

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

\_\_\_\_\_  
Financing Order Projects

Schaben/Rebuttal

Public Counsel

WR-2023-0344

**REBUTTAL TESTIMONY**

**OF**

**ANGELA SCHABEN**

Submitted on Behalf of the Office of the Public Counsel

**RAYTOWN WATER COMPANY**

CASE NO. WR-2023-0344

October 24, 2023

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

**INTRODUCTION**

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

A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

**Q. Are you the same Angela Schaben who filed direct testimony for the OPC in this case?**

A. Yes.

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

A. The purpose of my testimony is to respond to Staff witness Mr. Daronn Williams pertaining to Raytown Water Company’s (“RWC”) approval to fund certain projects issued by Commission Order in Case No. WF-2021-0427.

**Q. Please summarize your recommendations as presented in the subsequent testimony.**

A. I am recommending that certain purchases, such as the parking garage and a ninth vehicle for their fleet, should not be recovered from ratepayers.

**Q. According to direct testimony by Mr. Williams, which of RWC’s projects were approved resulting from the Commission’s Financing Order in WF-2021-0427?**

A. The financing order approved to fund the following projects:

- 1) Replacing all manual read meters with radio readers by updating the entire water metering system to AMI;
- 2) Upgrading meter wells;
- 3) Installing new data collectors;
- 4) Updating metering software and making live metering information available to customers through the company website;
- 5) Purchasing new trucks;
- 6) Replacing the roof on the main office and installing a back-up generator;
- 7) Constructing a new garage to house company-owned vehicles; and



1 **Q. In addition to Mr. Williams’s direct testimony detailing RWC’s approved financing**  
2 **projects, did you find details related to these projects through other sources?**

3 A. Yes. RWC’s Board of Directors meeting minutes discusses several of these projects, and issues  
4 related to said projects, at length.<sup>3</sup>

5 **Q. Would you expect RWC’s board meeting minutes to reflect an accurate representation**  
6 **of RWC’s business decisions?**

7 A. Yes. RWC’s Board of Directors (“board”) is responsible for discussing and approving the  
8 company’s business decisions. In order to facilitate effective decision making, the board must  
9 be presented with accurate business information.

10 **Q. What did RWC’s board meeting minutes assert regarding the new company truck**  
11 **purchases?**

12 A. I reviewed several Board of Directors meeting minutes (“board minutes”) and discovered  
13 multiple discussions related to the new fleet purchased from an approved Commission  
14 financing order. According to the November 10, 2021 minutes, RWC planned on purchasing  
15 nine replacement vehicles, for a total cost of \$504,238, with the approved bond funds. By June  
16 8, 2022, RWC provided details on eight vehicles costing \$475,773.30, which includes base  
17 price, lighting and equipment packages. After purchasing eight vehicles, \$28,464.70 remains  
18 from the approved bond funding allocated for vehicle acquisitions. Further vehicle discussions  
19 occurred during the October 12, 2022 board minutes when the Company reports that an  
20 additional vehicle with an estimated cost of \$100,000 will likely require payment from the  
21 general fund account.

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<sup>3</sup> Company response to Staff Data request number 68; RWC board meeting minutes

Date of RWC Board of Directors meeting	Topic of Discussion <sup>4</sup>
November 10, 2021	A summary of 9 replacement vehicles was presented with an estimated sum of \$504,238.00
April 13, 2022	In RWC's order authorizing issuance of water facilities improvement bonds series 2021, it has allotted \$504,238.00 for the purchase of new trucks.
June 8, 2022	The Company reports that part of its new fleet is in service. Four of the vehicles are in service and four are yet to be delivered. This includes 8 vehicles of the 9 planned, with a total cost of \$475,773.30. The cost includes base price, lighting and equipment packages.
October 12, 2022	The Company reports that it's still waiting on an additional vehicle that will probably have to be paid out of the general fund account, amounting to about \$100,000.

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**Q. How does RWC’s board minutes correlate with Mr. Williams’s direct testimony?**

A. In his direct testimony discussion of approved financing order project statuses, Mr. Williams states that new company trucks were purchased in February 2023, which does not correspond with the Company’s timeline, based on Board discussions.<sup>5</sup> I have requested additional information from Staff and the Company and expect to provide relevant updates in Surrebuttal testimony.

**Q. Within the board minutes you reviewed, did the Board discuss competitive vehicle replacement bids or a needs analysis conducted by the Company?**

A. Not that I have found.

**Q. Why is the lack of competitive vehicle bids or a needs analysis relevant?**

A. As stated in my direct testimony, RWC previously underwent a Staff Management audit in response to concerns raised in general rate case WR-92-85 which led to a Commission ordered Management Audit (WO-93-194). In response to numerous Staff findings, the Company

<sup>4</sup> *Id.*

<sup>5</sup> Direct testimony of Mr. Daronn Williams, File No. WR-2023-0344, page 5.

1           agreed to update and implement best practice policies and procedures beneficial for both the  
2           company and its captive rate payers. As a result, Mr. Clevenger agreed to formal competitive  
3           bidding<sup>6</sup> and vehicle replacement policies<sup>7</sup>.

4   **Q.   For what reason did Staff recommend implementing a formal bidding process in WO-**  
5   **93-194?**

6   A.   RWC lacked any policies and procedures regarding competitive bidding for major purchases.  
7   The Company was unable to provide documentation on a timely basis related to a large  
8   software and hardware purchase, which led Staff to conclude “a competitive bidding process  
9   and a detailed analysis of the capabilities of the computer systems offered were not  
10   performed.”<sup>8</sup> Additionally, within the Management Audit competitive bidding section,  
11   Staff goes on to say:

12           A formal competitive bidding policy should require that detailed specifications be  
13           developed and that a formal request for proposal be sent to at least three viable  
14           competitors. All bid packages submitted should be thoroughly evaluated using  
15           weighted criteria with a formal decision-making process being used to document all  
16           aspects of the purchase. Such policies and procedures should increase the likelihood  
17           of purchasing a product or service which will provide cost-effective results and be  
18           supported by the supplier/manufacturer several years into the future. These policies  
19           and procedures will also ensure that the Company has thoroughly evaluated all the  
20           options available in order to make the most effective long-term decision.  
21           Maintaining documentation of this process will provide the basis for evaluating in  
22           the future whether purchased items have performed as planned and determining  
23           whether purchasing procedures require change.<sup>9</sup>

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<sup>6</sup> See Schedule ADS-R-1; File no. WO-93-194; Audit Recommendation Implementation Plan, Project Name: Competitive Bidding, signed by Mr. Neal Clevenger.

<sup>7</sup> See Schedule ADS-R-2; File no. WO-93-194; Audit Recommendation Implementation Plan, Project Name: Vehicle Replacement, signed by Mr. Neal Clevenger.

<sup>8</sup> Staff Management Audit of Raytown Water Company, file No. WO-93-194, page 29.

<sup>9</sup> Staff Management Audit of Raytown Water Company, file No. WO-93-194, page 30.

1 **Q. Why is RWC’s avoidance of utilizing formal competitive bidding concerning?**

2 A. A formal competitive bidding process protects both the Company and captive ratepayers. A  
3 formal process sets up vendor requirements and expectations up front, providing tangible  
4 documentation and evidence ensuring cost-effective results. Formal requirements provide  
5 more effective platforms for vendor negotiations and assists in long-term decision making.  
6 Perpetuating an inadequately documented procurement process enables the Company to seek  
7 less efficient solutions that lead to less effective long-term decision making and unnecessary  
8 over spending. For example, RWC recently spent millions of dollars on AMI software for  
9 which it did not initiate formal competitive bidding through a request for proposal (“RFP”)  
10 process.<sup>10</sup> As a result, little evidence exists to ensure ratepayers are receiving a cost-effective  
11 result.

12 **Q. Given Mr. Williams’ direct testimony regarding RWC’s vehicle purchases, and the**  
13 **Company’s potential plans to purchase another using the general fund account, should**  
14 **this future vehicle be included in rates once it’s in service?**

15 A. No. RWC determined an estimated cost of \$504,238 for nine replacement vehicles. If the  
16 Company is still following the Staff recommended best practices Mr. Clevenger agreed upon  
17 in WO-93-194, this estimation should be based upon competitive vehicle bids and a vehicle  
18 replacement needs analysis. As of June 8, the RWC reportedly spent \$475,773 on eight of the  
19 nine intended replacement vehicles. Purchasing another vehicle at an estimated \$100,000 price  
20 tag exceeds the original \$504,238 estimated amount by \$71,535. Captive ratepayers should  
21 not be punished because RWC is experiencing difficulty in managing costs in an effective  
22 manner.

23 **Q. What is your recommendation to the Commission?**

24 A. Without a competitive vehicle bid or needs analysis for the nine replacement vehicles estimated  
25 at \$504,238, recovery for a ninth vehicle purchased from the general fund should not be  
26 allowed in any future rate cases.

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<sup>10</sup> Company Response to DR 2001.

- 1 **Q. What is another item requested in the original WF-2021-0427 Commission financing**  
2 **order that remains incomplete?**
- 3 A. RWC requested funds for construction of a new garage, a project with an approximated cost  
4 of \$356,000.<sup>11</sup>
- 5 **Q. Did RWC proceed with constructing a new garage?**
- 6 A. No. According to Mr. Williams, the “Company did not construct a new garage due to various  
7 legal issues and the increase in cost of materials.”<sup>12</sup>
- 8 **Q. If the Company has experience procuring EI ERA bonds, could it have determined that**  
9 **new garage construction was not feasible before including the construction costs in the**  
10 **WF-2021-0427 financing application?**
- 11 A. Yes. RWC should already be familiar with the various potential legal issues from using the  
12 funds to construct a new garage. According to Staff data requests in that financing case, the  
13 Company has procured EI ERA bonds in the past, according to their own employees.
- 14 **Q. In light of the legal issues preventing RWC from constructing a new garage from bond**  
15 **proceeds, did the Company formulate an alternative plan for achieving new garage**  
16 **construction?**
- 17 A. Due to bond restrictions related to funding the proposed new garage construction, the bond  
18 language was changed to let part of the proceeds pay interest through March 2024, totaling  
19 \$297,958. Therefore, using the bond proceeds, RWC prefunded \$297,958 of bond interest  
20 payments rather than funding garage construction. According to Mr. Clevenger, “[a]s the bond  
21 proceeds were paying the interest until March 2024, the Company planned to match the  
22 amount from the general checking into a special account for the garage funding. However,  
23 due to cash flow, the Company has not been able to do so.”<sup>13</sup>

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<sup>11</sup> August 10, 2022 RWC Board meeting minutes. Company response to Staff Data request number 68.

<sup>12</sup> Direct testimony of Mr. Daronn Williams, File No. WR-2023-0344, page 5.

<sup>13</sup> Company response to OPC data request 1100.



1 **Q. RWC prefunded bond interest payments, in the amount of \$297,958, through March**  
2 **2024<sup>14</sup>, and did not have to pay bond interest payments from the general fund. Does it**  
3 **make sense that the Company has such a tight cash flow that other bond funded projects**  
4 **cannot be completed?**

5 A. No. As demonstrated in my direct testimony, the Company does not appear to follow several  
6 highly important recommendations and agreed upon implementations from the Staff  
7 Management Audit.<sup>15</sup> One example is Mr. Clevenger's company supplied vehicle for which  
8 he is not adequately reimbursing RWC, on a timely basis. RWC received a 12.3% rate increase  
9 three years ago,<sup>16</sup> and are seeking an additional 27% increase in this rate case. That's a 39.3%  
10 increase in three years. Additionally, the Company has indicated its intent to file another rate  
11 case within a short time frame, in order to recover additional AMI costs. RWC has shown it  
12 is unable to manage its business within the limits of just and reasonable rates. Captive  
13 ratepayers should not be penalized with unreasonable rates based on poor Company  
14 management decisions.

15 **Q. What is your recommendation to the Commission?**

16 A. RWC used bond funds to prefund interest payments with the intent to fund new garage  
17 construction from general checking account funds.<sup>17</sup> Meanwhile, funding dried up for items  
18 that would benefit both the Company and ratepayers, such as upgrading meter wells. Due to  
19 the number of judgements against the Company because customers fell into meter wells seems  
20 to take priority over a garage that only appears to benefit the Company and its shareholders.  
21 Should the Company construct a new garage in the future, the garage construction costs should  
22 be borne by RWC's shareholders and not recovered from ratepayers.

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

24 A. Yes.

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<sup>14</sup> See attached Schedule ADS-R-3; Exhibit E to Tax Compliance Agreement

<sup>15</sup> WO-93-194

<sup>16</sup> Order Approving Unanimous Disposition Agreement, WR-2020-0264, August 26, 2020, p. 2.

<sup>17</sup> Company response to OPC data request 1100.

**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 SCHABEN**

STATE OF MISSOURI    )  
  )    ss  
COUNTY OF COLE     )

Angela Schaben, of lawful age and being first duly sworn, deposes and states:

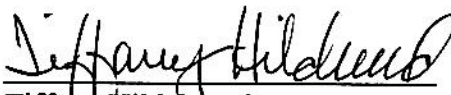
1. My name is Angela Schaben. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Angela Schaben  
Utility Regulatory Auditor

Subscribed and sworn to me this 23<sup>rd</sup> day of October 2023.

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

My Commission expires August 8, 2027.

  
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Tiffany Hildebrand  
Notary Public