

<b>Exhibit No.:</b>	_____
<b>Issue(s):</b>	O&M Expense/Depreciation Reserve/Customer Notice
<b>Witness/Type of Exhibit:</b>	Robinett/Direct
<b>Sponsoring Party:</b>	Public Counsel
<b>Case No.:</b>	WR-2023-0344

**DIRECT TESTIMONY**

**OF**

**JOHN A. ROBINETT**

Submitted on Behalf of the Office of the Public Counsel

**RAYTOWN WATER COMPANY**

CASE NO. WR-2023-0344

October 10, 2023

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**DIRECT TESTIMONY**  
**OF**  
**JOHN A. ROBINETT**  
**THE RAYTOWN WATER COMPANY**

**CASE No. WR-2023-0344**

1 **Q. What is your name and what is your business address?**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

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

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Engineering  
5 Specialist.

6 **Q. Have you previously provided testimony before the Missouri Public Service  
7 Commission?**

8 A. Yes. Both as a former member of the Missouri Public Service Commission Staff (“Staff”)  
9 and on behalf of the OPC.

10 **Q. What is your work and educational background?**

11 A. A copy of my work and educational experience is attached to this testimony as Schedule  
12 JAR-D-1.

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

14 A. In this testimony I will discuss the general rate increase request Raytown Water Company  
15 made (“Raytown” or “Company”) and the rate increase amount in Staff and Raytown’s  
16 current disposition agreement (“Agreement”). Secondly, I will address my concerns related  
17 to the water loss amount in Staff’s recommendation and its relationship to the Agreement’s  
18 operation and maintenance (“O&M”) expense for water mains. I will then discuss issues I  
19 have with the how Staff and Raytown have dealt with accumulated depreciation reserves.

1 Finally, I will discuss Staff and Raytown's treatment of certain accounts, which fully  
2 depreciated before the end of Staff's test year and update period. Specifically, I will discuss  
3 the over-accrued accounts since Raytown will still be collecting depreciation for those  
4 accounts until the Commission's order becomes effective from this rate proceeding.

## 5 **Terminology and Definitions**

6 **Q. Is there terminology that needs to be defined in order for the Commission to better**  
7 **understand your ultimate recommendations?**

8 A. Yes. For this testimony, the following depreciation terms need to be defined: cost of  
9 removal, depreciation, final retirement, gross salvage, interim retirements, interim salvage,  
10 net salvage, retirement.

11 **Q. From where are you drawing your definitions?**

12 A. I will be citing two different sources. The first is the Public Utility Depreciation Practices  
13 published by the National Association of Regulatory Utility Commissioners ("NARUC")  
14 in August of 1996. The glossary begins at page 313 and continues through page 327. The  
15 other reference book was published by the Edison Electric Institute ("EEI") and the  
16 American Gas Association ("AGA") in April of 2013 and is titled Introduction to  
17 Depreciation for Public Utilities and Other Industries. Its glossary of terms begins at page  
18 165.

19 **Q. How does NARUC define depreciation?**

20 A. Depreciation is the loss in service value not restored by current maintenance, incurred in  
21 connection with the consumption or prospective retirement of utility plant in the course of  
22 service from causes that are known to be in current operation, against which the company  
23 is not protected by insurance, and the effect of which can be forecast with reasonable

1 accuracy. Among the causes to be considered are wear and tear, decay, action of the  
2 elements, inadequacy, obsolescence, changes in the art, changes in demand, and the  
3 requirement of public authorities.

4 **Q. How does NARUC define a final retirement?**

5 A. A final retirement is the retirement of a major structure unit in its entirety, or a very large  
6 part of it, as opposed to interim retirements.

7 **Q. How does NARUC define gross salvage?**

8 A. Gross salvage is the amount recorded for the property retired due to the sale,  
9 reimbursement, or reuse of the property.

10 **Q. How does NARUC define an interim retirement?**

11 A. An interim retirement is the retirement of component parts of a major structure prior to the  
12 complete removal of the retirement unit from service.

13 **Q. How does NARUC define interim salvage?**

14 A. Interim salvage is the salvage received from the disposition of plant as a result of interim  
15 retirements.

16 **Q. How does NARUC define net salvage?**

17 A. Net salvage is the gross salvage for the retired property less its cost of removal.

18 **Q. How does NARUC define a retirement?**

19 A. A retirement is the sale, abandonment, destruction, or withdrawal of assets from service.

20 **Q. How does the EEI and AGA resource define cost of removal?**

21 A. Cost of removal is the costs to demolish, dismantle, tear down, or otherwise remove plant  
22 from service, including the cost of handling and transportation. Cost of removal is also

1 used interchangeably with cost of retirement for assets that are retired in place, such as a  
2 gas pipeline.

3 **Q. How does the EEI and AGA resource define an interim retirement?**

4 A. The EEI and AGA book defines interim retirements as the retirement of individual assets  
5 occurring prior to the retirement of the overall property group.

6 **Q. How does the EEI and AGA resource define net salvage?**

7 A. Net salvage is defined as the difference between the value of salvage and cost of removal  
8 resulting from the removal, abandonment, or other disposition of plant. Positive net salvage  
9 results when salvage values exceeds removal costs. Negative net salvage results when  
10 removal costs exceed the salvage value. Positive net salvage decreases the cost to be  
11 recovered through depreciation expense and negative net salvage increases it.

12 **Q. How does the EEI and AGA resource define a retirement unit?**

13 A. A retirement unit is the smallest unit of plant for which addition and retirement records are  
14 maintained as defined by utility process and procedures manuals.

### 15 **Change in the Rate Increase Request**

16 **Q. When did The Raytown Water Company (“Raytown”) file this case?**

17 A. Raytown filed a letter requesting a permanent increase in current water rates under the  
18 Missouri Public Service Commission’s small water rate increase procedure on March 30,  
19 2023.

20 **Q. When filing this case, how much did Raytown seek to increase current operating  
21 revenue by?**

22 A. Raytown originally sought an operating revenue increase of \$735,102.73, or approximately  
23 14.20%.

1 **Q. How much has Raytown and Staff of the Commission agreed to in their disposition**  
2 **agreement?**

3 A. Staff and Raytown filed a Non-Unanimous Stipulation and Agreement that would increase  
4 Raytown's annual revenue requirement by \$1,174,782, or approximately 27.26%.

5 **Q. Are Raytown's customers aware of how high the rate increase is currently?**

6 A. No. The Commission held a local public hearing before Staff's 90 day preliminary audit  
7 had been completed and only Raytown's initial requested values of an approximately  
8 14.2% were available. The current agreed-to amount is now at over a 27% increase to  
9 customers. To put this in a different light, the current agreement is 159.95% of the original  
10 ask for Raytown.

11 **Q. How do you recommend notifying customers of the increase?**

12 A. The Commission at the very least should require Raytown to send a bill insert notifying  
13 customers of the agreed-to larger increase between Staff and Raytown, and give customers  
14 an updated bill impact. The Commission should also consider giving customers another  
15 local public hearing now that more is known about what the actual rate impact will be on  
16 each household versus when the prior local public hearing was held. The Commission  
17 should give rate payers additional notice and opportunity to comment since the 27% rate  
18 increase proposed and agreed to by Staff and Raytown is nowhere close to the 14%  
19 customers were informed of and asked to comment on.

20 **Water Loss/ Purchased Water / Operation and Maintenance Expense for Mains**

21 **Q. What issues are you addressing in this section?**

22 A. In this section, I will discuss my concerns regarding the interplay between water loss data  
23 and the increase in O&M for mains. I will also discuss my concerns around the discrepancy

1 in the Company's purchased water versus sold water amounts, and the implications that  
2 may have for the future.

3 **Q. Why are you addressing all three topics in this section?**

4 A. I believe these topics are interdependent, thus the rationale for how each issue functions  
5 should also be connected. For example, if water loss was high, one would expect O&M  
6 expense to be high, as well, as Raytown should be repairing its system to address the loss  
7 of water.

8 **Q. How has Staff calculated Raytown's water loss for this case?**

9 A. Staff came to the conclusion that it would not be able to perform a reliable water loss  
10 average in this case due to discovering that Raytown has sold more water than it has  
11 purchased for fourteen separate months in the time frame November of 2020 through  
12 March of 2023. Therefore, Staff used the 12.04% water loss percentage from WR-2020-  
13 0264 in this case. I have issued a data request to Staff seeking the work papers supporting  
14 this water loss percentage amount. The work paper that I had access to, from the 2020 case,  
15 had a different 3-year average. At the time of this testimony I am still awaiting a response.

16 **Q. Where is the water loss issue addressed by Staff in the disposition and agreement?**

17 A. Not where you would expect it to be. The Water, Sewer, & Steam Department Field  
18 Operations and Tariff Review report<sup>1</sup> has zero discussion of water loss, excessive system  
19 leaks, or the fourteen months where Raytown sold more water than it purchased. Instead,  
20 the discussion of Water Loss comes from the Purchased Water Section of Auditing  
21 Department Report<sup>2</sup> in the Agreement. I have issued a data request to Staff requesting an

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<sup>1</sup> Attachment J

<sup>2</sup> Attachment B



1 explanation of why the Auditing Department report mentioned the water loss, but not the  
 2 Water, Sewer, & Steam Department report. However, I have not received a response at the  
 3 time of this testimony.

4 **Q. How is water loss calculated for Raytown?**

5 A. Water loss is calculated as a percentage of the difference in water purchased and water sold  
 6 divided by the total gallons bought.

7 **Q. Have you reviewed water loss data provided by Staff as part of their work papers in this  
 8 case?**

9 A. Yes. In addition, I have gone back to both the 2015 and 2020 rate cases to get a historical  
 10 view of what has happened with Raytown’s water loss over time. Below is a table that  
 11 contains the water loss values from the 2015, 2020, and 2023 rate cases.

work papers WR-2015-0264					
	Gallons purchased	Gallons sold	Loss Factor	% Loss	
2009	424,215,484	409,062,700	15,152,784	3.57%	
2010	434,197,544	404,723,500	29,474,044	6.79%	
2011	441,164,416	384,003,472	57,160,944	12.96%	
2012	522,747,280	421,524,840	101,222,440	19.36%	
2013	410,312,408	381,695,600	28,616,808	6.97%	
2014	464,466,860	447,396,000	17,070,860	3.68%	
work papers WR-2020-0264					
	Gallons purchased	Gallons sold	Loss Factor	% Loss	Data obtained from DR 7
2014	393,417,867	378,281,800	15,136,067	3.85%	
2015	428,441,684	373,381,300	55,060,384	12.85%	
2016	429,493,372	383,107,700	46,385,672	10.80%	
2017	394,310,444	378,916,600	15,393,844	3.90%	
2018	444,218,711	364,247,900	79,970,811	18.00%	
2019	467,929,706	346,845,488	121,084,218	25.88%	
3 yr avg	435,486,287	363,336,663	72,149,624	15.93%	
work papers WR-2023-0344					
2018	444,218,711	364,247,900	79,970,811	18.00%	Data obtained from WR-2020-0264 Staff Purchased Water WP
2019	467,929,716	346,845,488	121,084,228	25.88%	Data obtained from WR-2020-0264 Staff Purchased Water WP
2020	413,046,535	352,841,100	60,205,435	14.58%	WR-2023-0344 DR 7
2021	343,445,694	338,093,900	5,351,794	1.56%	WR-2023-0344 DR 7
2022	338,156,783	336,135,700	2,021,083	0.60%	WR-2023-0344 DR 7
3 yr avg	364,883,004	342,356,900	22,526,104	5.58%	

1 **Q. What concerns do you have related to water loss in this case?**

2 A. This water loss data is the lowest amount of loss reported since 2009. While low water loss  
3 is usually a good thing, the low value of water loss here is coupled with a 232% increase  
4 in O&M expense for mains since the 2020 case.

5 **Q. What value was included in the 2020 rate case for Account 673 transmission and  
6 distribution mains O&M expense?**

7 A. The value from the unanimous Stipulation and agreement from 2020 rate case contained  
8 \$211,279 of annual expense for account 673.

9 **Q. How does the 2020 expense for Account 673 compare to the agreed to expense by Staff  
10 and Raytown in this case?**

11 A. Staff and Raytown have agreed to \$490,641 in annual expense for Account 673. This is an  
12 increase of \$279,362 in annual expense for maintenance of transmission and distribution  
13 mains. The expense page with information and values from the 2020 and this rate case  
14 are attached as schedule JAR-D-2

15 **Q. Why is a low water loss value coupled with a large increase in mains' O&M expense  
16 concerning?**

17 A. To be frank, I expect a direct correlation between water loss and maintenance expense.  
18 With a large amount of water loss, one expects a large value of maintenance expense—tied  
19 to fixing the issues causing that water loss. Therefore, as an inverse, if there is next to zero  
20 water loss, one would expect very little O&M expense.

21 **Q. Is there anything else related to this issue that is causing you concerns?**

22 A. Yes. Staff's Auditing Department Report highlights another issue that draws concern.  
23 Staff, in its report, states that the Company has sold more water than it has purchased in

1           fourteen months since the last rate proceeding. The question becomes: Is Raytown using  
2           more water than Kansas City has been billing them? If so, the City of Kansas City (“City”)  
3           may request that Raytown pay for the large amount of water for which the City under billed.

4           **Q.    What is your recommendation on this issue?**

5           A.    The Commission should not grant the \$279,362 increase in O&M expense related to mains  
6           from what was approved in the 2020 rate case until Staff and the Company have a better  
7           understanding of Raytown’s system. Specifically, what is happening in terms of water loss,  
8           under billing, by City of Kansas City’s potential under billing for purchased water, and the  
9           increase in O&M expense that is unsupported by leak data. Additionally, the Commission  
10          should open an investigation to look into the unreliable water loss data being caused by  
11          months of selling more water than Raytown has purchased. When coupled with the more  
12          than doubling of O&M expense on mains with the lowest water loss data observed since at  
13          least 2009 something is not right with the system or how data is being recorded. At this  
14          point in time I can’t put my finger on one solid reasoning for all of them happening  
15          concurrently.

16          **Depreciation Reserve Issue**

17          **Q.    What issue do you take with the agreed upon depreciation reserves filed in the**  
18          **Agreement between Staff and Raytown?**

19          A.    Staff has removed the depreciation reserve accruals that exceed the original plant  
20          investment value.

21          **Q.    What accounts are affected by this according to the filed run?**

22          A.    Account 346.1 Meters- Bronze Chamber, Account 395 Laboratory Equipment, Account  
23          396 Power Operated Equipment, and Account 397 Communication Equipment

1 **Q. In your opinion has Staff properly reduced the over accrued accounts?**

2 A. No. The reduced depreciation reserve is improper for two reasons. Firstly, Staff's removal  
3 of the depreciation reserve has increased the Company's revenue requirement. The reserves  
4 Staff removed should have been transferred to a deficient account, keeping rate base the  
5 same after these adjustments. Secondly, Account 396, Power Operated equipment, has  
6 positive net salvage, meaning the assets in this account still have value at the end of their  
7 useful lives. Therefore, Staff returning the depreciation reserves to equal the original cost  
8 of the plant-in-service failed to acknowledge the ability for, and likelihood of, Raytown  
9 selling the assets in this account to someone else. In other words, Staff should have  
10 removed the additional depreciation reserves to reflect the future salvage value that will be  
11 obtained from these assets.

12 **Q. What is the effect of this action?**

13 A. Staff has removed \$51,559 of over-accruals from depreciation reserve, arbitrarily  
14 increasing rate base and the revenue requirement.

15 **Q. What is the revenue requirement impact of this recommendation?**

16 A. My estimate for approximate revenue requirement impact would be \$51,559 times the Staff  
17 Raytown stipulated ROE of 6.8 from Staff's run which is a \$3,506 increase in revenue  
18 requirement.

19 **Q. What is your recommendation on this issue?**

20 A. Staff needs to transfer the over-accruals into similarly-situated accounts that may be under  
21 collected at this point in time. The reallocation of the removal of accumulated depreciation  
22 will decrease the stipulated revenue requirement by \$3,506. There will still be depreciation  
23 expense related to the previously-discussed accounts until the rates from this case become

1           effective. For the fully-accrued accounts, discussed above, Staff and Raytown agreed to  
2           shut depreciation off, so those accounts will not have any accrual or expense after this  
3           Commission order becomes effective.

4   **Q.    What is a summary of all of your recommendations presented in this testimony?**

5   A.    The Commission should open an investigation docket to look at the issues surrounding  
6           water loss, Raytown selling more water than purchased and the sharp increase in O&M  
7           expense for mains. In addition the Commission should order Staff to reallocated the over  
8           accrued depreciation reserve to other deficient accounts as opposed to simply removing it  
9           from reserves thereby increasing rate base and revenue requirement.

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

11 A.    Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**


In the Matter of the Application of a Rate            )  
Increase of Raytown Water Company                )            Case No. WR-2023-0344

**AFFIDAVIT OF JOHN A. ROBINETT**

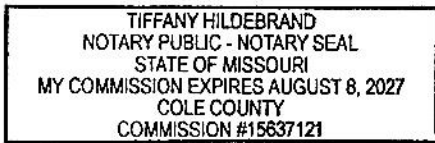
STATE OF MISSOURI    )  
  )    ss  
COUNTY OF COLE     )

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist 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.

  
\_\_\_\_\_  
John A. Robinett  
Utility Engineering Specialist

Subscribed and sworn to me this 5<sup>th</sup> day of October 2023.



My Commission expires August 8, 2027.

  
\_\_\_\_\_  
Tiffany Hildebrand  
Notary Public