

Exhibit No.:  
Issues: Accounting Adjustments (Rate Base),  
Pension/OPEB Trackers, Income  
Statement Adjustments, Waste  
Disposal, Main Break Expense, Tank  
Painting Costs  
Witness: Jeanne M. Tinsley  
Exhibit Type: Direct  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2011-0337  
SR-2011-0338  
Date: June 30, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2011-0337  
CASE NO. SR-2011-0038**

**DIRECT TESTIMONY**

**OF**

**JEANNE M. TINSLEY**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

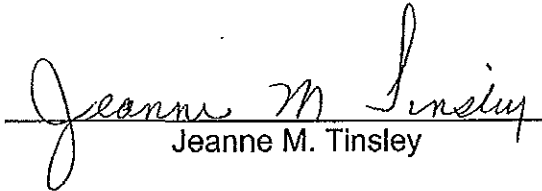
*MAWC Exhibit No. 29*  
*Date 2-21-12 Reporter JL*  
*File No. WR-2011-0337*

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

IN THE MATTER OF MISSOURI-AMERICAN ) WATER COMPANY FOR AUTHORITY TO ) FILE TARIFFS REFLECTING INCREASED ) RATES FOR WATER AND SEWER ) SERVICE )	CASE NO. WR-2011-XXXX CASE NO. SR-2011-XXXX
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AFFIDAVIT OF JEANNE M. TINSLEY

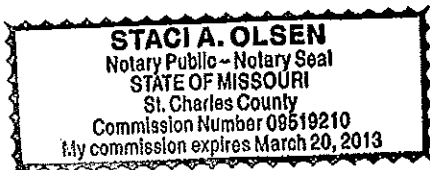
Jeanne M. Tinsley, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Jeanne M. Tinsley"; that said testimony was prepared by her and/or under her direction and supervision; that if inquiries were made as to the facts in said testimony, she would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of her knowledge.

  
Jeanne M. Tinsley

State of Missouri  
County of St. Louis  
SUBSCRIBED and sworn to  
Before me this 04<sup>th</sup> day of June 2011.

  
Notary Public

My commission expires:



**DIRECT TESTIMONY  
JEANNE M. TINSLEY  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR-2011-0337  
SR-2011-0338**

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**DIRECT TESTIMONY**

**Jeanne M. Tinsley**

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**I. WITNESS INTRODUCTION**

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

A. My name is Jeanne M. Tinsley, and my business address is 727 Craig Road, St. Louis, Missouri 63141.

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

A. I am employed by American Water Works Service Company, Inc. ("Service Company") as a Financial Analyst III in Finance. The Service Company is a subsidiary of American Water Works Company, Inc. ("American Water") that provides support services to American Water's water utility subsidiaries.

**Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND?**

A. I graduated from Maryville University, St. Louis with a Bachelor of Science Degree in Accountancy and a Masters Degree in Business Administration.

**Q. PLEASE ELABORATE UPON YOUR DUTIES AS A FINANCIAL ANALYST III.**

A. My responsibilities as a Financial Analyst III involve providing the following services to American Water's water utility subsidiaries in the Western

1 Division, including Missouri-American Water Company ("MAWC" or  
2 "Company"):

- 3 1) Monthly financial close packages and variance analysis reporting  
4 based on required Financial Statement variance thresholds;
- 5 2) Preparation of Annual Business Plan and Operating Budget with  
6 supporting financial models and documentation;
- 7 3) Forecasting and various Ad Hoc analysis as requested from State  
8 President and Director of Finance;
- 9 4) Preparing and presenting rate increase applications and supporting  
10 documents and exhibits in conformance with management policies,  
11 guidelines and regulatory commission requirements; and,
- 12 5) Preparation of Data Request responses.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A. The purpose of my testimony is to support and explain certain pro forma  
16 accounting adjustments to pro forma Rate Base and to the statement of  
17 income.

18

19 **II. ACCOUNTING ADJUSTMENTS**

20 **(1) RATE BASE**

21 **Q. WHAT SCHEDULES WILL YOU BE DISCUSSING?**

22 A. I will be discussing and providing support for certain aspects of Schedules  
23 CAS-1, and CAS-3, which are sponsored by Company Witness Williams.

24

1 Q. WHICH COMPONENTS OF RATE BASE WILL YOU BE SUPPORTING?

2 A. I will be supporting Pension Liability, Other Post Employment Benefits  
3 ("OPEB") Contributed, and the corresponding Pension and OPEB  
4 Trackers.

5

6 Q. PLEASE DISCUSS THE CALCULATION OF EACH OF THE ABOVE  
7 MENTIONED RATE BASE COMPONENTS.

8 A. The Company's rate base is shown on CAS-3 for each district and  
9 includes the actual December 31, 2010 balance for Pension Liability,  
10 OPEB Contributed to External Funds and Pension/OPEB Trackers.

11 The Pension Liability reflects the amount of pensions accrued, and  
12 reduced for any payments.

13 The other post-employment benefits contributed to external funds included  
14 permanent investment recognized by the Commission in Case No. WR-  
15 95-205. Also included is investment for additional contributed OPEB as of  
16 December 31, 2010, updated with amortizations through December 31,  
17 2011.

18 The Pension and OPEB Trackers reflect the difference in the level of cost  
19 recovered in rates and the actual cost indicated by the Company's  
20 actuarial reports, offset by the monthly amortization of prior rate case  
21 tracker balances.

22

23

### III. PENSION/OPEB TRACKERS

1 Q. YOU MENTIONED PENSION/OPEB TRACKERS IN YOUR TESTIMONY.  
2 ALSO, IN THE STIPULATION IN THE LAST RATE CASE, THE COMPANY  
3 AGREED TO CONTINUE TO TRACK PENSION AND OPEB COSTS FOR  
4 THE DIFFERENCE BETWEEN THE LEVEL OF COST RECOVERY IN  
5 RATES AND THE LEVEL INDICATED BY THE COMPANY'S ACTUARIAL  
6 REPORTS. WOULD YOU DESCRIBE IN MORE DETAIL HOW THESE  
7 TRACKERS WORK?

8 A. Yes. As the result of a stipulation in Commission Case No. WR-2007-0216,  
9 the Company agreed to track actual pension and OPEB cost in comparison to  
10 the levels included in rates. The concept behind the establishment of tracking  
11 mechanisms for pension and OPEB is to protect customers and the Company  
12 from the wide variations that can exist in expected costs at the time rates are  
13 set from what actually occurs beyond that point in time. Pension and OPEB  
14 costs are largely dependent upon market conditions and, especially in recent  
15 years, the market has experienced great volatility. Therefore, a base level of  
16 pension and OPEB expense has been established in the Company's rate  
17 proceeding. Actual costs above or below that base level are recorded  
18 monthly on the Company's books. Both excess recoveries and shortages can  
19 and have occurred. At the time of the next rate case, the cumulative excess  
20 or shortage is included in rate base and amortized over a period of five years.

21  
22 Q. ARE YOU PROPOSING ANY CHANGE TO THE TRACKER MECHANISM  
23 IN THIS PROCEEDING?

1 A. Yes. When the pension and OPEB trackers were first established, it was the  
2 Company's understanding that the mechanisms applied only to Missouri  
3 direct employees. However, pension and OPEB costs that are incurred for  
4 Service Company employees and billed through the MAWC management  
5 service agreement are subject to the same volatility as MAWC direct  
6 employees. Accordingly, MAWC is proposing that the pension and OPEB  
7 costs for these Service Company employees be included in the trackers in  
8 order to provide the same level of protection to customers and the Company  
9 from volatile market conditions.

10

11 **Q. HAVE YOU PROPOSED AN ADJUSTMENT IN THIS CASE TO INCLUDE**  
12 **SERVICE COMPANY PENSION AND OPEB IN THE TRACKER**  
13 **MECHANISM?**

14 A. No. The Company's proposal is to include the pro forma Service Company  
15 pension expense and OPEB expense as part of the baseline in the tracker  
16 establishment in this case. We have not proposed that an adjustment be  
17 made to reflect inclusion of the Service Company in past tracker calculations.

18

19 **IV. INCOME STATEMENT ADJUSTMENTS**

20 **Q. WHAT SCHEDULE WILL YOU BE DISCUSSING?**

21 A. I will be discussing certain aspects of Schedule CAS-14, which is sponsored  
22 by Company Witness Williams. Specific operating and maintenance  
23 accounting adjustments that I will sponsor are Waste Disposal, Main Break  
24 Expense, and Tank Painting Costs.



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**V. WASTE DISPOSAL**

**Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO WASTE DISPOSAL.**

A. The purpose of this adjustment is to annualize the Company's expense related to waste disposal. The Company is proposing a decrease of test year Waste Disposal costs in the amount of \$153,809. The details of this adjustment can be found at Schedule CAS-14, page 9.

**VI. MAIN BREAK EXPENSE**

**Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES RELATED TO MAIN BREAK EXPENSE FOR THE ST. LOUIS DISTRICT.**

A. The purpose of this adjustment is to annualize main break expense to a normalized, pro forma level based on a review of historical main breaks and the cost to repair the breaks. The Company is proposing a decrease of test year main break expense for the St. Louis District in the amount of \$48,685. The Company is proposing an increase in main break incidents in the test year from 865 to 1,077, but the unit cost for repairing main breaks has decreased. Actual test year repair cost per main break that required street repair was \$3,014. The Company is proposing a decrease in paving cost per break that requires street repair to \$2,376. The details of this adjustment can be found on Schedule CAS-14, page 13.

**VII. TANK PAINTING COSTS**

1 Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES  
2 RELATED TO TANK PAINTING COSTS.

3 A. The Company is proposing a pro forma level of tank painting costs in the  
4 amount of approximately \$1,600,000. As reflected on CAS – 14, page 18,  
5 this amount is the level of tank painting that began in 2009 and is  
6 projected to take place on an annual basis. Contracts are in the process  
7 of being developed and awarded for 2011 tank painting and should  
8 approximate this pro forma amount. Company witness Greg Weeks is  
9 presenting testimony in this proceeding that provides greater detail  
10 regarding tank painting costs. The Company's request to increase the  
11 baseline of tank painting costs in rates to \$1,600,000 represents a  
12 \$600,000 increase over the current level of cost and is commensurate with  
13 the ongoing level of tank painting expense. The Company is currently  
14 recording a Tank Painting Deferral to reflect an annual level of expense in  
15 the amount of \$1,000,000. The Company proposes to begin recording  
16 this increased tracker effective with the issuance of a Commission Order  
17 in this proceeding which would include \$1,600,000 of expense in the  
18 revenue requirement. The Tank Painting Deferral is a form of accounting  
19 treatment that allows direct auditing of tank painting expense in  
20 comparison to what is embedded in rates. Amounts actually incurred  
21 above or below the level of what exists in rates can be easily identified for  
22 possible special treatment in the Company's next rate case.

23

24 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

1 A. Yes it does.