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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

WATER, SEWER, & STEAM DEPARTMENT

REBUTTAL TESTIMONY

OF

DAVID A. SPRATT

THE RAYTOWN WATER COMPANY

CASE NO. WR-2023-0344

Jefferson City, Missouri
October 2023

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2 **REBUTTAL TESTIMONY**

3 **OF**

4 **DAVID A. SPRATT**

5 **THE RAYTOWN WATER COMPANY**

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

7 **INTRODUCTION**

8 Q. Please state your name and business address.

9 A. David A. Spratt, 200 Madison Street, Suite 500, Jefferson City, MO 65101.

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

11 A. I am a Senior Research/Data Analyst in the Water, Sewer, & Steam Department
12 of the Industry Analysis Division for the Missouri Public Service Commission
13 (“Commission”).

14 **EXECUTIVE SUMMARY**

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

16 A. The purpose of my rebuttal testimony is to respond to the direct testimony of the
17 Office of the Public Council (“OPC”) witnesses: Geoff Marke, concerning Advanced Metering
18 Infrastructure (“AMI”), Angela Schaben concerning management; and John Robinett
19 concerning additional notification in regards to The Raytown Water Company
20 (“RWC” or “Company”).

1 **ADVANCED METER INFRASTRUCTURE “AMI”**

2 Q. What concerns does OPC witness, Dr. Geoff Marke have about AMI?

3 A. Dr. Marke states on page 6 beginning on line 6, that he has a “healthy degree of
4 skepticism about such large investments for water companies, in general, and for small water
5 utilities in a relatively small territorial area, in particular.”

6 Q. What is Staff’s position about the investment?

7 A. Staff’s position is that this was a prudent investment.

8 Q. Please explain some of the reasons why Staff takes the position that it was a
9 prudent investment?

10 A. AMI meters are far superior at helping customers detect leaks, are more accurate
11 than conventional meters, allow more cost efficient utility operation, and can be upgraded with
12 other modern benefits to utilities and customers.

13 Q. Can you expand on your statement about AMI meters helping with
14 leak detection?

15 A. As a member of the Staff’s Water, Sewer, & Steam Department, I have
16 investigated many customer complaints involving high bills. The Companies with AMI are
17 able to provide me with data about water usage by the hour. These hourly reads help to establish
18 patterns of water use. With hourly reads it can be determined if there is a leak or if the water is
19 being used at odd times. A pattern of continuous water use occurring over a period of a few
20 hours can indicate something was left on accidentally. Small continual amounts of water usage
21 over a period of many hours or days can indicate a leak in a faucet or from a toilet. This means
22 AMI meters put more power in the hands of customers.

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1 Q. And these meters are more accurate?

2 A. According to information provided in the application by Utility Service Group
3 (“USG”), the contractor RWC purchased the meters and technology from, in the finance case
4 (WF-2021-0427), AMI meters are more accurate than standard water meters. USG states that
5 AMI meters are particularly more accurate on detecting low flows like a small drip in a faucet.
6 Based on results I have seen in MAWC water meter tests, often times the conventional water
7 meters have a low accuracy rate on the low flow portion of the test which could cost water
8 companies money every month in unrecorded lost water.

9 Q. How does this help the Company?

10 A. A more accurate meter benefits the Company so it can receive payment for all
11 the water going through the meter. This could ultimately lower customer rates as there will be
12 less non-revenue water.

13 Q. Can this technology also benefit the customer?

14 A. Yes. This technology can benefit the customer as well because the customer can
15 see when the water is being used. The Company is working on a dashboard which will allow
16 the customers to see daily use. Daily information as opposed to monthly information can be
17 beneficial to customers who are trying to reduce use and waste. A customer will be able to see
18 that a leak is occurring before the next bill arrives, which could save them days or weeks of
19 wasted water and quite a bit of money.

20 Q. Does AMI have the ability to alert customers of high water usage while
21 it is occurring?

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1 A. Yes, although Staff is not aware of the deployment of such technology by a water
2 utility in Missouri yet. Such an alert system would of course require customers to consent to
3 receiving such alerts as well.

4 Q. Does RWC alert customers now if bills seem much higher than normal?

5 A. Yes, when it has the information. Because of the number of meters that had to
6 be read manually before AMI and the chance that some of the meters were not read each month,
7 some of the high meter reads could go on for more than one month.

8 Q. Can a slow leak really use that much water?

9 A. A small leak of a half a gallon per minute, which would be typical of a slow
10 leaking toilet, can use over 20,000 gallons of water in a month.

11 Q. Could that be costly to a customer?

12 A. At the current rate of \$8.08 per 1,000 gallons of water used, that could add up to
13 an additional \$161.60 per month on a water bill.

14 Q. Dr. Marke notes beginning on line 20 of page 11 that the meters RWC has
15 chosen to install do not have the ability to disconnect or reconnect remotely. He further states
16 that this means meter readers must still be employed, causing an overstatement of benefits to
17 customers. Do you agree with these assertions?

18 A. No. While the remote disconnect upgrade can be a benefit creating more
19 efficient utility operation, it may not always be cost effective to do so. All upgrades and
20 additional features come with an additional cost, and RWC chose what it believed to be the
21 most cost effective option. RWC was asked by Staff about that function and was told it was a
22 much more expensive addition to the meters.

1 Q. What about his second assertion about shutoffs? Are meter readers necessarily
2 the only persons at a utility that conduct shut offs?

3 A. No, shutting off water service is a separate task from meter reading. Often shut
4 offs are conducted by other field staff, but even if it is the same staff member they are generally
5 doing shut offs as a separate trip than meter reads. Meter reading is a task that is completed for
6 all customers within a short window of time each month. The primary function of
7 an AMI meter is the automated collection of data, so that manual meter reading does not occur.
8 All other upgrades and bonus features, such as remote shut offs, that can be added on to this
9 technology have to be examined individually by the utility company making the investment.

10 Q. Dr. Marke argues beginning on line 7 of page 6 that AMI is better suited to larger
11 companies like Missouri-American or to companies which are spread out more or located more
12 remotely like Confluence. How does Staff respond to that?

13 A. Dr. Marke stated his belief that a larger company's economy of scale means the
14 cost per customer to install AMIs is lower, but did not provide any data to support that position.
15 Staff would suggest that more customers means more investment at probably about the same
16 cost per customer. Staff would also suggest that subdivisions in remote areas require additional
17 infrastructure to be installed for the technology to work. In the RWC service area there are
18 already buildings, poles, towers and other structures which can be used to mount data reading
19 devices to transmit the readings from the meter to the computer. Communication networks
20 such as internet lines and cellular towers are also already in place. This means that AMIs should
21 be more cost effective in a setting like Raytown compared to a subdivision in a rural area,
22 contrary to Dr. Marke's belief.

1 Q. Dr. Marke states on line 24 of page 14 that “prudent management would conduct
2 its own internal cost benefit analysis and seek a competitive bid to realize the most benefits to
3 customers.” Do you have concerns with this statement?

4 A. While Staff would like to have competitive bids to compare costs, RWC chose
5 to work with Utility Services based on years of personal and professional work experience in
6 the water business working with RWC on other projects. Dr. Marke presents no evidence as to
7 how much money he believes would have been saved by seeking competing bids. It is important
8 to keep in mind that small utility companies do not always have the technical capabilities to
9 conduct internal cost benefit analyses. While Dr. Marke might like to see thorough calculations,
10 oftentimes small companies are conducting much less sophisticated analysis using the
11 information that is available to them when determining what investments are prudent.

12 Q. What is your recommendation for the Commission regarding AMI investment?

13 A. It is Staff’s position that AMI is a prudent use of resources and benefits the
14 Company as well as the customer. Staff’s position is that the meters and equipment that were
15 used and useful by June 30, 2023 have been properly included. It is Staff’s position that the
16 remainder of the meters which were installed after June 30, 2023 should be included in the next
17 rate case. This lower depreciation rate on the meters and software reflects their protection under
18 a fifteen-year service contract. Staff recommends that the Commission support the
19 Company/Staff agreement in regards to the installation of AMI and the methods in which the
20 equipment was categorized and the return and depreciation was calculated.

21 Q. Does Staff have any concerns about the implementation of the service contract?

22 A. No it does not.

1 **MANAGEMENT AUDIT**

2 Q. OPC witness, Angela Schaben, mentions a management audit that was ordered
3 in case WO-93-194 by the Commission nearly thirty years ago on line 13 of page 1. Can you
4 explain how that happened and how it was resolved?

5 A. The City of Raytown requested a management audit be performed on RWC.
6 It was ordered by the Commission in that case. Staff performed the audit and made several
7 recommendations. That case was closed on October 10, 2000 because it was determined that
8 RWC had “implemented all 48 recommendations made in the Commission’s
9 management audit”.

10 Q. Ms. Schaben indicates that RWC is not following the guidelines outlined in the
11 agreement beginning on line 21 of page 1. Does Staff have any concerns about the management
12 and operations of the Company?

13 A. No it does not. During the time of Staff’s inspection it was satisfied with the
14 operations and management of RWC. Staff has assisted RWC with numerous cases since that
15 time and has not found any cause for concern with the Company.

16 Q. Has Staff considered performing its own or requesting a new management
17 audit of RWC?

18 A. No. Staff does not believe that this is necessary. As Dr. Marke stated in his
19 direct testimony beginning on line 15 of page 8, “Missouri is not a preapproval state and
20 regulators do not manage public utilities.” The Commission has offered clear guidance that it
21 is not interested in micromanaging companies.

1 **ADDITIONAL NOTIFICATION**

2 Q. OPC witness, John Robinett, suggests beginning on line 12 of page 5 that the
3 Company should be required to “send a bill insert notifying customers of the agreed-to larger
4 increase between Staff and RWC, and give customers an updated bill impact. Doesn’t that
5 happen anyway?

6 A. Yes. Customers receive a final customer notice at the end of the rate case
7 letting them know what the new rate will be and what the financial impact will be on the
8 average customer.

9 Q. How much of an increase did RWC originally request?

10 A. The original request was for \$735,103.

11 Q. What did RWC and Staff actually agree to?

12 A. The agreed upon amount was \$1,174,782.

13 Q. Would an additional notification increase costs?

14 A. Yes, additional costs would be necessary.

15 Q. Would a notification at this time cause customer confusion?

16 A. Yes. Since there is no guarantee what the final outcome of this case would be
17 another notification would just cause more confusion.

18 Q. If Public Counsel wants to inform customers, can Public Counsel host a town
19 hall type gathering?

20 A. There is nothing prohibiting Public Counsel from having community meetings
21 with the public.

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1 Q. Are there any other ways that customers are notified of a rate increase?

2 A. Yes. A press release is issued by the Commission after the rate request is
3 approved which goes to local newspapers and radio stations to alert customers of the rate
4 increase and its impact.

5 Q. Mr. Robinett also suggests beginning on line 19 of page 6 that an additional
6 Local Public Hearing (“LPH”) should be held for customers to gather information about the
7 rate increase. Is it Staff’s position that another LPH should be held to discuss the rate increase?

8 A. No. A virtual LPH was held on May 23, 2023 for customers to attend and gather
9 information about the rate increase and the rate increase process. No customers participated in
10 the event.

11 Q. Do customers have a way to notify the PSC or RWC of their displeasure with
12 the rate increase request?

13 A. Yes. Customers can call, write, or e mail the PSC to have their voice heard and
14 have their public comment documented for Staff, OPC, and RWC to see. That information is
15 provided to them in the initial customer notice which is mailed out to customers at the beginning
16 of the rate case.

17 Q. Were there many public comments from customers?

18 A. There were only five public comments registered by RWC customers since the
19 initial customer notice was mailed out May 5, 2023.

20 Q. Has there ever been a time when an additional LPH was called after a rate case
21 to provide additional information to the customers?

22 A. Not that I am aware of.

1 Q. Is it unusual for the final rates ordered by the Commission to be higher than the
2 rates proposed initially by a company?

3 A. No, it is not uncommon. In fact, the Code of State Regulations specifically
4 allows for it by stating, “[T]he commission must set just and reasonable rates, which may result
5 in a revenue increase more or less than the increase originally sought by the utility”.¹

6 Q. If the Commission were to approve the non-unanimous disposition agreement,
7 would this be the first time the Commission ordered a higher revenue requirement than a small
8 company initially requested?

9 A. No. Below is a list of examples that Staff is aware of where small companies
10 received a greater annual increase than they requested, although there are likely more:

Case Number	Company	Requested	Received
WR-2010-0139	Valley Woods Water Co.	\$1,488	\$11,569
WR-2010-0154	S.K.&M. Water & Sewer Co.	\$19,832	\$22,739
WR -2010-0309	Middlefork Water Co.	\$55,000	\$145,429
SR-2011-0133	Seges Partners Mobile Home Park, LLC	\$5,697	\$8,627
SR-2011-0182	TBJ Sewer Systems, Inc.	\$5,941	\$9,055
WR-2015-0192	Bilyeu Ridge Water Company	\$5,000	\$7,716
WR-2016-0109	Roy-L Utilities	\$9,000	\$19,432
WR-2017-0042	Ridge Creek Water Co.	\$15,500	\$52,925
WR-2018-0001	Environmental Utilities, LLC	\$7,263	\$7,764
WR-2018-0328	Middlefork Water Co.	\$55,000	\$60,154
WR-2022-0345	Argyle Estates Water Supply	\$6,000	\$7,262

11
12 Q. Does Staff have any recommendations about customer notification?

13 A. Staff recommends that the Commission not order an additional LPH due to the
14 lack of participation in the first LPH and the fact that only five customers even submitted a
15 public comment. A final customer notice will be sent out to RWC customers notifying them of
16 the amount of the increase approved by the Commission. Staff recommends that RWC notify

¹ 20 CSR 4240-10.075(14)

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1 its customers that this is not the final amount as OPC has requested a hearing over the rates
2 established but those rates do not include the additional rate case expenses and legal expenses
3 that RWC will incur due to the request for an evidentiary hearing, which will also be paid by
4 the rate payers.

5 Q. Does Staff have any other recommendations?

6 A. Staff recommends the Commission approve the Non-Unanimous Stipulation and
7 Agreement filed September 13, 2023, with updates for additional rate case expense associated
8 with the evidentiary hearing and corrections to the accumulated depreciation reserve.

9 Q. Does this conclude your testimony?

10 A. Yes it does.

