

**Exhibit No.:** \_\_\_\_\_  
**Issue(s):** Hickory Hills Amortization/  
Woodland Manor Amortization/  
Arnold Pipeline Amortization/  
Lobbying Expense/  
Charitable Contributions  
**Witness/Type of Exhibit:** Roth/Direct  
**Sponsoring Party:** Public Counsel  
**Case No.:** WR-2017-0285

**DIRECT TESTIMONY**

**OF**

**KERI ROTH**

Submitted on Behalf of the Office of the Public Counsel

**MISSOURI-AMERICAN WATER COMPANY**

CASE NO. WR-2017-0285

November 30, 2017

**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 Increase for Water and Sewer         )  
Service Provided in Missouri Service Areas.         )            Case No. WR-2017-0285

**AFFIDAVIT OF KERI ROTH**

STATE OF MISSOURI    )  
                                  )    ss  
COUNTY OF COLE     )

Keri Roth, of lawful age and being first duly sworn, deposes and states:


1. My name is Keri Roth. I am a Public Utility Accountant III 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.

  
Keri Roth  
Public Utility Accountant III

Subscribed and sworn to me this 30<sup>th</sup> day of November 2017.



JERENE A. BUCKMAN  
My Commission Expires  
August 23, 2021  
Cole County  
Commission #13764037

  
Jerene A. Buckman  
Notary Public

My Commission expires August 23, 2021.

## TABLE OF CONTENTS

| <b>Testimony</b>             | <b>Page</b> |
|------------------------------|-------------|
| Introduction                 | 1           |
| Hickory Hills Amortization   | 2           |
| Woodland Manor Amortization  | 3           |
| Arnold Pipeline Amortization | 3           |
| Lobbying Expense             | 4           |
| Charitable Contributions     | 4           |

**DIRECT TESTIMONY**  
**OF**  
**KERI ROTH**  
**MISSOURI AMERICAN WATER COMPANY**  
**CASE NO. WR-2017-0285**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility  
6 Accountant III.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the OPC.

9 **Q. What is the nature of your duties at the OPC?**

10 A. My duties include performing audits and examinations of the books and records of public  
11 utilities operating within the state of Missouri. I specialize in the area of auditing water and  
12 sewer utility companies, but I have performed audits in electric and gas cases as well. I have  
13 performed audits or accounting analysis in acquisition cases, complaint cases, and rate cases.

14 **Q. Please describe your educational background.**

15 A. I graduated in May 2011 from Lincoln University in Jefferson City with a Bachelor of Science  
16 Degree in Accounting.

17 **Q. Have you received specialized training related to public utility accounting?**

1 A. Yes. In addition to being employed by the OPC since September 2012, I have also attended  
2 the NARUC Utility Rate School held by Michigan State University.

3 **Q. Have you previously filed testimony before the Missouri Public Service Commission**  
4 **(“Commission” or “PSC”)?**

5 A. Yes. Please refer to Schedule KNR-1, attached to this testimony, for a listing of cases in  
6 which I have submitted testimony.

7 **Q. What is the purpose of your direct testimony?**

8 A. The purpose of my direct testimony is to sponsor and present OPC’s position regarding  
9 Missouri American Water Company’s (“MAWC” or “Company”) Hickory Hills  
10 amortization, the Woodland Manor amortization, the Arnold pipeline amortization, lobbying  
11 expense, and charitable contributions.

12 **II. HICKORY HILLS AMORTIZATION**

13 **Q. Please describe the amortization associated with Hickory Hills.**

14 A. In case WA-2016-0019, the Commission authorized MAWC to record a regulatory asset for  
15 an amount paid to the previous receiver of Hickory Hills for outstanding receivership fees and  
16 a personal loan to Hickory Hills by the receiver. The regulatory asset would be amortized  
17 over a five-year period and begin the first month following the effective date of the Order in  
18 the case. The Commission Order became effective November 14, 2015.

19 **Q. What is the amount of the regulatory asset being amortized over a five-year period?**

20 A. As indicated in response to OPC data request 1105, the total amount being amortized is  
21 \$41,098 split evenly between water and sewer.

22 **Q. What is the balance of the regulatory asset as of June 30, 2017?**

1 A. The balance of the regulatory asset as of June 30, 2017 is \$28,768 split evenly between water  
2 and sewer.

3 **III. WOODLAND MANOR AMORTIZATION**

4 **Q. Please describe the amortization associated with Woodland Manor.**

5 A. In case WM-2016-0169, the Commission authorized MAWC to defer transition costs, up to  
6 a maximum of \$40,000. The deferred costs will be amortized over a five-year period.

7 **Q. Has the amortization for Woodland Manor begun?**

8 A. No. The Commission *Order Approving Stipulation and Agreement* states the amortization  
9 will begin the first month following the end of services described in the agreement between  
10 the previous owner and MAWC or two years after the date of closing on the assets which  
11 occurred on June 21, 2016, whichever occurs first.

12 **Q. How much transition costs has been deferred as of July 31, 2017?**

13 A. MAWC has recorded \$26,000 in transition costs as of July 31, 2017, as indicated in response  
14 to OPC data request 1106.

15 **Q. Does MAWC expect to record the maximum amount of deferred transition costs?**

16 A. Yes. This has been indicated in response to OPC data request 1110.

17 **IV. ARNOLD PIPELINE AMORTIZATION**

18 **Q. Please describe the amortization associated with the wastewater system in Arnold,  
19 Missouri.**

20 A. The amortization is associated with capital projects to be funded by the City of Arnold through  
21 an agreement with the Metropolitan St. Louis Sewer District (“MSD”) prior to MAWC

1 acquiring the sewer system. Through the acquisition in case numbered SA-2015-0150,  
2 MAWC assumed responsibility of the agreement.

3 **Q. What is the amount being amortized?**

4 A. In response to OPC data request 1114, MAWC stated, “The balance being amortized is  
5 \$15,442,963.” MAWC further explained the balance is to be amortized over 208 months.  
6 The amortization started in June 2015 and will be fully amortized by September 2032.

7 **Q. What is the remaining balance to be amortized as of June 30, 2017?**

8 A. OPC has calculated the remaining balance to be amortized as of June 30, 2017 at \$13,562,337.

9 **V. LOBBYING EXPENSE**

10 **Q. What adjustments is OPC proposing for MAWC’s lobbying expense?**

11 A. OPC proposes to remove all expenses related to lobbying, leaving the annualized level of  
12 lobbying expense at zero dollars. OPC also proposes to remove any payroll dollars associated  
13 with lobbying performed by managers and others engaged in advocacy.

14 **Q. What is the reason for OPC’s adjustment?**

15 A. Expenses related to lobbying activities generally occur to promote shareholder interests rather  
16 than customer interests, and therefore, should not be the responsibility of rate payers.

17 **VI. CHARITABLE CONTRIBUTIONS**

18 **Q. What adjustments is OPC proposing for MAWC’s charitable contributions?**

19 A. OPC proposes to remove all expenses related to charitable contributions, leaving the  
20 annualized level of charitable contributions at zero dollars.

1 **Q. What is the reason for OPC's adjustment?**

2 A. Charitable contributions do not provide customers any benefit related to their utility service.  
3 Charitable contributions are not required in order to provide customers safe and adequate  
4 service. These contributions only help to strengthen the company's image within the  
5 community. The customers did not agree to donate to the specific charities; therefore,  
6 including these expenses in the cost of service would be an involuntary contribution on the  
7 customer's behalf and so should be removed from the company's rates.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.



**CASE PARTICIPATION  
OF  
KERI ROTH**

| <b><u>Company Name</u></b>                    | <b><u>Case No.</u></b>    |
|---|---------------------------|
| Empire District Electric Company              | ER-2012-0345              |
| Emerald Pointe Utility Company                | SR-2013-0016              |
| Lake Region Water & Sewer Company             | WR-2013-0461              |
| Summit Natural Gas of Missouri, Inc.          | GR-2014-0086              |
| Hickory Hills Water & Sewer Company, Inc.     | WR-2014-0167/SR-2014-0166 |
| Empire District Electric Company              | ER-2014-0351              |
| Laclede Gas Company                           | GO-2015-0178              |
| Missouri Gas Energy                           | GO-2015-0179              |
| Missouri American Water Company               | WR-2015-0301              |
| Empire District Electric Company              | ER-2016-0023              |
| Hillcrest Utility Operating Company, Inc.     | WR-2016-0064              |
| Raccoon Creek Utility Operating Company, Inc. | SR-2016-0202              |
| Moore Bend Water Utility, LLC                 | WC-2016-0252              |
| Terre Du Lac Utilities Corporation            | WR-2017-0110              |
| Indian Hills Utility Operating Company, Inc.  | WR-2017-0259              |