

*Exhibit No.:*  
*Issue(s):* *Cash Working Capital*  
*Postage Expense,*  
*Lobbying Expense,*  
*Dues & Donations*  
*Witness:* *Courtney Barron*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No.:* *WR-2020-0344*  
*Date Testimony Prepared:* *February 9, 2021*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**COURTNEY BARRON**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2020-0344**

*Jefferson City, Missouri*  
*February 2021*

**TABLE OF CONTENTS OF  
SURREBUTTAL TESTIMONY  
OF  
COURTNEY BARRON  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR-2020-0344**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10

CASH WORKING CAPITAL .....1  
POSTAGE EXPENSE.....3  
LOBBYING EXPENSE .....4  
DUES & DONATIONS .....4

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **COURTNEY BARRON**

4 **MISSOURI-AMERICAN WATER COMPANY**

5 **CASE NO. WR-2020-0344**

6 Q. Please state your name and business address.

7 A. Courtney Barron, 200 Madison Street, Jefferson City, Missouri 65101.

8 Q. Are you the same Courtney Barron that previously sponsored sections of Staff's  
9 Revenue Requirement- Cost of Service Report filed on November 24, 2020 and rebuttal  
10 testimony filed on January 15, 2021 in this rate case?

11 A. Yes.

12 Q. What is the purpose of your surrebuttal testimony in this proceeding?

13 A. In this testimony, I will respond to Missouri-American Water Company's  
14 ("MAWC" or "Company") witness Brian W. LaGrand's rebuttal testimony and Office of the  
15 Public Counsel's ("OPC") witness John S. Riley's rebuttal testimony that addressed cash  
16 working capital ("CWC"). I will respond to MAWC witness Todd P. Wright's rebuttal  
17 testimony that addressed postage expense. I will also respond to MAWC witness  
18 Nikole L. Bowen's rebuttal testimony that addressed lobbying expense. Lastly, I am adopting  
19 Staff witness Jane C. Dhority's surrebuttal testimony for dues and donations as my own.

20 **CASH WORKING CAPITAL**

21 Q. Has Company witness Brian W. LaGrand's rebuttal testimony, pages 19 - 21,  
22 lines 6 - 14, changed Staff's opinion on the expense lag calculation for the Service Company?

Surrebuttal Testimony of  
Courtney Barron

1           A.     No. As stated on pages 37-38 of Staff's Cost of Service Report, Staff has taken  
2 issue with the American Water Works Service Company ("Service Company" or "AWWSC")  
3 requiring pre-payment from MAWC of invoices paid to the Service Company since  
4 Case No. WR-2003-0500. Affiliates of MAWC should not receive preferential treatment.  
5 Rather, the affiliate should be treated like other third-party vendors who supply services to the  
6 utility. Therefore, Staff has assigned a 75.37 day expense lag for AWWSC allocations that is  
7 consistent with MAWC's payment habits for the vast majority of the goods and services that it  
8 receives from its third-party vendors.

9           Q.     Has Company witness Mr. LaGrand's rebuttal testimony changed Staff's  
10 opinion on excluding expense categories such as maintenance, building maintenance, and  
11 transportation from Staff's CWC workpaper?

12          A.     No. Staff still believes those items are not material enough to warrant their own  
13 expense categories and lags.

14          Q.     Does Staff have any corrections to CWC?

15          A.     Yes. MAWC witness LaGrand stated in his rebuttal testimony on page 21,  
16 lines 7 through 13 that Staff inadvertently netted Pension and OPEB costs together.  
17 Mr. LaGrand suggested that this is incorrect treatment since the OPEB costs are negative,  
18 as it is currently over-funded, so there is no lag to consider. Staff agrees with Mr. LaGrand's  
19 rebuttal testimony regarding the OPEB and pension costs and has corrected this in its current  
20 revenue requirement.

21          Q.     Has OPC's witness Riley's rebuttal testimony changed Staff's opinion on the  
22 expense lag calculation for income tax?

1           A.     Not at this time. Staff is still including income tax payment amounts in its  
2 cash working capital analysis until Staff can review MAWC's responses to certain outstanding  
3 data requests (DR).

4     **POSTAGE EXPENSE**

5           Q.     What is MAWC's position regarding postage expense?

6           A.     MAWC witness Wright's rebuttal testimony on page 8 through 10, lines 3 – 19,  
7 states that MAWC is in the process of converting its St. Louis County customers from quarterly  
8 billing to monthly billing and from annual to monthly. Thus, as those customers are converted  
9 to monthly billing, their mailings in most cases go from one or four per year to 12 per year.  
10 There were approximately 49,000 quarterly billing conversions and 9,555 annual billing  
11 conversions to be done at the end of 2019. The total additional mailings would be \$497,105.  
12 At the 2020 postage rate of .389 cents, there would be an additional \$193,374 of  
13 postage expense.

14          Q.     Please respond.

15          A.     Staff has submitted an informal request to MAWC, in regards to postage  
16 expense. In response to Staff DR No. 0108, the Company provided an attachment with its  
17 monthly mailings by postage type for 2018, 2019 and January through July 2020. The Company  
18 also indicated in the DR No. 0108 attachment that its postage reporting system changed in  
19 December 2019 and that it no longer captures the postage rate categories that it did in previous  
20 years. Staff still needs the updated calculation for postage rates from MAWC to determine if its  
21 annualized level of postage expense should be modified.

1 **LOBBYING EXPENSE**

2 Q. Does Staff agree with Company witness Bowen's position on the use of  
3 2,088 hours to calculate base wage expense for lobbying employees as explained on  
4 pages 2 through 5 of her rebuttal testimony?

5 A. Yes. Staff agrees to update the number of work hours from 2,080 to 2,088 in its  
6 lobbying expense workpaper since Staff is updating all payroll to reflect 2,088 hours as  
7 explained in the surrebuttal testimony of Staff witness Ali Arabian. It is generally Staff's  
8 position to use the number of hours to be worked in the year immediately following the  
9 operation of law date to determine the appropriate level of annualized payroll.

10 Q. Does Staff agree with Company witness Bowen's position regarding the  
11 inclusion of costs related to employee lobbying activities as explained on page 5, lines 11 - 17  
12 of her rebuttal testimony?

13 A. No. Staff has consistently disallowed all costs associated with lobbying expense  
14 in MAWC's previous rate cases. Lobbyist are hired by companies, individuals, or corporations  
15 to represent them and try to influence legislation, regulation or other government decisions,  
16 actions or policies on behalf of the people, organizations, or companies who hired them.  
17 While it is theoretically possible for the ratepayer to receive some ancillary benefit from  
18 lobbying activities, a company lobbyist's primary responsibility is to benefit the company.

19 **DUES & DONATIONS**

20 Q. Is MAWC objecting to any of Staff's adjustments to remove miscellaneous  
21 expenses?

Surrebuttal Testimony of  
Courtney Barron

1           A.     Yes. MAWC is seeking recovery costs of several sponsorships, expenses related  
2 to Missouri Chamber of Commerce dues and events, and costs attributable to membership in  
3 the American Water Works Association (“AWWA”).

4           Q.     Please describe the sponsorships where MAWC is seeking recovery.

5           A.     The items Ms. Bowen discussed in her rebuttal testimony starting on page 14,  
6 line 8 through page 15, –line 1 are the “Wings Over Water” program, “Operation Clean  
7 Stream”, and the “Missouri Prescription Pill and Drug Disposal” program (“Missouri P2D2”).  
8 “Wings Over Water” is a program offered by the World Bird Sanctuary that features birds of  
9 prey, up close, and in flight “Operation Clean Stream” is an event offered by the Open Space  
10 Council in which volunteers clean up stretches of Missouri waterways. “Missouri P2D2” is an  
11 organization offering people in the St. Louis area a safer way to dispose of prescription drugs.

12          Q.     Why has Staff removed the costs related to these three sponsorships?

13          A.     According to MAWC’s response to DR No. 0199.7, the amounts attributable to  
14 “Wings Over Water”, “Operation Clean Stream”, and “Missouri P2D2” are used by these  
15 organizations to improve, protect, or restore drinking water supplies and surrounding  
16 watersheds. None of the aforementioned expenses provide a direct and quantifiable benefit to  
17 MAWC customers and are not necessary in the provision of safe and adequate service at just  
18 and reasonable rates. Furthermore, the items in question are all sponsorships.  
19 Sponsorships, as with donations, represent an involuntary contribution on the part of ratepayers  
20 and, therefore, should not be permitted recovery in rates.

21          Q.     On Page 13, lines 18 & 19 of MAWC witness Bowen’s rebuttal testimony, she  
22 mentions “other expenses related to conservation and environmental education” that Staff has  
23 disallowed. How does Staff respond?

Surrebuttal Testimony of  
Courtney Barron

1           A.     Staff submitted DR No. 0199.5 to discover what other expenses Ms. Bowen is  
2 referring to in her rebuttal testimony. The response to DR No. 0199.5 stated that these other  
3 costs were related to Wildcat Glades Conservation and Audubon Center, St Louis Audubon  
4 Center, Greenway Network Inc., and Great Rivers Habitat Alliance. These costs are also related  
5 to watershed and river cleanup and should be disallowed for the same reasons listed above.

6           Q.     Why did Staff remove expenses associated with the Missouri Chamber  
7 of Commerce?

8           A.     It is now, and has consistently been, Staff's position to allow local Chamber of  
9 Commerce dues but disallow any similar organizations at the state or national level that the  
10 Company belongs to, on the grounds that such costs are duplicative. MAWC is already  
11 receiving funding associated with growth and economic development initiatives as Staff has  
12 allowed recovery of expenses for local Chambers. Staff does not see justification for charging  
13 Missouri ratepayers for duplicative costs to aid MAWC in growing its business.

14          Q.     What is Staff's position regarding membership in the AWWA?

15          A.     Staff received further information regarding membership in the AWWA.  
16 Upon review of this information, Staff is satisfied with MAWC's demonstration of benefits  
17 from costs attributable to the AWWA to both the Company and its customers. However, Staff  
18 received an email<sup>1</sup> from the AWWA indicating that the organization was engaged in lobbying  
19 activities during the test year and stating the proportion of lobbying costs to total costs for the  
20 2019 calendar year. Staff has included the majority of the AWWA membership expenses but  
21 has removed a portion of lobbying expenses. This amount was determined based on AWWA's  
22 lobbying percentage.

---

<sup>1</sup> Schedule JCD-r1.



Surrebuttal Testimony of  
Courtney Barron

1           Q.     Did Staff make further adjustments to dues and donations based on other  
2 party's testimony?

3           A.     Yes, Staff reviewed rebuttal adjustments made by OPC witness Amanda Conner  
4 and removed the lobbying portion of expenses associated with certain memberships.  
5 These adjustments are reflected in the accounting schedules that are included with workpapers  
6 Staff will provide with surrebuttal testimony.

7           Q.     Does this conclude your surrebuttal testimony?

8           A.     Yes, it does.

**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 ) Case No. WR-2020-0344  
and Sewer Service Provided in Missouri )  
Service Areas )

**AFFIDAVIT OF COURTNEY BARRON**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COME NOW COURTNEY BARRON** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Courtney Barron*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Courtney Barron  
**COURTNEY BARRON**