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Case No.: WR-2023-0344

REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

RAYTOWN WATER COMPANY

CASE NO. WR-2023-0344

October 24, 2023

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THE RAYTOWN WATER COMPANY
CASE NO. WR-2023-0344

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Geoff Marke that filed direct testimony in WR-2023-0344?**

6 A. I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. I am responding to the direct testimony of other parties' witnesses on AMI investment as
9 well as updating my direct testimony based on discovery responses from The Raytown
10 Water Company ("RWC" or the "Company") on the Company's insurance premium.

11 My silence regarding any issue should not be construed as an endorsement of, agreement
12 with, or consent to any party's filed position.

13 **II. ADVANCED METERING INFRASTRUCTURE**

14 **Q. Do you have any corrections to make since you filed direct testimony?**

15 A. Yes. The Company issued discovery to me highlighting my inadvertent omission of the
16 dollar impact of my recommendation on RWC's revenue requirement. Specifically, I
17 omitted the dollar impact of my recommendation to include the remaining meters in the
18 revenue requirement but disallow the return on component of that calculation.

19

20

1 **Q. What would be the total impact on the Company's revenue requirement if the**
2 **Commission adopted your primary recommendation?**

3 A. The overall revenue requirement would be \$22,931 higher than the Company and Staff's
4 agreement. The increase is driven by the revised depreciation rate of including the remaining
5 AMI investment in rate base but tempered overall by the imprudence disallowance associated
6 with the return on the investment.

7 I would stress, again, that this is an exceedingly generous outcome for the Company given the
8 lack of benefits that have failed to materialize from this investment relative to the excessive
9 costs.

10 Importantly, this increase is based on an assumed \$3,870,050 in AMI investment to date as
11 listed in the Staff and Company agreement.

12 **Q. Did the Company file testimony supporting its AMI investment?**

13 A. Yes. RWC witness Chiki Thompson filed direct testimony.

14 **Q. Are there any discrepancies between what Ms. Thompson filed and what was agreed to**
15 **between Staff and the Company?**

16 A. Yes. Ms. Thompson's testimony lists the total AMI investment at \$4.2M and she points out
17 that there is annual maintenance fee on a going-forward basis of approximately \$100,000. She
18 has also suggested that this figure will increase annually moving forward. I am still awaiting a
19 discovery response from the Company for the basis for the financial deviation from what RWC
20 agreed to with Staff.

21 **Q. What was Raytown's rationale for investing in AMI?**

22 A. Ms. Thompson's Q&A from her direct states the following:

23 Q. Why is the Company installing AMI technology?

1 A. It will improve customer service, as well as employee and public safety.
2 Further, AMI will allow Raytown Water to redeploy personnel previously
3 focused on meter reading to other work.¹

4 Ms. Thompson then expounds on those three items (improved customer service,
5 employee/customer safety, and redeployment of personnel more in her testimony.

6 **Q. Do you believe there is improved customer service as a result of the \$3.8M AMI**
7 **investment?**

8 A. No. There may be fewer estimated bills due to the simple fact that these are brand new meters,
9 but estimated bills will not be eliminated. My experience with AMI around electric utilities has
10 shown that estimated bills will continue to be an issue indefinitely (due to loss of power,
11 malfunctions, etc...). Moreover, so few customers actually contact the Company about meter
12 related issues, that no party in this case could assign a monetary value to this alleged benefit.
13 At best, it's a wash (no change), but an argument could be made that customer service will
14 actually decrease moving forward before the excessive costs are even factored in.

15 **Q. Why do you believe AMI may have a negative effect on customer service?**

16 A. Because customers are now going to pay significantly more for a service they have to
17 proactively engage in, losing a service that was passively provided to them.

18 Today, the Company notifies customers if their water usage is too high or low. A customer
19 need not take any action for this service. Moving forward, RWC plans to eliminate the
20 customer's ability to be passive in their water service. When the customer portal becomes
21 operational, as intended, customers will now need to proactively set their usage alerts on their
22 customer portal to be notified of irregularities.

23 Based on recent customer portal experience with Evergy Metro/West surrounding TOU rates,
24 very few customers will actively be engaged with a utility's customer portal, even when
25 customers have rate choices. However, rate choices do not even exist for RWC. By any

¹ WR-2023-0344 Direct Testimony of Chiki Thompson p. 4, 18-21.

1 objective standard, this should be characterized as a step back in customer experience. The
2 Company is forcing customers to do more work for the same benefit they receive now.

3 **Q. Ms. Thompson argues that placing locks on the meter wells as a primary argument for**
4 **AMI prudence. Do you agree?**

5 A. The Company should have secured locks on their meter wells years ago. The “safety” element
6 of this capital expenditure is approximately \$20K and should be considered separate and aside
7 from the AMI investment. I take no issue with the locks other than the Company and Staff’s
8 implied position that AMI and locks on meter wells are codependent on one another.

9 **Q. Ms. Thompson’s also suggests that AMI will allow meter readers to be redeployed; thus**
10 **implying that there will be operation and maintenance savings. Do you agree?**

11 A. It’s true that the Company’s existing meter readers will likely be working on activities other
12 than reading meters, but the Company will still need meter readers to disconnect and reconnect
13 customers and troubleshoot operational issues moving forward. As a result, the two meter
14 readers will not be eliminated resulting in no financial savings. In fact, O&M expense will
15 actually increase from this capital project as the Company is projected to incur at least \$100,000
16 in annual maintenance expense that is expected to escalate annually. Coincidentally, the
17 additional maintenance expense for the AMI investment is less than what the Company is
18 paying for its two meter readers today.

19 The net result is less work for the utility but at significantly greater cost to its captive customers.

20 **Q. Did Staff file testimony supporting the Company’s AMI investment?**

21 A. Yes, Staff witness Daronn A. Williams filed direct testimony in support of the investment.

22 **Q. What is Mr. Williams’s argument?**

23 A. Mr. Williams lists eight arguments in favor of the \$3.8M investment for the 6,541 meters in
24 the densely populated small city of Raytown. These arguments are paraphrased as follows:

- 25 1. Hourly reading as opposed to monthly reading;
- 26 2. Meter readers do not need to go on premise to read;

- 1 3. Automatic bill readings should reduce transcription error;
- 2 4. Meter readers get to avoid “vicious dogs;”
- 3 5. Meter readers are safer (presumably from avoiding vicious dogs);
- 4 6. Meter readers are safer from future pandemic-like influenza scenarios (COVID-19);
- 5 7. Locks on the meter wells should reduce customer-induced personal injury lawsuits;
- 6 and
- 7 8. The Company says the upcoming customer portal is user friendly.

8 Regarding arguments 1 & 8, I am unaware of any customer demand for hourly water meter
9 readings on a ratepayer-paid Company software application. Importantly, customers will not
10 receive hourly readings on their customer portal only daily usage. Customers will need to
11 contact the Company and request hourly usage if they want that information.

12 I would challenge the Company or Staff to find anyone who believes \$600 is worth the ability
13 to look on a phone and see their daily (not hourly) water usage.

14 Items 2 through 6 are effectively the same safety benefit to the two to three, still-employed,
15 Company meter readers (i.e., company meter readers do not need to read meters).² This despite
16 the fact that O&M expense associated with meters will actually increase with this capital
17 investment by \$100K annually.

18 That leaves argument #7: locks for meter wells. As stated above, the Company did not need
19 to invest in AMI to put locks on its meter wells. This element should be viewed separately
20 from OPC’s cost disallowance.

21 **Q. Can you summarize the benefits identified by Staff and the Company for this significant**
22 **investment?**

23 A. Yes. Raytown customers will be paying approximately \$600 a piece (or \$3,870,050 but not
24 including the \$100K a year for the next fifteen years for maintenance) for gold-plated meter
25 hardware and supporting software. In exchange they receive the following benefits:

² Keep in mind RWC has been reading customer meters for ninety-eight years.

- 1 • The ability to see daily (as opposed to monthly) water usage on their online customer
2 portal (at some point in the near future). That’s effectively it.

3 RWC, for its part receives the following benefits:

- 4 • The ability to increase rate base \$1,746,097 with an \$118,736 return on profit margin
5 (if the Commission were to accept Staff and the Company’s agreement);
6 • In the imminent, next rate case, an additional increase of \$2,123,953 for the remaining
7 meters (as well as the accompanying profit margin associated with those not-yet-
8 booked meters); and
9 • Meter readers (who will still be employed as meter readers) no longer need to read the
10 6,541 meters physically in person once a month unless there are technical or billing
11 related problems.

12 **Q. With the present facts before the Commission, has your position changed?**

13 A. No. The ability for customers to proactively engage with RWC’s customer portal to view
14 hourly water usage provides an extremely limited benefit and does not justify the cost increase
15 to customers. Furthermore, O&M expense has actually increased as a result of the \$3.8M in
16 CAPEX and the espoused safety benefits are not dependent on AMI deployment.

17 The absence of a competitive request for proposal or any independent cost benefit analysis
18 underscores the managerial imprudence that is obvious upon review.

19 Given the Company’s size and what the financial shock would be if the AMI investment were
20 deemed to be imprudent I am recommending that the Company retain the costs for its
21 investment but that any profit margin be eliminated for this needless spend. If the Commission
22 elects to hold this Company accountable for its actions I would not be opposed to a further cost
23 disallowance related to the meters themselves (e.g., 50% reduction to AMI costs) and/or a
24 reduced return on equity.

1 **III. INSURANCE PREMIUM EXPENSE**

2 **Q. Did the Company respond to your insurance premium discovery that your direct**
3 **testimony said would be updated in rebuttal?**

4 A. In part. OPC DR-2038 asks the following questions and received the following response:

5 2038. Regarding the S. Smith vs RWC settlement for \$1,000,000; the M. Dupree
6 vs RWC settlement of \$40,000; and the E. Cox vs RWC settlement of
7 \$58,000, please answer the following:

8 a. What was the Company's insurance premium amount (that was
9 utilized for payment of damages) before settlement?

10 **Response: Effective 4/30/20 coverage was transferred to Cincinnati**
11 **Insurance. Settlement amounts were paid by previous**
12 **Insurance provider after the transfer of coverage**
13 **therefore did not affect insurance premium amounts.**

14 **S.Smith- date of incident 4/27/20, date of settlement 12/6/22**

15 **M.Dupree- date of incident 2/25/20, date of settlement 8/8/23**

16 **E.Cox- no EPLI coverage at time of incident; 3/20/2020**

17 b. Was the insurance premium increased as a result of the ruling? If yes,
18 how much did it increase?

19 **Response: No.**

20 c. What is the total annual insurance policy premium amount currently?

21 **Response: \$68,100.00³**

22
23 **Q. What is your conclusion from that response?**

24 A. The Company did not provide a cost estimate for personal injury insurance pre-lawsuit. Absent
25 that information as well as some formal documentation verifying these costs I cannot properly

³ See GM-1.

1 state whether or not a cost disallowance is warranted. Intuitively, I believe a personal injury
2 insurer would adjust its premium if its client was routinely being sued and losing those lawsuits
3 I will attempt to elicit more comprehensive responses in future discovery and update my
4 testimony accordingly.

5 **Q. Does this conclude your testimony?**

6 A. Yes.

**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 GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.



Geoff Marke
Chief Economist

Subscribed and sworn to me this 23rd day of October 2023.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121



Tiffany Hildebrand
Notary Public

My commission expires August 8, 2027.