

*Exhibit No.:*

*Issue(s): Depreciation Reserve, Cash  
Working Capital, Advanced Meter  
Infrastructure Meters, Meter  
readers, and Payroll Expense*

*Witness: Angela Niemeier*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Rebuttal Testimony*

*Case No.: WR-2023-0344*

*Date Testimony Prepared: October 24, 2023*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**ANGELA NIEMEIER**

**THE RAYTOWN WATER COMPANY**

**CASE NO. WR-2023-0344**

*Jefferson City, Missouri*

*October 2023*

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ANGELA NIEMEIER  
THE RAYTOWN WATER COMPANY  
CASE NO. WR-2023-0344**

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**REBUTTAL TESTIMONY OF**  
**ANGELA NIEMEIER**  
**THE RAYTOWN WATER COMPANY**  
**CASE NO. WR-2023-0344**

5 Q. Please state your name and business address.

6 A. My name is Angela Niemeier. My business address is 200 Madison Street,  
7 Suite 440, Jefferson City, Missouri 65101.

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

9 A. I am a Lead Senior Utility Regulatory Auditor for the Missouri Public Service  
10 Commission (“Commission”).

11 Q. Please describe your educational background and work experience.

12 A. I have been employed as a member of the Commission Staff (“Staff”) since  
13 January 2019. After a 23-year career in the healthcare industry, I returned to college and earned  
14 an Master of Business Administration (“MBA”) from Columbia College in February 2020.

15 Q. What are your responsibilities with the Commission?

16 A. I conduct audits and examinations of the books and records of regulated utility  
17 companies operating within the State of Missouri.

18 Q. Have you previously filed testimony before this Commission?

19 A. Yes, I have filed testimony numerous times. Please refer to Schedule AN-r1,  
20 attached to this rebuttal testimony, for a list of the audits in which I have assisted and filed  
21 testimony with the Commission.

22 Q. What knowledge, skills, experience, training or education do you have in the  
23 areas of which you are testifying as an expert witness?

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1           A.     I have received continuous training at in-house and outside seminars on  
2 technical ratemaking matters since I began employment with the Commission. I have  
3 submitted testimony for several cases before the Commission. I have reviewed exhibits and  
4 testimony on assigned issues and developed accounting adjustments.

5           Q.     With respect to Case No. WR-2023-0344, have you made an examination of the  
6 books and records of The Raytown Water Company (“RWC”) and did you contribute to Staff’s  
7 Auditing Unit Recommendation Memorandum (“Memorandum”) included as Attachment B to  
8 the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue*  
9 *Increase Request* (“Agreement”) filed on September 13, 2023, in this case?

10          A.     Yes, with the assistance of other members of Commission Staff (“Staff”).

11           **EXECUTIVE SUMMARY**

12          Q.     What is the purpose of your rebuttal testimony?

13          A.     The purpose of my rebuttal testimony is to respond to the direct testimony of the  
14 Office of the Public Council (“OPC”) witnesses: Angela Schaben concerning payroll expense;  
15 John A. Robinett concerning depreciation reserve; John S. Riley concerning questions about  
16 cash working capital (“CWC”), meter reading expense, and payroll expense; and Geoff Marke,  
17 concerning Advanced Metering Infrastructure (“AMI”).

18           **DEPRECIATION RESERVE**

19          Q.     In his direct testimony, page 9 lines 19-20, Mr. Robinett states, “Staff has  
20 removed the depreciation reserve accruals that exceed the original plant investment value”.  
21 How does Staff respond?

1           A.     In an attempt to correct the over recovery of four depreciation reserve account  
2 balances, Staff made an adjustment to these accounts to remove the over recovery. These  
3 accounts are 346.1 Meters-Bronze Chamber, 395 Laboratory Equipment, 396 Power Operated  
4 Equipment, and 397 Communication Equipment.

5           Q.     Was Staff's adjustment made in error?

6           A.     It was not an error to make these adjustments. However, there was a second step  
7 to the process that Staff inadvertently omitted. Staff should also have transferred the over  
8 recovery amounts to other depreciation reserve accounts that are not over-accrued. This would  
9 have restored the amount that ratepayers have overpaid for those assets, thus making the  
10 ratepayer whole.

11          Q.     Did Staff correct the depreciation reserve balances?

12          A.     Staff is currently working with Staff's depreciation department to transfer the  
13 over recovery of depreciation reserve to accounts that are no over-accrued.

14          Q.     Does Staff agree with Mr. Robinett's calculation of the amount?

15          A.     No. When Staff made the same calculation, the decrease to revenue requirement  
16 should be \$4,297, while Mr. Robinett claims the value is \$3,506.

17        **CASH WORKING CAPITAL**

18          Q.     What is the significance of CWC on rate base?

19          A.     CWC is the amount of funding necessary for a utility to pay the day-to-day  
20 expenses incurred in providing utility services to its customers. When a utility expends funds  
21 to pay for an expense necessary to the provision of service before it receives any corresponding  
22 payment for that expense from the ratepayers, the utility's shareholders are the source of the  
23 funds. This shareholder funding represents a portion of each shareholder's total investment in

1 the utility. The shareholders are compensated by the inclusion of these funds in rate base. By  
2 including these funds in rate base, the shareholders earn a return on the CWC-related funding  
3 they have invested.

4 Ratepayers supply CWC when they pay for services received before the utility pays  
5 expenses incurred in providing that service. Ratepayers are compensated for the CWC they  
6 provide by a reduction to the utility's rate base. By removing these funds from rate base, the  
7 utility earns no return on that funding which customers supplied as CWC. The amount of CWC  
8 included in rates is based on the results of a lead/lag study.

9 Q. What is a lead/lag study?

10 A. The lead/lag study involves analysis of the timing of when funds are paid to  
11 suppliers and when the utility receives the goods or services, compared to when the utility  
12 receives revenues from customer bills for the utility services it provides. Analysis is also  
13 performed for pass-through expenses where funds are collected and remitted such as sales taxes  
14 and employee payroll withholdings. The lead/lag study results in either a negative or positive  
15 CWC requirement that can increase or decrease the revenue requirement depending on who  
16 supplies the funds, ratepayers or shareholders.

17 Q. Is it typical for Staff to include CWC in the calculation for revenue requirement  
18 for small Staff assisted rate cases?

19 A. No.

20 Q. Why does Staff exclude CWC in small rate cases?

21 A. Typically, small utility companies do not have the resources to perform a  
22 lead/lag study. Nor should ratepayers bear the cost of an outside consultant completing a  
23 lead/lag study for small utility companies. Further, small Staff assisted rate cases have a short

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1 timeline of 150 days, making it difficult to review costs and related invoices necessary to  
2 perform a CWC lead/lag study.<sup>1</sup> Finally, in small rate cases, CWC generally has a smaller  
3 impact on the revenue requirement.

4 Q. Did Mr. Riley perform a lead lag study for RWC?

5 A. No. Although Mr. Riley recommends certain revenue and expense lags, he  
6 states on page 3, lines 21-22 of his direct testimony, “I did not perform my own lead lag study  
7 or independently establish the expenses included in the calculations.”

8 Q. If Mr. Riley did not perform his own calculations for CWC, what is the basis for  
9 his recommended revenue and expense lags in this case?

10 A. Beginning page 4, line 2, of his direct testimony, Mr. Riley states, “The revenue  
11 and expense lag figures were gathered from the following cases: Raytown WR-2015-0246,  
12 Missouri-American WR-2022-0303, Confluence Rivers WR-2023-0006 or Raytown  
13 WR-2020-0264.”<sup>2</sup>

14 Q. Is it appropriate to use revenue and expense lags from other Missouri regulated  
15 utilities to develop a CWC for RWC?

16 A. No. First, there was no lead/lag study nor CWC completed for either of  
17 Raytown’s last two rate cases referenced by Mr. Riley (Case Nos. WR-2015-0246 and  
18 WR-2020-0264). Again, Staff does not routinely perform CWC for small Staff assisted rate  
19 cases. Second, while RWC is larger than most small water companies regulated by the  
20 Commission, it is nowhere the size of the large water companies that routinely complete  
21 lead/lag studies. For example, in Missouri, Missouri-American Water Company (“MAWC”)

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<sup>1</sup> For small Staff assisted rate cases, Staff has 150 days to complete the audit. The case must be fully submitted to the Commission, including all written testimony, for decision by day 240.

<sup>2</sup> Direct Testimony of John S. Riley, page 4, lines 2-4.

1 has over 400,000<sup>3</sup> water meters, while RWC has just over 6,000. While Confluence Rivers  
2 may be a more similar sized utility company for its Missouri operations, it operates under its  
3 parent company Central States Water Resources (“CSWR”). According to its website, CSWR  
4 operates in eleven (11) states serving over 300,000 customers making it much closer to the  
5 size of MAWC.

6 Q. Should Staff include a lead/lag study for RWC?

7 A. Staff does not support a CWC study for the reasons mentioned above. These  
8 reasons include; small companies do not have the resources to complete lead/lag studies,  
9 ratepayers should not have bear the cost of lead/lag studies when there is little benefit, and there  
10 is a shortened timeline for review of these studies.

11 Q. Does Staff recommend requiring RWC to perform a full lead/lag study?

12 A. No. The cost to RWC to perform a CWC study would likely exceed the benefit  
13 to the ratepayers or the shareholders. However, if the Commission determines that a lead lag  
14 study is appropriate, Staff recommends that RWC perform a CWC study prior to filing its next  
15 rate case.

16 **ADVANCED METERING INFRASTRUCTURE**

17 Q. In Dr. Marke’s direct testimony, page 15, line 9, he recommends including  
18 “the entire \$3.8M AMI investment in rate base.” Is this proper treatment?

19 A. No. Staff relied on the Uniform System of Accounts (“USOA”) for treatment of  
20 the AMI meter asset.

21 Q. What is the USOA?

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<sup>3</sup> Data obtained from Data Request No. 0023 WR-2022-0303.



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1           A.     The Missouri Code of State Regulations (“CSR”) prescribes the following:

2                     The uniform systems of accounts for Class A ... water companies, issued  
3                     by the National Association of Regulatory Utility Commissioners in  
4                     1973, as revised July 1976, are adopted and prescribed for use by all  
5                     water companies under the jurisdiction of the Public Service  
6                     Commission.<sup>4</sup>

7           Q.     What does the USOA state?

8           A.     In general terms, plant must be used and useful to be added to plant in service.

9                     346. Meters:

10                    A. This account shall include the cost of meters, devices and  
11                    appurtenances attached thereto, used for measuring the quantity of water  
12                    delivered to users, whether actually in service or held in reserve.

13                    B. When a meter is permanently retired from service, the amount at  
14                    which it is included herein shall be credited to this account.

15                    C. The records covering meters shall be so kept that the utility can furnish  
16                    information as to the number of meters of each type and size in service  
17                    and in reserve as well as the location of each meter included in this  
18                    account.<sup>5</sup>

19           Q.     Does the treatment that Dr. Marke recommend differ from what the  
20           USOA states?

21           A.     Yes. In his direct testimony, page 14, line 21, Dr. Marke recommends including  
22           all AMI meters in this rate case, including meters that are not currently in service. As of June 30,  
23           2023, the Company had only placed 3,073 of the AMI meters in service, or 45.12% of the  
24           total 6,811 AMI meters.

25           Q.     Are there other factors to consider?

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<sup>4</sup> 20 CSR 4240-50.030 (1).

<sup>5</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 88.

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1           A.     Yes. During Staff’s site visit in May 2023, RWC stated that it would be making  
2 retirements after meters were added. If the Commission allows the entire amount in before the  
3 meters are fully installed, Staff will not be able to reflect the retirement value of the old meters.

4           Q.     Please explain further.

5           A.     This is basically a timing issue for the accounting of the asset. The matching  
6 principle is a concept that states that revenues, expenses and assets should all be from the same  
7 period to ensure that proper cause and effect balance is represented. If Staff stopped all  
8 other related accounting at June 30, 2023, but allowed the plant through October or even  
9 November 2023, it creates an imbalance due to timing. For example, Staff did not allow the  
10 maintenance contract for the AMI meters because it doesn’t go into effect until all the meters  
11 are installed. Since this wouldn’t occur until after the June 30, 2023 update period in this case,  
12 it would not be proper for Staff to include the maintenance in rates at this time, keeping with  
13 the matching principle. If we include the total cost of the meters, meters that are currently  
14 providing a benefit to ratepayers and meters that RWC plan to replace in the future, we should  
15 also consider the maintenance contract cost. In this scenario, ratepayers are paying for costs, in  
16 part, that provide no benefit. This is why the June 30, 2023, deadline for plant additions was  
17 important and why Staff included the cost of the AMI meters that were installed by that date  
18 into plant in service.

19           Q.     Is Staff also concerned that OPC’s proposed adjustment may violate the “used  
20 and useful” standard?

21           A.     Yes. By Missouri statute electric utilities are not allowed to include the costs of  
22 plant in rate base until such plant is “used and useful” or providing service to the customers.

1 While not statutorily required for natural gas, water, and sewer utilities, the Commission has in  
2 all or almost all instances over many years applied the same principle to non-electric utilities.

3 **METER READING EXPENSE**

4 Q. Does RWC currently employ meter readers?

5 A. Yes.

6 Q. What jobs do they routinely perform?

7 A. According to job descriptions provided by RWC, the meter reader's job includes  
8 reading meters, checking fire hydrants, and items related to turning services on or off, including  
9 hanging shut off notice door tags.

10 Q. In his direct testimony, page 2, beginning line 11, Mr. Riley questions the need  
11 for meter readers after the AMI meters are fully installed. Will the meter readers be performing  
12 other tasks once the AMI meters are fully installed?

13 A. Yes. Please see Staff witness Daronn A. Williams' Rebuttal Testimony for a  
14 description of the new tasks the meter readers will be performing once the AMI is fully installed.

15 **PAYROLL EXPENSE**

16 Q. In direct testimony both Ms. Schaben, page 15, beginning line 3, and Mr. Riley,  
17 page 6, beginning line 4, bring issue to RWC's employee Chiki Thompson's pay, specifically  
18 questioning whether she should be an hourly or salary employee and also include overtime.  
19 How does Staff respond?

20 A. It is not Staff's place to tell a private business how to pay their employees. Staff  
21 reviews wages for prudence to determine ongoing costs. For this case, Staff's recommended  
22 salary assigned to Ms. Thompson is \$150,184. This amount includes overtime. For 2022, the

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1 Missouri Economic Research and Information Center (“MERIC”) reported \$166,570 for  
2 median pay for chief executive positions in the KC region. Staff’s annualized wage for  
3 Ms. Thompson, that includes overtime, is below MERIC’s median pay for chief executives.

4 Q. How did Staff calculate payroll expense for RWC employees including RWC  
5 employee Chiki Thompson’s wage?

6 A. Staff began with the approved rates in the last case and added the Cost-of-Living  
7 Adjustment (“COLA”) increases for each year since 2020, when the most recent rates were  
8 approved. In this case, Staff reviewed the payroll expense of each individual employee.

9 Q. Where there changes in positions that resulted in changes of the employee wages  
10 that were in addition to the COLA increases?

11 A. Yes. There were promotions that were above the wages expected for  
12 COLA increases. In each case that the wage was different than the expected COLA raises, Staff  
13 reviewed the reasons for the change in the pay rate provided by RWC.

14 Q. Is it typical that a change in an employee title will result in a change in that  
15 employee’s wages?

16 A. Yes. I think that most lay people would expect that a change in title, with  
17 increasing job duties and responsibilities, would equate to an increase in pay.

18 Q. How did Staff review the prudence of payroll expense?

19 A. Staff compared all employee wage to the MERIC for the Kansas City  
20 (“KC”) area.

21 Q. Does this conclude your rebuttal testimony?

22 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 ANGELA NIEMEIER**

STATE OF MISSOURI    )  
                                  )            ss.  
COUNTY OF COLE    )

**COMES NOW ANGELA NIEMEIER** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Angela Niemeier*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
**ANGELA NIEMEIER**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20<sup>th</sup> day of October 2023.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
Notary Public

# Angela Niemeier

## Present Position:

I am a Lead Senior Utility Regulatory Auditor, Auditing Department, Financial & Business Analysis Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I assist in research and analysis of the financial aspects of public utility operations.

## Educational Credentials and Work Experience:

I completed a Bachelor of Health Science- Radiologic Science from the University of Missouri in 2000. In February 2020 I completed an MBA through Columbia College. I have completed 78 credit hours in business related classes; of these, 36 credit hours are specific to accounting and 48 credit hours are graduate level coursework.

## Professional Experience:

Missouri Public Service Commission

- Lead Senior Utility Regulatory Auditor
  - February 2023 – Present
- Senior Utility Regulatory (formerly Auditor III)
  - May 2021 - February 2023
- Utility Regulatory (formerly Auditor II)
  - January 2020 - May 2021
- Utility Regulatory (formerly Auditor I)
  - January 2019 – January 2020

## Case Participation:

Company Name	Case Number(s)	Testimony/Issues
Liberty Utilities	WA-2019-0036	Certificate of Convenience and Necessity
Missouri American Water Company	WO-2019-0389	ISRS Recommendation

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Company Name	Case Number(s)	Testimony/Issues
Confluence Rivers	WR-2020-0053	Fuel expense, Revenue, Miscellaneous Revenues, Property Tax, Payroll
Empire District Electric Company- Electric	ER-2019-0374	Advertising, Amortization of Ice Storm, Customer Advances, Customer Deposits, Customer Deposits Interest, Materials and Supplies, Postage, Prepayments, PSC Assessments, Rate Case Expense, SWPA Payment Amortization
Elm Hills	WR-2020-0275	Fuel expense, Revenue, Miscellaneous Revenues, Property Tax, Payroll, Plant, Prepayments
Missouri American Water Company	WR-2020-0344	Building Maintenance and Services, Main Break Expense, Maintenance Supplies & Services Expense, Tank Painting, PSC Assessment
Liberty Utilities- Bolivar	WA-2020-0397 SA-2020-0398	Certificate of Convenience and Necessity
Empire District Electric Company- Electric	ER-2021-0312	Advertising, Amortization of Electric Plant and Depreciation Reserve, Amortization of Ice Storm, Credit Card Fees, Iatan/Plum Point Carrying Costs, Materials and Supplies, PeopleSoft, Postage Expense, Plant and Depreciation Reserve, PSC Assessments, Property Tax Expense, Rate Case Expense, SWPA Payment Amortization, Vegetation Management Expense
Empire District Electric Company- Gas	GR-2021-0320	Advertising, Amortization of Intangible Assets and Depreciation Reserve, Customer Payment Fees, Injuries and Damages and Worker's Compensation, Insurance Expense, Postage Expense, Plant and Depreciation Reserve, PSC Assessments, Property Tax Expense, Rate Case Expense, ROW Clearing Expense

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<b>Company Name</b>	<b>Case Number(s)</b>	<b>Testimony/Issues</b>
Missouri American Water Company- Garden City	WA-2021-0391	Certificate of Convenience and Necessity
TUK LLC	SM-2022-0131	Certificate of Convenience and Necessity
Missouri American Water Company- WSIRA	SO-2022-0176	WSIRA Recommendation
Missouri American Water Company- Purcell	WA-2022-0293	Certificate of Convenience and Necessity
S. K. & M. Water and Sewer Company	SR-2022-0239	Small water and sewer rate case.
Missouri American Water Company- Pom Osa	WA-2022-0361	Certificate of Convenience and Necessity
Missouri American Water Company- Smithton	WA-2023-0071	Certificate of Convenience and Necessity
Missouri American Water Company	WR-2022-0303	Building Maintenance, Cash Working Capital, Hydrant Painting, Injuries and Damages, Insurance, Leases, Main Break Expense, Maintenance Supplies & Services Expense, Miscellaneous Expenses, Tank Painting, Telecommunications Expense, Valve Maintenance, Waste Disposal
Spire ISRS	GO-2023-0203	ISRS Recommendation