the supervision and operation of
19 the regulatory accounting section of the OPC. I am also responsible for
20 performing audits and examinations of the books and records of public utilities
21 operating within the state of Missouri.

22
23 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER
24 QUALIFICATIONS.

25 A. I graduated in May, 1988, from Missouri State University in Springfield, Missouri,
26 with a Bachelor of Science Degree in Accounting. In November of 1988, I

1 passed the Uniform Certified Public Accountant Examination, and I obtained
2 Certified Public Accountant (CPA) certification from the state of Missouri in 1989.
3 My CPA license number is 2004012798.
4

5 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
6 UTILITY ACCOUNTING?

7 A. Yes. In addition to being employed by the Missouri Office of the Public Counsel
8 since July 1990, I have attended the NARUC Annual Regulatory Studies
9 Program at Michigan State University, and I have also participated in numerous
10 training seminars relating to this specific area of accounting study.
11

12 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC
13 SERVICE COMMISSION (COMMISSION OR MPSC)?

14 A. Yes, I have testified on numerous issues before this Commission. Please refer
15 to Schedule TJR-1, attached to this testimony, for a listing of cases in which I
16 have submitted testimony.
17

18 II. PURPOSE OF TESTIMONY

19 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

1 A. The purpose of this Direct Testimony is to address the Public Counsel's position
2 regarding Company's contract with the Metropolitan St. Louis Sewer District
3 (MSD) and the determination of an appropriate rate base valuation and
4 ratemaking treatment associated with Missouri-American Water Company's
5 (MAWC or Company) acquisitions of the Loma Linda Water Company (Loma
6 Linda) in Case No. WO-2011-0015, Aqua Missouri, Inc./Aqua Development, Inc.
7 & Aqua/RU Inc. (Aqua) in WO-2011-0168 and Roark Water and Sewer, Inc.
8 (Roark) in Case No. WO-2011-0213.

9
10 III. METROPOLITAN ST. LOUIS SEWER DISTRICT CONTRACT

11 Q. WHAT IS THE ISSUE?

12 A. Company and Metropolitan St. Louis Sewer District have a contract wherein
13 MSD is charged \$350,000 per year for the provision of Company customer and
14 usage data that Public Counsel believes is not based on actual costs to provide
15 the services.

16
17 Q. IS THIS THE SAME ISSUE ON WHICH PUBLIC COUNSEL PROVIDED
18 TESTIMONY IN COMPANY'S LAST GENERAL RATE INCREASE CASE NO.
19 WR-2010-0131?

20 A. Yes.

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Q. IS PUBLIC COUNSEL'S POSITION ON THIS ISSUE THE SAME AS IT WAS IN
CASE NO. WR-2010-0131?

A. Yes. Public Counsel believes that the annual amount should be based on an
allocation of the fully-distributed, not incremental or negotiated, actual costs
incurred to produce the information.

Q. WHAT IS PUBLIC COUNSEL'S RECOMMENDATION AS TO THE ANNUAL
AMOUNT?

A. Public Counsel recommends that the annual amount reimbursed by MSD should
be increased to \$535,433.

Q. WHAT IS THE BASIS FOR PUBLIC COUNSEL'S RECOMMENDATION?

A. The recommendation is based on the Company response to OPC Data Request
No. 1111 which included a copy of a document (Study) it had prepared and titled
**

** (the same Study
was provided in response to OPC DR No. 1100 in the previous rate case) and
OPC DR No. 1116 which provided St. Louis District customer numbers as of
December 31, 2010.

1
2 On page ** ** of the Study, it identified the total **
3)**. The Study
4 also describes how the Company utilizes all of its customer reads, but MSD does
5 not. MSD requires information from only a portion of the total customer reads;
6 however, since Company and MSD both utilize the portion MSD requires, I
7 believe that the associated cost to produce the information should be allocated
8 evenly between Company and MSD. For example, according to the Study and
9 OPC DR No. 1116, Company's total annual **
10 **. Since Company also
11 utilizes those same ** ** for its own purposes, the costs
12 associated with the ** ** should be split evenly between both Company and
13 MSD. Furthermore, the Study estimated that the total annual **
14 **. Thus, MSD should be required to pay
15 \$535,433 of the total cost to produce the **
16 **. Public Counsel's proposal represents an
17 approximate increase of \$185,433 (i.e., \$535,433 less \$350,000) for the services
18 MSD is provided.
19

1 Q. IS THE COMPANY'S CUSTOMER COST INFORMATION IDENTIFIED IN THE
2 PRIOR Q&A BASED ON THE MOST CURRENT INFORMATION AVAILABLE?

3 A. No. Public Counsel utilized the data in the Study to identify for the Commission
4 how it believes the MSD annual payment should be determined; however, I
5 believe that the appropriate annual amount to charge MSD could be much higher
6 because it is likely Company's cost structure has increased since the ** **
7 data utilized by the Study.

8
9 Q. HAS PUBLIC COUNSEL ATTEMPTED TO OBTAIN CURRENT COST
10 INFORMATION FROM THE COMPANY?

11 A. Yes. Public Counsel sent the Company several interrogatories (OPC DR Nos.
12 1114, 1115, 1116 and 1117) in an attempt to obtain current cost information,
13 but the Company refused to provide the updated information - stating the
14 information was unavailable.

15
16 IV. ACQUISITIONS RATE BASE VALUATION AND RATEMAKING

17 Q. PLEASE DESCRIBE THE LOMA LINDA ACQUISITION.

18 A. On July 15, 2010, Missouri American Water Company filed an application with the
19 Missouri Public Service Commission seeking authority to purchase substantially all
20 the assets, including the certificate of public convenience and necessity of Loma

1 Linda Water Company as set forth in an Asset Purchase Agreement dated April 1,
2 2010. The Commission approved this application, subject to certain conditions, in
3 an *Order Approving Transfer Of Assets* issued in Case WO-2011-0015 on
4 November 3, 2010, with an effective date of November 13, 2010 (source: MAWC
5 2010 Annual Report). The Company filed a pleading on January 21, 2011
6 notifying the Commission that the assets were transferred on January 21, 2011.
7

8 Q. WHAT WAS THE MPSC STAFF'S RECOMMENDATION?

9 A. Per the *Staff Recommendation* filed in the case, the MO PSC Case No. WO-
10 2011-0015 *Official Case File Memorandum*, dated October 13, 2010, states, in
11 part:

12
13 On July 15, 2010, Missouri-American Water Company (MAWC or
14 Company) and Loma Linda Water Company (LLWC), collectively
15 referred to herein as the "Applicants," filed a Joint Application
16 seeking to sell and transfer LLWC's water system assets to
17 MAWC.
18

19 LLWC was certificated by the Commission in Case No. WA-92-
20 187. It has approximately 334 customers and its service area is
21 Loma Linda subdivision near Joplin, Missouri. The water system
22 utilizes two deep wells, high service pumps to maintain system
23 pressure, a standpipe type storage facility, and meters for all
24 customers. The service area is adjacent to MAWC's water system
25 serving its Joplin, Missouri service area which serves approximately
26 24,000 customers utilizing a 22 million gallon per day surface water
27 treatment plant and a series of deep wells. MAWC has stated to
28 the Staff that it intends to interconnect the Loma Linda area to the
29 Joplin system immediately after acquisition is complete.

1
2 STAFF'S INVESTIGATION
3

4 MAWC has agreed to initially adopt the rates that are currently
5 approved for LLWC, however since the involved customers will
6 actually become customers of MAWC's Joplin division in every
7 respect, it is likely that at some point in the future the Commission
8 will be requested to approve MAWC's Joplin rates be applicable to
9 customers in the Loma Linda area. LLWC's current approved rates
10 for residential water service became effective on November 1,
11 1996. The monthly rates are \$5.48 as a customer charge, plus
12 \$2.47 per 1,000 gallons usage, and a monthly water bill for a
13 residential LLWC customer using 5,000 gallons would be \$17.83.
14 MAWC's current approved rates for residential water service in its
15 Joplin division are \$16.84 as a customer charge, plus \$3.8017 per
16 1,000 gallons usage. A MAWC residential customer using 5,000
17 gallons would be \$35.85. There are no compliance issues with
18 respect to water quality for either LLWC or MAWC.
19

20 Staff agrees that MAWC's proposed \$238,427 purchase price is
21 the appropriate amount to reflect on its books and records as of
22 December 31, 2009 for the value of Loma Linda's plant in service,
23 less accumulated depreciation and net contributions in aid of
24 construction (CIAC). However, based on its review of plant
25 records, the Staff recommends the following changes to the
26 property list used to determine the net plant value:
27

28 • The July 2009 plant addition of \$24,949 and associated
29 accumulated depreciation reserve amount of \$727, which were
30 previously recorded as standpipes and reservoirs, should be
31 eliminated. These amounts represent tank painting which should
32 have been recorded as maintenance expense rather than plant in
33 service.
34

35 • A plant amount of \$22,868 and an associated accumulated
36 depreciation reserve amount of \$12,722, previously omitted from
37 the property list, should be included in the buildings account.
38

39 • A plant amount of \$16,300, also previously omitted from the
40 property list, should be included in the land account.
41

1 • Staff recommends a depreciation rate of 1.8% for the additional
2 building, until changed by the Commission in a subsequent rate
3 proceeding, if deemed appropriate.
4
5

6 Q. WHAT WAS THE FINAL PURCHASE PRICE FOR THE LOMA LINDA
7 ACQUISITION?

8 A. Company's Asset Purchase Agreement Section 2.3, attached to the Application in
9 the acquisition case, identified the initial purchase price as ** ** subject to
10 various modifications at closing. However, Company's response to OPC Data
11 Request No. 1126-R6 provided an update which stated that ** ** was
12 the final purchase price.
13

14 Q. WHAT WAS THE NET BOOK VALUE OF THE LOMA LINDA ASSETS
15 PURCHASED?

16 A. Company's response to OPC Data Request No. 1126-R11 identifies the net book
17 value of the water operations at the January 2011 closing date as ** **.
18

19 Q. WAS INVENTORY NOT INCLUDED IN THE ORIGINAL ASSET LISTING
20 SUBSEQUENTLY INCLUDED IN THE PURCHASE?

21 A. Yes. Approximately ** ** of inventory was added and included as an asset
22 purchased. The addition increased the net book value of the assets purchased to
23 approximately ** **.

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Q. DID THE PURCHASE RESULT IN AN ACQUISITION PREMIUM OR DISCOUNT?

A. Yes. According to the Company provided support, the difference in the purchase price and the net book value of the assets purchased resulted in a very small acquisition premium of ** (** purchase price less ** net book value).

Q. WHAT IS AN ACQUISITION PREMIUM?

A. An acquisition premium means that the purchase price was more than the net book value of the assets purchased.

Q. DOES PUBLIC COUNSEL RECOMMEND THAT THE ACQUISITION PREMIUM BE DISALLOWED IN THE VALUATION OF LOMA LINDA'S RATE BASE AND THE DETERMINATION OF RATES IN THE CURRENT CASE?

A. Yes. It is Public Counsel's recommendation that MAWC should not be allowed to earn a return on a valuation of the purchased assets that exceeds the amount of the net book value of the assets purchased.

Q. PLEASE DESCRIBE THE AQUA ACQUISITION.

1 A. On December 13, 2010 Missouri American Water Company filed an application
2 with the Commission seeking authority to purchase substantially all the assets,
3 including the certificate of public convenience and necessity of Aqua Missouri as
4 set forth in an Asset Purchase Agreement dated December 10, 2010 (source:
5 MAWC 2010 Annual Report). The Commission approved the application in its
6 *Order Granting Applications* issued in Case WO-2011-0168 on April 6, 2011, with
7 an effective date of April 16, 2011. The Company filed a pleading on May 18,
8 2011 notifying the Commission that the assets were transferred on May 16, 2011.

9
10 Q. WHAT WAS THE MPSC STAFF'S RECOMMENDATION?

11 A. Per the *Staff Recommendation* filed in the case, the MO PSC Case No. WO-
12 2011-0168 *Official Case File Memorandum*, February 25, 2011, states, in part,

13 On December 13, 2010, Missouri-American Water Company
14 (MAWC or Company) and Aqua Missouri, Inc. (Development),
15 Aqua Missouri, Inc. (RU), Aqua Missouri, Inc. (CU), Aqua
16 Development, Inc., Aqua Missouri, Inc., Aqua/RU, Inc.,
17 AquaSource Development Company, AquaSource/RU, Inc. (Aqua),
18 collectively referred to herein as the "Applicants," filed a Joint
19 Application and if Necessary, Motion for Waiver (Joint Application)
20 seeking to sell and transfer Aqua's water and most of Aqua's sewer
21 system assets to MAWC. This filing created two cases, File No.
22 WO-2011-0168 for the sale of the water assets and SO-2011-0169
23 for the sale of the sewer assets.

24
25 On December 31, 2010, the Applicants filed a Motion to
26 Consolidate requesting that the two files, File No. WO-2011-0168
27 and SO-2011-0169 be consolidated into one file. This request was
28 granted by the Commission on January 12, 2011.
29
30

1 Aqua, in its various forms, owns and operates numerous water and
2 sewer systems throughout Missouri. The water systems include:
3 Lake Carmel in Cole County, Maplewood in Pettis County,
4 Lakewood Manor in Stone County, Lake Taneycomo Acres and
5 Riverside Estates in Taney County, Rankin Acres in Greene
6 County, Spring Valley in Christian County, White Branch in Benton
7 County, and Ozark Mountain, Turkey Mountain, Tommahawk
8 Estates, and Lakeside in Barry & Stone Counties. The sewer
9 systems include: approximately 60 systems in the Cole and
10 Callaway Counties, Maplewood in Pettis County, and Ozark
11 Meadows in Morgan County. Of the systems in Cole County, there
12 are eight near the City of Taos that are not included in this
13 transaction.

14
15 STAFF'S INVESTIGATION

16
17 MAWC has agreed to adopt all of the rates, rules and regulations
18 that are currently approved for Aqua.

19
20 There are a handful of systems that Aqua also owns that serve
21 areas in and around the City of Taos in Cole County, Missouri.
22 These systems are not included in this transfer of assets to MAWC.

23
24 As a result of the proposed asset transfer, Staff notes that the
25 purchase price being paid by MAWC is slightly less than the net
26 book value of the water and sewer utility assets that will be
27 transferred. However, this difference relates to the purchase of
28 plant that is currently under construction and adjustments to the
29 price to reflect a regulatory asset for tank painting and a liability for
30 sludge removal. Therefore, no acquisition adjustment will be
31 recorded. Staff has concluded that the account balances shown in
32 Attachment 1 to this Memorandum should be the account balances
33 used by MAWC to determine the rate base balances for plant,
34 depreciation reserve and contributions in aid of construction,
35 totaling \$3,131,607 as of October 31, 2010.

36
37 Regarding the matter of the depreciation rates to be used for the
38 water and sewer systems, Staff believes that the schedules of
39 depreciation rates set out in Attachment 2 and Attachment 3 to this
40 Memorandum should be prescribed by the Commission and used
41 by MAWC from the date of transfer forward, until changed by order

1 of the Commission. These are depreciation rates presently in effect
2 for various corporate forms of Aqua.
3
4

5 Q. WHAT WAS THE FINAL PURCHASE PRICE FOR THE AQUA MISSOURI
6 ACQUISITION?

7 A. Company's Asset Purchase Agreement, attached as Appendix D to the Application
8 in the acquisition case, identified the initial purchase price as ** **
9 subject to various modifications at closing. Company's response to OPC Data
10 Request Nos. 1109 and 1126-R3 provided updates which stated that
11 ** ** was the final purchase price.
12

13 Q. WHAT WAS THE NET BOOK VALUE OF THE AQUA MISSOURI ASSETS
14 PURCHASED?

15 A. Company's response to OPC Data Request No. 1126-R11 identifies the net book
16 value of the water and sewer operations at the May 2011 closing date as
17 ** **.
18

19 Q. DOES PUBLIC COUNSEL AGREE WITH THE COMPANY'S STATED NET
20 BOOK VALUE?

21 A. No. Company's response to OPC Data Request No. 1126-R11 did not provide a
22 detailed breakdown of the costs as of the closing date; therefore, there appears to

1 be some inconsistency between what was provided in the original application, the
2 response to OPC Data Request No. 1126-R3 (which provided a similar breakdown
3 of the costs at April 30, 2011) and the response to OPC Data Request No. 1126-
4 R11 (which provided an aggregation of costs at the closing date). I believe that
5 some of the difference relates to costs such as additional depreciation and
6 amortization booked just prior to the closing, but there also appears to be
7 inconsistencies relating to the costs associated with the Taos assets sold and
8 assets previously excluded by the MPSC Staff.

9
10 Q. WHAT IS THE NET BOOK VALUE PER OPC'S ANALYSIS?

11 A. Based on my analysis of the information provided, I believe that the net book value
12 approximates ** **. However, that amount needs to be updated for
13 additional depreciation and amortization costs, and potentially other costs, for the
14 period April 30, 2011 through the May 16, 2011 closing date.

15
16 Q. BASED ON YOUR ANALYSIS DID THE PURCHASE RESULT IN AN
17 ACQUISITION PREMIUM OR DISCOUNT?

18 A. Yes. According to the Company provided support, the difference in the purchase
19 price and the net book value of the assets resulted in a acquisition discount of

1 approximately ******()****** (****** **** purchase price less ****** ******
2 net book value).**

3
4 Q. WHAT IS AN ACQUISITION DISCOUNT?

5 A. An acquisition discount means that the purchase price was less than the net book
6 value of the assets purchased.

7
8 Q. HAVE YOU SENT ADDITIONAL DATA REQUESTS TO THE COMPANY IN
9 ORDER TO RECONCILE THE COST DIFFERENCES?

10 A. Yes. I have not yet received the responses to those data requests, but will update
11 the Commission in later testimony once Company has reconciled the differences
12 with the cost support it has already provided.

13
14 Q. DOES PUBLIC COUNSEL RECOMMEND THAT THE ASSET PURCHASE
15 PRICE, RATHER THAN THE SELLER'S BOOKED ASSET AMOUNTS, SHOULD
16 BE UTILIZED TO VALUE THE RATE BASE OF THE AQUA MISSOURI
17 ACQUISITIONS IN THE DETERMINATION OF RATES FOR THE CURRENT
18 CASE?

19 A. Yes. It is Public Counsel's recommendation that the Company be allowed to earn
20 a return on a rate base valuation that matches the consideration paid for the

1 assets purchased. It should not be allowed to earn a return on asset values that
2 exceed their purchase cost.

3
4 Q. PLEASE DESCRIBE THE ROARK ACQUISITION.

5 A. On December 31, 2010 Missouri American Water Company filed an application
6 with the Commission seeking authority to purchase substantially all the assets,
7 including the certificate of public convenience and necessity of Roark Water and
8 Sewer, Inc. as set forth in an Asset Purchase Agreement dated December 20,
9 2010 (source: MAWC 2010 Annual Report). The Commission approved the
10 application in its *Order Granting Applications To Transfer Assets, Approving*
11 *Stipulation And Agreement, And Granting Waiver* issued in Case WO-2011-0213,
12 et al., on April 27, 2011, with an effective date of May 7, 2011. The Company filed
13 a pleading on August 2, 2011 notifying the Commission that the assets were
14 transferred on July 29, 2011.

15
16 Q. WHAT WAS THE MPSC STAFF'S RECOMMENDATION?

17 A. Per the *Staff Recommendation* filed in the case, the MO PSC Case No. WO-
18 2011-0213 *Official Case File Memorandum*, March 7, 2011, states, in part,

19
20
21 On December 31, 2010, Missouri-American Water Company
22 (MAWC or Company) and Roark Water and Sewer, Inc. (Roark)
23 filed a Joint Application and, if Necessary, Motion for Waiver (Joint

1 Application) seeking to sell and transfer Roark's water and sewer
2 utility assets to MAWC. Hereafter, MAWC and Roark will
3 collectively be referred to as the Applicants. This filing created two
4 cases, Case No. WO-2011-0213 related to the water assets, and
5 Case No. SO-2011-0214 related to the sewer assets.
6

7 On January 6, 2011, MAWC and Roark filed a Motion to
8 Consolidate in which it requested consolidation of the above two
9 noted cases, which the Commission did on January 28, 2011 in its
10 Order Consolidating Cases.
11

12 STAFF'S INVESTIGATION

13
14 MAWC and Roark have entered into an "Asset Purchase
15 Agreement" dated December 20, 2010 (Agreement). MAWC
16 proposes to adopt existing rates, rules and regulations, by filing
17 tariff adoption notices that are currently in effect for Roark, until
18 such time as the rates may be modified as approved by the
19 Commission. However, MAWC proposes one new change to the
20 tariffs as noted in paragraph 10 of the Joint Application. MAWC
21 intends to file revised tariff sheets as part of this proceeding.
22 Although these revised tariff sheets will retain the existing approved
23 monthly rates of Roark and some existing CIAC charges, they will
24 authorize a new connection fee (contribution-in-aid-of-construction
25 fee, or CIAC) for water and sewer totaling a combined \$2,450 for
26 new customers in certain portions of Roark's existing service area.
27 In this area, known as Forest Lake subdivision, Roark presently
28 has "rate base" in water distribution and sewer collection plant
29 facilities. These fees will be collected by MAWC for a maximum of
30 300 customers, and will expire 20 years after approval of the
31 transfer by the Commission. The funds collected by MAWC under
32 this tariff will immediately be remitted to Roark under the terms of
33 the Agreement for the purpose of reimbursing Roark for its plant
34 investment. MAWC will treat the maximum amount of possible
35 remittances to Roark of \$735,000 as a contribution by Roark, and
36 thus there could potentially be a reduction in rate base that will
37 benefit customers.
38

39 Based upon a review of information received from MAWC and
40 information from Roark's most recent rate case, WR-2005-0154,
41 Staff's determination of the current appropriate amount of rate base

1 (net plant in service, less accumulated contributions in aid of
2 construction) for Roark is as follows:
3

4	Water	Sewer	Total
5	\$1,109,070	\$2,172,106	\$3,281,176

6
7 These amounts were derived by using Staff's ending net rate base
8 value for Roark's plant in service in its last rate case, and then
9 accounting for all plant additions, retirements, net salvage and
10 contributions Roark has experienced since that rate proceeding
11 through December 31, 2010.
12
13

14 Q. WHAT WAS THE FINAL PURCHASE PRICE FOR THE ROARK ACQUISITION?

15 A. Company's Asset Purchase Agreement Section 2.3, attached to the Application in
16 the acquisition case, identified the consideration paid as ** **; however,
17 Company's response to OPC Data Request No. 1126-R9 provided an update
18 which stated that the final purchase price was reduced to ** **.

19
20 Q. WHAT WAS THE NET BOOK VALUE OF THE ROARK ASSETS PURCHASED?

21 A. Company's response to OPC Data Request No. 1126-R7 & R11 identifies the net
22 book value of the water and sewer operations, at the July 2011 closing date, as
23 ** ** and ** **, respectively. Thus, the total net book value,
24 as identified by the Company, was ** **.

25

1 Q. DID THE PURCHASE RESULT IN AN ACQUISITION PREMIUM OR
2 DISCOUNT?

3 A. Yes. According to the Company provided support, the difference in the purchase
4 price and the net book value of the assets resulted in a acquisition discount of
5 approximately ** (** (** purchase price less ** (**
6 net book value).

7
8 Q. DOES PUBLIC COUNSEL RECOMMEND THAT THE ASSET PURCHASE
9 PRICE, RATHER THAN THE SELLER'S BOOKED ASSET AMOUNTS, SHOULD
10 BE UTILIZED TO VALUE THE RATE BASE OF THE ROARK ACQUISITION IN
11 THE DETERMINATION OF RATES FOR THE CURRENT CASE?

12 A. Yes. It is Public Counsel's belief that MAWC should not be allowed to earn a
13 return on the purchased assets that exceeds the amount of the purchase price.

14
15 Q. IS PUBLIC COUNSEL RECOMMENDING DISALLOWANCE OF ANY
16 ADDITIONS OR RETIREMENTS TO PLANT ASSETS FOR ANY OF THE
17 ACQUISITIONS SUBSEQUENT TO THE CLOSING DATE OF THE PURCHASE?

18 A. Not at this time. The recommendations discussed in my testimony is directed
19 solely at the valuation of the assets acquired as of the closing date of each
20 acquisition.

1

2 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

3 A. Yes, it does.

**CASE PARTICIPATION
OF
TED ROBERTSON**

<u>Company Name</u>	<u>Case No.</u>
Missouri Public Service Company	GR-90-198
United Telephone Company of Missouri	TR-90-273
Choctaw Telephone Company	TR-91-86
Missouri Cities Water Company	WR-91-172
United Cities Gas Company	GR-91-249
St. Louis County Water Company	WR-91-361
Missouri Cities Water Company	WR-92-207
Imperial Utility Corporation	SR-92-290
Expanded Calling Scopes	TO-92-306
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Southwestern Bell Telephone Company	TO-93-192
Missouri-American Water Company	WR-93-212
Southwestern Bell Telephone Company	TC-93-224
Imperial Utility Corporation	SR-94-16
St. Joseph Light & Power Company	ER-94-163
Raytown Water Company	WR-94-211
Capital City Water Company	WR-94-297
Raytown Water Company	WR-94-300
St. Louis County Water Company	WR-95-145
United Cities Gas Company	GR-95-160
Missouri-American Water Company	WR-95-205
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427
Missouri Gas Energy	GR-96-285
Union Electric Company	EO-96-14
Union Electric Company	EM-96-149
Missouri-American Water Company	WR-97-237
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
United Water Missouri Inc.	WR-99-326
Laclede Gas Company	GR-99-315
Missouri Gas Energy	GO-99-258
Missouri-American Water Company	WM-2000-222
Atmos Energy Corporation	WM-2000-312
UtiliCorp/St. Joseph Merger	EM-2000-292
UtiliCorp/Empire Merger	EM-2000-369
Union Electric Company	GR-2000-512
St. Louis County Water Company	WR-2000-844
Missouri Gas Energy	GR-2001-292
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company	EC-2002-1
Empire District Electric Company	ER-2002-424

**CASE PARTICIPATION
OF
TED ROBERTSON**

<u>Company Name</u>	<u>Case No.</u>
Missouri Gas Energy	GM-2003-0238
Aquila Inc.	EF-2003-0465
Aquila Inc.	ER-2004-0034
Empire District Electric Company	ER-2004-0570
Aquila Inc.	EO-2005-0156
Aquila, Inc.	ER-2005-0436
Hickory Hills Water & Sewer Company	WR-2006-0250
Empire District Electric Company	ER-2006-0315
Central Jefferson County Utilities	WC-2007-0038
Missouri Gas Energy	GR-2006-0422
Central Jefferson County Utilities	SO-2007-0071
Aquila, Inc.	ER-2007-0004
Laclede Gas Company	GR-2007-0208
Kansas City Power & Light Company	ER-2007-0291
Missouri Gas Utility, Inc.	GR-2008-0060
Empire District Electric Company	ER-2008-0093
Missouri Gas Energy	GU-2007-0480
Stoddard County Sewer Company	SO-2008-0289
Missouri-American Water Company	WR-2008-0311
Union Electric Company	ER-2008-0318
Aquila, Inc., d/b/a KCPL Gmoc	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0131
Kansas City Power & Light Company	ER-2010-0355
Kansas City Power & Light Company	ER-2010-0356
Timber Creek Sewer Company	SR-2010-0320
Empire District Electric Company	ER-2011-0004
Union Electric Company, d/b/a AmerenUE	ER-2011-0028
Missouri-American Water Company	WR-2011-0337