

Exhibit No.:

Issue(s): *Cash Working Capital,
External Accounting Costs,
Line Locate Expense,
Easement Expense,
Reporting
Recommendations*

Witness: *Jane C. Dhority*

Sponsoring Party: *MoPSC Staff*

Type of Exhibit: *Surrebuttal Testimony*

Case No.: *WR-2023-0006*

Date Testimony Prepared: *July 21, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

JANE C. DHORITY

CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.

CASE NO. WR-2023-0006

*Jefferson City, Missouri
July 2023*

**** Denotes Confidential Information ****

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JANE C. DHORITY
CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.
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Surrebuttal Testimony of
Jane C. Dhority

1 Q. What is the Confluence's position regarding costs associated with the
2 accounting services provided by Anders?

3 A. Confluence stated in its rebuttal testimony that the services provided by Anders
4 are not duplicative, and are a benefit to CSWR staff and customers.

5 Q. How so?

6 A. Confluence stated that the services Anders provides allows CSWR's staff to
7 review the journal entries prior to posting to the general ledger.² Furthermore, the work
8 performed by Anders allows CSWR staff the flexibility to spend time on other accounting work,
9 and if not for the support provided by Anders, employee time off would potentially create a
10 backlog of time-sensitive accounting work.³

11 Q. What is the nature of this "time-sensitive other accounting work" referred to by
12 Confluence?

13 A. In response to Staff Data Request No. 0439, Confluence provided a list of the
14 "other accounting work" performed by Confluence in-house accounting staff. The list has been
15 included with this testimony as Confidential Schedule-s1. The response also indicated that the
16 "other accounting work" includes preparing journal entries to record assets from acquired
17 systems. Confluence's response to Staff Data Request No. 0440 refers to the list of "other
18 accounting work" provided in response to Staff Data Request No. 0439 and also states that
19 "those duties listed as 'Monthly Close' or 'Management Reporting' are time sensitive".

20 Q. What is Staff's response to Confluence's position?

² Brent Thies Rebuttal Testimony, pg. 6, ll. 16-18

³ Brent Thies Rebuttal Testimony, pg. 6, ll. 20 through pg. 7, ll. 3

1 A. A comparison of the services provided by Anders to the description of the
2 work performed by CSWR staff indicates that Anders is performing the same tasks as
3 Confluence’s in-house accounting team.⁴ Confluence’s response to Staff Data Request
4 No. 0439 further supports this finding. Despite multiple attempts by Staff to gain clarity
5 regarding the necessity of engaging outside accounting services while simultaneously
6 maintaining an in-house accounting team, Confluence has failed to assuage Staff’s
7 concerns that ratepayers are paying twice for the same service. Staff cannot recommend
8 recovery of additional costs for Anders in order to ensure timely completion of “other
9 accounting work” in the event a CSWR employee takes time off. Therefore, it is Staff’s position
10 that Confluence be denied recovery of the fees directly assigned to Confluence for Anders
11 services as they are duplicitous.

12 **REPORTING RECOMMENDATIONS**

13 Q. Did Staff recommend that Confluence maintain information in specific formats
14 for use in future rate cases?

15 A. Yes. Staff recommended that the Company keep certain information for use
16 in future rate cases. This testimony addresses Staff’s request that Confluence maintain a
17 day-to-day collection report and also a refund report.

18 Q. Why is Staff requesting this information be maintained?

19 A. Staff is requesting these reports be maintained so that the information can easily
20 be provided to Staff upon request during a rate case in order to assist Staff in completing its
21 audit. As is discussed in Staff witness Paul Amenthor’s surrebuttal testimony, rate cases have

⁴ See confidential attachments Schedule JCD-s2 and Schedule JCD-s3 for Confluence’s accounting manager job description and Anders’ scope of services.

1 a statutory 11-month process with less than 5 months of that time available to audit all of a
2 utility's books and records. Maintaining these reports increases the time Staff has to complete
3 its audit since Staff will not have to spend considerable amounts of time compiling data needed
4 for analysis.⁵

5 Q. Does Confluence agree with Staff's recommendation to maintain these reports?

6 A. No. In the rebuttal testimony of Company witness Brent Thies, he states
7 that the data sought by Staff is already available and that converting it to a different
8 format does not improve the quality of the data. Mr. Thies further argues that compiling
9 and producing the data in the manner that Staff has requested will result in increased costs
10 to the Company's ratepayers.⁶

11 Q. How does Staff respond to Mr. Thies' testimony?

12 A. With regard to Staff's recommendation that Confluence maintain a refund
13 report, Staff is willing to forgo this request so long as the Company maintains the billing
14 report as discussed in Mr. Amenthor's surrebuttal testimony. This will decrease the time
15 CSWR employees must spend maintaining the reports recommended by Staff. However, Staff
16 still recommends that Confluence maintain a day-to-day collection report.

17 Q. What is Staff requesting when it asks for a day-to-day collection report?

18 A. Staff is requesting that Confluence maintain a monthly report showing the
19 payment habits of its customers. This report should show the amounts of actual revenue, not
20 accounts receivable, collected at different time intervals. Examples of the options for the format
21 of this report are attached to this testimony as Schedule JCD-s4 and Schedule JCD-s5. This

⁵ Amenthor Surrebuttal, pg. 4, ll. 10-18.

⁶ Thies Rebuttal, pg. 25, ll. 19 through pg. 26, ll. 6.

1 reporting, especially option #1, would also assist the Company with monitoring uncollectible
2 account behavior.

3 Q. Why is Staff recommending that Confluence maintain a collection report?

4 A. Staff requires this collection report be maintained so that the data can be used in
5 lead/lag studies in future rate cases. A collection lag report would include data regarding how
6 long it takes Confluence's customers to pay their bills, which in turn helps determine the timing
7 of cash flow that is needed to determine the revenue lag in a cash working capital lead/lag study.
8 In this case, Staff had to use a surrogate collection lag as the Company did not have the data
9 Staff required to calculate Confluence's collection lag.

10 Q. Will maintaining this report be unduly burdensome to the Company?

11 A. No. While Staff recognizes that Confluence may incur additional time and
12 possibly cost to initially set up this report, once the reporting is set up this report can be updated
13 intermittently, perhaps by linking the report to billing reports that are already maintained. The
14 costs should be minimal as employees would maintain this report and maintaining the collection
15 report will ultimately save time for both Staff and the Company in future rate cases.

16 **MISSOURI ONE CALL LOBBYING COSTS**

17 Q. Please explain the issue regarding costs associated with Missouri One Call
18 lobbying activities.

19 A. As part of its audit of line locate expenses, Staff discovered that Missouri
20 One Call estimates that 1.5% of fees collected go towards lobbying activities. As lobbying
21 activities are routinely disallowed by Staff and are not necessary for the provision of safe
22 and adequate service, Staff recommended removal of \$63 of line locate expense.

23 Q. How did the Company respond to Staff's recommendation?

Surrebuttal Testimony of
Jane C. Dhority

1 A. In Confluence’s rebuttal testimony, Confluence witness Caitlin O’Reilly
2 disagreed with Staff’s adjustment, and believes Confluence should receive full recovery of the
3 lobbying costs in question.

4 Q. What justification did Ms. O’Reilly offer to support recovery of lobbying costs?

5 A. Confluence’s witness provided several reasons supporting recovery.
6 Ms. O’Reilly cites Missouri Statute Section 319.022, RSMo., which states that any owner
7 or operator of an underground utility is required to participate in a notification center
8 (such as Missouri One Call), and that Confluence does not have the discretion to forgo
9 payment of the lobbying portion of line locate fees. Ms. O’Reilly also stated that
10 Staff’s assertion that lobbying costs are not necessary to provide safe and adequate service
11 to captive ratepayers is false, and referred to a letter provided by Missouri One Call stating
12 that the firm’s lobbying activities are focused on informing government officials about
13 the organization and promoting and protecting the service it provides. Finally, Ms. O’Reilly
14 stated that Missouri One Call only discloses its lobbying activities for tax purposes, and
15 that Confluence believes that without such tax provisions, Missouri One Call would not
16 have disclosed the information. She further adds that it may be possible some amounts paid
17 by Confluence to other vendors could be used for expenses that Staff would deem as
18 lobbying or other disallowed expense types.

19 Q. In Ms. O’Reilly’s rebuttal testimony, she quotes a portion of Staff’s direct
20 testimony regarding the disallowance of lobbying costs attributed to Missouri One Call. Her
21 testimony states that, “Based upon the faulty premise that all ‘lobbying costs are not necessary
22 for the provision of safe and adequate service’ and because lobbying costs ‘are routinely

1 disallowed by Staff,' Ms. Dhority proposed to disallow 1.5% of Confluence Rivers costs
2 associated with being a participant in Missouri One Call." How does Staff respond?

3 A. Ms. O'Reilly incorrectly characterized Staff's disallowance of lobbying costs.
4 While it is true that Staff routinely disallows lobbying costs, it should be noted that the
5 costs being recommended for disallowance are for activities that are not beneficial to
6 ratepayers. Staff does not take a "blanket" approach to banning lobbying for rate recovery,
7 rather Staff's analysis seeks to determine if the ratepayer benefits from such costs before
8 allowing the cost in rates.

9 Q. What is the nature of Missouri One Call's lobbying activities?

10 A. According to the letter from Missouri One Call attached to Ms. O'Reilly's
11 rebuttal testimony, Missouri One Call is a non-profit organization whose "levels of lobbying
12 involve legislative awareness and providing educational input for, and along with, any entity
13 that may be considering legislative effect... to nurture understanding of the excavation ticketing
14 process and any inherent identifiable problematic trends or issues. Our actions follow the best
15 interest of human safety, damage prevention, and of comprehensive benefit to our utilities."
16 The letter goes on further to state that "Missouri 811 does not provide any donations to political
17 candidates, engage with any political parties, or make attempts to sway legislative decisions
18 short of providing grassroots, educational information that may attempt to point out the
19 unintended consequences of any given decision."

20 Q. What is Staff's position with regard to Missouri One Call lobbying costs?

21 A. Because Missouri One Calls lobbying activities are educational in nature rather
22 than influencing legislative behavior and the activities are in support of safety and damage

1 prevention, they are a benefit to ratepayers. Therefore, it is Staff's position to allow recovery
2 of the costs associated with Missouri One Calls lobbying endeavors.

3 **CASH WORKING CAPITAL**

4 Q. Please explain the issue regarding cash working capital.

5 A. In its direct testimony filing, Staff discussed that it believed it may be
6 missing invoices needed for the lead/lag study conducted for this rate case. Also discussed was
7 Staff's difficulty in obtaining accurate and reliable data from Confluence with which to analyze
8 and develop a comprehensive response. It was Staff's intention to confirm that all invoices
9 were included in the lead lag study and address any updates in its rebuttal testimony.

10 Q. Has Staff confirmed that it is missing invoices?

11 A. Yes. Staff confirmed that it was missing invoices needed for its cash working
12 capital lead/lag study, and notified Confluence regarding these items.

13 Q. Did Confluence provide the missing invoices so Staff could include them in cash
14 working capital for its rebuttal filing?

15 A. No. As discussed in Staff's rebuttal filing, Staff and Confluence exchanged
16 multiple emails on the subject and Staff also brought up the issue during the technical
17 conference held on June 14, 2023.⁷ As a result, Confluence provided some of the requested
18 invoices, but Staff did not receive the information in time to address the study in its rebuttal
19 filing. Staff stated that it would update and finalize its lead lag study in its surrebuttal testimony.

20 Q. What is the current status of the missing invoices Staff has requested?

21 A. Subsequent to Staff's rebuttal filing, Confluence has provided more of the
22 invoices Staff has requested, but not all. Staff and Confluence have had several additional email

⁷ WR-2023-0006 Staff Rebuttal Testimony, pg. 1, ll. 20, through pg. 2, ll. 7.

1 exchanges on the subject in which Confluence provided more invoices and also informed Staff
2 that it did not have some of the items Staff sought⁸. Additionally, Confluence has still failed to
3 provide sufficient documentation to support a \$120,207 Meridian Properties LLC easement.

4 Q. Has Staff completed its lead/lag study for this case?

5 A. Yes.

6 Q. Did Staff make any adjustments in light of the missing invoices?

7 A. Yes.

8 Q. Please explain.

9 A. Staff did not include data relating to the missing invoices in its calculation
10 of cash working capital for this case as Confluence did not provide documentation to support
11 these costs.

12 Q. What are the final results of Staff's cash working capital lead/lag study?

13 A. Staff's lead/lag study resulted in a positive working capital requirement
14 of \$27,703 (total company).

15 **EASEMENT EXPENSE**

16 Q. What is the nature of Staff's adjustment to easement expense?

17 A. In Staff's direct filing, amounts were included in account 923.6 for easement
18 expense.⁹ Since that time, Staff has learned that the easements in question ended in December
19 of 2022, therefore, Staff has made an adjustment to account 923.6 to remove these costs.

20 Q. Does this conclude your surrebuttal testimony?

21 A. Yes it does.

⁸ In email exchanges with Staff, Confluence stated that it did not have 7 Platte-Clay Electric Co-Op and 2 Co-Mo Electric Co-Op invoices.

⁹ WR-2023-0006 Staff Rebuttal Testimony, pg. 15, ll. 9-15.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for) Case No. WR-2023-0006
Authority to Implement a General Rate)
Increase for Water Service and Sewer)
Service Provided in Missouri Service Areas)

AFFIDAVIT OF JANE C. DHORITY

STATE OF MISSOURI)
) ss.
COUNTY OF ST. LOUIS)

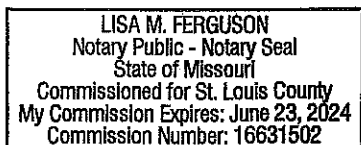
COMES NOW JANE C. DHORITY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Jane C. DhORITY*; and that the same is true and correct according to her best knowledge and belief.

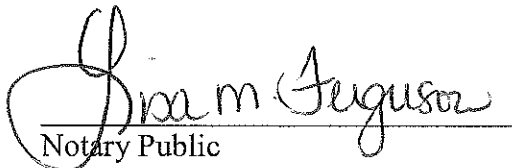
Further the Affiant sayeth not.


JANE C. DHORITY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 20th day of July 2023.




Notary Public

SCHEDULE JCD-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE JCD-s2

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE JCD-s3

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

OPTION 1										
For informational purposes only										
Month of	Current - (0 - 30 Days)		30 - 60 Days		60 - 90 Days		90 - 120 Days		120 + (120 - 150) Days	
	Residential	Non-Residential	Residential	Non-Residential	Residential	Non-Residential	Residential	Non-Residential	Residential	Non-Residential
April 2022	\$ 66,931,117.57	\$ 58,495,110.32	\$ 9,389,963.53	\$ 1,346,883.85	\$ 4,339,501.41	\$ 1,090,609.69	\$ 2,683,383.00	\$ 375,512.48	\$ 16,711,313.31	\$ 4,747,768.13
May 2022	\$ 52,406,630.07	\$ 66,300,608.70	\$ 9,577,770.96	\$ 1,635,039.92	\$ 4,950,168.18	\$ 412,441.23	\$ 3,042,672.10	\$ 929,921.80	\$ 14,565,492.64	\$ 3,769,929.49
June 2022	\$ 85,907,319.13	\$ 100,030,657.41	\$ 7,956,050.34	\$ 1,799,563.37	\$ 5,205,703.99	\$ 813,677.71	\$ 3,233,546.71	\$ 236,408.47	\$ 14,121,686.38	\$ 4,099,338.11
July 2022	\$ 128,319,076.12	\$ 113,857,760.45	\$ 8,232,608.77	\$ 1,181,389.27	\$ 3,995,545.52	\$ 519,304.74	\$ 2,719,133.37	\$ 656,497.71	\$ 12,072,521.93	\$ 2,391,886.60
August 2022	\$ 162,677,579.06	\$ 113,077,848.48	\$ 9,903,731.74	\$ 5,653,791.17	\$ 3,557,595.34	\$ 502,880.55	\$ 2,145,835.38	\$ 288,614.15	\$ 9,982,595.72	\$ 2,485,841.53
September 2022	\$ 157,000,457.72	\$ 104,957,139.11	\$ 13,136,053.98	\$ 2,908,666.01	\$ 5,097,533.33	\$ 4,347,047.02	\$ 2,110,973.99	\$ 207,001.64	\$ 9,102,233.12	\$ 2,242,700.08
October 2022	\$ 109,715,843.58	\$ 65,820,715.15	\$ 11,937,348.25	\$ 1,895,031.36	\$ 6,349,952.65	\$ 1,888,709.05	\$ 2,589,718.22	\$ 4,059,076.38	\$ 8,856,729.43	\$ 2,146,164.81
November 2022	\$ 82,508,084.37	\$ 55,207,201.19	\$ 12,812,991.46	\$ 1,914,548.75	\$ 6,035,870.11	\$ 900,251.12	\$ 3,066,287.46	\$ 1,584,958.17	\$ 11,609,159.74	\$ 5,751,489.24
December 2022	\$ 83,872,958.40	\$ 54,174,999.19	\$ 8,108,607.68	\$ 1,172,162.86	\$ 6,043,884.68	\$ 941,221.18	\$ 3,426,968.55	\$ 599,741.11	\$ 13,240,729.77	\$ 2,143,507.33
January 2023	\$ 105,179,282.45	\$ 60,212,445.27	\$ 8,181,928.56	\$ 1,495,339.68	\$ 4,306,996.03	\$ 579,353.32	\$ 3,457,891.83	\$ 531,665.84	\$ 14,020,538.02	\$ 2,248,713.72
February 2023	\$ 88,516,811.29	\$ 58,613,646.80	\$ 6,634,613.23	\$ 1,788,491.10	\$ 3,756,442.36	\$ 923,866.81	\$ 2,283,733.93	\$ 422,898.64	\$ 15,148,125.85	\$ 2,240,924.68
March 2023	\$ 64,272,161.86	\$ 46,170,922.52	\$ 6,113,976.77	\$ 1,700,225.71	\$ 2,646,466.20	\$ 452,454.20	\$ 1,873,046.16	\$ 240,571.67	\$ 15,753,253.08	\$ 2,155,281.03

OPTION 2
For informational purposes only

Residential
Revenue Month: Apr 2022

LAG DAYS	CURRENT AMOUNT	12 MO TO DATE AMOUNT	YEAR TO DATE AMOUNT	CURRENT DOLLAR DAYS	12 MO TO DATE DOLLAR DAYS
30	\$ 402,575.34	\$ 1,694,898.10	\$ 1,694,898.10	\$12,077,260.20	\$ 50,846,943.00
31	\$ 346,648.87	\$ 1,814,521.69	\$ 1,814,521.69	\$10,746,114.97	\$ 56,250,172.39
32	\$ 403,672.97	\$ 1,768,676.83	\$ 1,768,676.83	\$12,917,535.04	\$ 56,597,658.56
33	\$ 356,707.82	\$ 1,649,025.99	\$ 1,649,025.99	\$11,771,558.06	\$ 54,417,857.67
34	\$ 402,474.18	\$ 1,864,329.26	\$ 1,864,329.26	\$13,684,122.12	\$ 63,387,194.64
35	\$ 494,265.64	\$ 2,113,904.18	\$ 2,113,904.18	\$17,299,297.40	\$ 73,986,646.30
36	\$ 383,395.33	\$ 1,589,189.96	\$ 1,589,189.96	\$13,802,231.88	\$ 57,210,838.56
37	\$ 275,096.71	\$ 1,118,129.83	\$ 1,118,129.83	\$10,178,578.27	\$ 41,370,804.82
38	\$ 281,088.84	\$ 1,242,925.62	\$ 1,242,925.62	\$10,681,375.92	\$ 47,231,173.56
39	\$ 323,498.93	\$ 1,377,163.96	\$ 1,377,163.96	\$12,616,458.27	\$ 53,710,175.22
40	\$ 370,246.99	\$ 1,448,408.63	\$ 1,448,408.63	\$14,389,879.60	\$ 57,936,345.20
41	\$ 467,281.13	\$ 1,808,892.07	\$ 1,808,892.07	\$19,158,526.33	\$ 74,164,574.87
42	\$ 624,375.37	\$ 2,399,129.53	\$ 2,399,129.53	\$26,223,765.54	\$ 100,763,440.26
43	\$ 580,741.54	\$ 1,917,591.57	\$ 1,917,591.57	\$24,971,886.22	\$ 82,456,437.51
44	\$ 366,851.73	\$ 1,415,231.03	\$ 1,415,231.03	\$16,141,476.12	\$ 62,701,465.32
45	\$ 519,404.84	\$ 1,848,807.33	\$ 1,848,807.33	\$23,373,217.59	\$ 83,196,329.85
46	\$ 653,787.81	\$ 2,154,144.32	\$ 2,154,144.32	\$30,074,239.26	\$ 99,089,258.72
47	\$ 668,747.33	\$ 2,403,557.40	\$ 2,403,557.40	\$31,431,124.51	\$ 112,967,197.80
48	\$1,026,442.08	\$ 3,590,992.50	\$ 3,590,992.50	\$49,269,219.84	\$ 172,367,640.00
49	\$ 835,053.09	\$ 3,077,064.21	\$ 3,077,064.21	\$40,917,601.41	\$ 150,776,146.29
50	\$ 424,968.57	\$ 1,984,112.61	\$ 1,984,112.61	\$21,248,428.50	\$ 99,205,630.50
51	\$ 229,253.12	\$ 1,298,933.70	\$ 1,298,933.70	\$11,691,909.12	\$ 66,245,618.70
52	\$ 301,317.12	\$ 1,248,316.12	\$ 1,248,316.12	\$15,668,490.24	\$ 34,912,438.24
53	\$ 336,984.73	\$ 1,437,820.10	\$ 1,437,820.10	\$17,860,190.69	\$ 76,204,465.30
54	\$ 286,279.13	\$ 1,137,144.26	\$ 1,137,144.26	\$15,459,074.64	\$ 61,405,790.04
55	\$ 451,191.53	\$ 1,220,198.69	\$ 1,220,198.69	\$24,815,534.15	\$ 67,110,927.95
56	\$ 469,009.61	\$ 1,298,369.93	\$ 1,298,369.93	\$26,264,538.16	\$ 72,708,706.08
57	\$ 276,164.22	\$ 768,015.23	\$ 768,015.23	\$15,741,360.54	\$ 43,776,868.11
58	\$ 129,359.23	\$ 477,352.29	\$ 477,352.29	\$ 7,502,852.74	\$ 27,686,450.22
59	\$ 143,159.48	\$ 540,830.24	\$ 540,830.24	\$ 8,446,409.32	\$ 31,988,984.16