

*Exhibit No.:*  
*Issue(s):* Insurance Expense  
*Witness:* Alexis Branson  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* WR-2023-0344  
*Date Testimony Prepared:* November 8, 2023

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**ALEXIS L. BRANSON**

**THE RAYTOWN WATER COMPANY**

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

*Jefferson City, Missouri*  
*November 2023*



1 Q. With respect to Case No. WR-2023-0344, have you examined the books and  
2 records of The Raytown Water Company (“RWC”)?

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

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

6 A. In addition to my experience performing audits with DOR, I have received  
7 continuous training on utility auditing standards and skills while employed with the  
8 Commission. Specific to this rate case, I have reviewed the prior workpapers, prior cases, prior  
9 testimony, and data presented by RWC on these issues.

10 Q. Are you the same Alexis Branson who contributed to Staff’s Auditing Unit  
11 Recommendation Memorandum (“Memorandum”) included as Attachment B to the  
12 *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase*  
13 *Request* (“Agreement”) filed on September 13, 2023, in this case?

14 A. Yes, I am.

15 **EXECUTIVE SUMMARY**

16 Q. What is the purpose of your surrebuttal testimony?

17 A. The purpose of my surrebuttal testimony is to respond to the direct and rebuttal  
18 testimonies of the Office of the Public Council (“OPC”) witness Geoff Marke, PhD concerning  
19 Insurance Premium expense.

20 **INSURANCE PREMIUM EXPENSE**

21 Q. Did Dr. Marke raise a concern about RWC’s increase in its insurance premium  
22 expense?

1           A.     Yes. On page 16, lines 13 through 17 of his direct testimony, Dr. Marke posits  
2 that it is most likely RWC's insurance premiums have increased as a result of the many lawsuits  
3 filed against it.

4           Q.     Did Dr. Marke provide any calculations or documentation to support his concern  
5 that RWC's total insurance premium costs have increased as a result of the many lawsuits filed  
6 against RWC?

7           A.     No. On page 16, lines 15 through 17 of his direct testimony, Dr. Marke states he  
8 has been unable to verify that RWC's insurance premiums were increased due to lawsuits as he  
9 was awaiting outstanding discovery, and he would provide an update in his rebuttal testimony.  
10 Therefore, at the time of direct filing it is Staff's understanding that Dr. Marke did not have any  
11 documentation to support the effect that these lawsuits increased RWC's insurance premiums.

12          Q.     Did Dr. Marke provide an update with supporting calculations or documentation  
13 in his subsequent rebuttal testimony?

14          A.     No. On page 7, lines 2 through 21 of his rebuttal testimony, he provides RWC's  
15 response to his Data Request ("DR") to RWC (OPC DR-2038). In response to the question of  
16 what he concludes from the response, he states:

17                   The Company did not provide a cost estimate for personal injury  
18 pre-lawsuit. Absent that information as well as some formal  
19 documentation verifying these costs I cannot properly state whether or  
20 not a cost disallowance is warranted. Intuitively, I believe a personal  
21 injury insurer would adjust its premium if its client was routinely being  
22 sued and losing those lawsuits.<sup>1</sup>

23           Although Dr. Marke assumes RWC's insurance premiums increased because of losing  
24 lawsuits, he has not presented any facts to support this claim.

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<sup>1</sup> Case No. WR-2023-0344, Geoff Marke, Rebuttal Testimony, page 7, line 24 through page 8, line 2.

1 Q. Did Neal Clevenger, the President and General Manager of RWC, provide any  
2 testimony regarding insurance expense?

3 A. Yes. On page 2, lines 7 through 9 of his rebuttal testimony, Mr. Clevenger states:

4 The general liability increases have been fairly steady. For example, the  
5 increase from 2021 to 2022 was about \$700, and the increase from 2023  
6 [sic] to 2023, was about \$1,000.

7 He continued on page 2, lines 11 through 14:

8 ... Raytown Water invested in its vehicle fleet and in its plant  
9 assets, the overall increase in insurance premiums was due mostly to the  
10 automobile and property coverages.

11 Q. Did Staff do an analysis on the cost of insurance, specifically to see if the  
12 lawsuits mentioned by OPC caused a material increase the insurance premium?

13 A. Yes. Staff compared the average increase in RWC's insurance premiums to the  
14 average increase in insurance premiums. This study and its sources can be found in Confidential  
15 Schedule ALB-s<sup>2</sup>. Staff found an average increase in the last year of 14.06% for  
16 Commercial Property Premiums, 10.21% for General Liability Premiums and 10.4% for  
17 Excess Liability Premiums. Staff averaged all premiums, excluding auto insurance, to a total  
18 premium increase of 10.71%. The online sources cited noted an average of a 5-10% increase in

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<sup>2</sup> Sources include:

Cavignac, Jeff. "What to Expect for the Commercial Insurance Market in 2023." *Risk Management*, 21 Nov. 2022, <https://www.rmmagazine.com/articles/article/2022/11/21/what-to-expect-for-the-commercial-insurance-market-in-2023>

Sclafane, Susanne. "Not Time to Celebrate but Commercial Insurance Rates Are Stabilizing." *Insurance Journal*, 23 Jan. 2023, <https://www.insurancejournal.com/magazines/mag-features/2023/01/23/703429.htm>

Staff, Leaders' Choice. "Commercial Insurance Rate Hikes to Continue in 2022." *Leaders' Choice Insurance*, 20 Oct. 2021, <https://www.leaderschoiceinsurance.com/blog/commercial-insurance-rate-hikes-to-continue-in-2022/>

Wilkinson, Claire. "Property insurance rates to keep surging in 2023." *Business Insurance*, 10 Jan. 2023, <https://www.businessinsurance.com/article/20230110/NEWS06/912354781/Property-insurance-rates-to-keep-surgin-in-2023>

1 commercial insurance to be expected between 2022 and 2023 premiums. Staff believes RWC's  
2 rise of 10.71% in insurance premiums to be in line with this estimate.

3 Q. How did Staff determine the average increase in RWC's insurance premiums?

4 A. Staff looked at premium costs for the last five rate cases and factored a yearly  
5 average increase to attribute to the years between rate cases. Staff noted an increase in this  
6 percent increase between 2022 and 2023, but determined this increase is in accordance with  
7 inflation and expected rising costs when compared to the online sources cited above. There is  
8 no evidence in the documentation provided by RWC that indicates any of the increase in  
9 insurance premiums was due to the lawsuits filed against it.

10 Q. Did Staff include the Vehicle Insurance in the estimation of the average rise in  
11 cost?

12 A. No. Prior to this new insurance period, RWC replaced its aging company  
13 vehicles with new vehicles. Staff reviewed the vehicle insurance increase separately from the  
14 issue in liability premiums to investigate whether there was a detectible increase in insurance  
15 that could be linked to the lawsuits.

16 Q. Did Staff find any evidence that supports that the insurance increased as an effect  
17 of the lawsuits?

18 A. No. As discussed above, in Staff's opinion, the general increase from the last  
19 rate case is aligned with the expected norm in that industry during that time period.

20 Q. Did Staff find that the auto insurance increased?

21 A. Yes.

22 Q. Is it normal for newer vehicles to have higher insurance?

Surrebuttal Testimony of  
Alexis L. Branson

1           A.     Yes, most lay people would agree that insuring new vehicles is often costlier  
2 than that of older vehicles. Prior to this purchase, the model years of RWC's vehicles spanned  
3 2004 to 2015 among the fleet. Thus, with one 2004 vehicle, six 2009 vehicles, two 2010  
4 vehicles, one 2012 vehicle, and one 2015 vehicle, the vast majority of these vehicles had been  
5 in service for more than ten years. When replacing the older models with new vehicles, most  
6 people would expect an increase in auto insurance.

7           Q.     Does this conclude your surrebuttal testimony?

8           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                )            File No. WR-2023-0344

**AFFIDAVIT OF ALEXIS L. BRANSON**

STATE OF MISSOURI        )  
  )        ss.  
COUNTY OF COLE        )

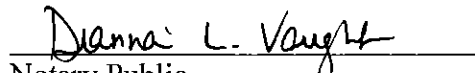
**COMES NOW ALEXIS L. BRANSON** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Alexis L. Branson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
ALEXIS L. BRANSON

**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 6<sup>th</sup> day of November 2023.

  
Notary Public

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: July 18, 2027  
Commission Number: 15207377



## Alexis L. Branson

### Present Position:

I am a 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 Science- Business Administration from the Columbia College in 2019. I completed many courses in accounting and business. Prior to the Commission, I worked in payroll, auditing, and record keeping for the State of Missouri.

### Case Participation:

Company Name	Case Number(s)	Testimony/Issues
Missouri American Water Company	WR-2022-0303 SR-2022-0304	CIAC/Amortization of CIAC, Office Supply and Service Expense, Promotional Items, PSC Assessment
Argyle Estates Water Supply	WR-2022-0345	Data Collection and Review
Confluence Rivers Utility Operating Company- CCN Lincoln CO	WA-2023-0026 SA-2023-0027	Certificate of Convenience and Necessity
Confluence Rivers Utility Operating Company- CCN Quail Run	WA-2023-0398 SA-2023-0396	Certificate of Convenience and Necessity, Depreciation Schedule

Company Name	Case Number(s)	Testimony/Issues
Confluence Rivers Utility Operating Company - CCN Village of Luray	SA-2023-0437	Certificate of Convenience and Necessity
Liberty Empire	GA-2023-0110	Certificate of Convenience and Necessity
Spire ISRS	GO-2023-0203	ISRS Recommendation
Vicinity	HR-2023-0198	Materials and Supplies, Prepayments, Customer Deposits
Missouri American Water Company- WSIRA	WO-2023-0008	WSIRA Recommendation

**The Cincinnati Insurance Company**

**Summary of Premiums Charged (Commercial Package)**

Source: Insurance Policies; Utility Services Common Policy Declarations; Summary of Premiums Charged Page

	<u>2012</u>	<u>2015</u>	<u>2020</u>	<u>2022</u>	<u>2023</u>	<u>2012-2015</u> Av Yearly %	<u>2015-2020</u> Av Yearly %	<u>2020-2022</u> Av Yearly %	<u>2022-2023</u> Percent change
Commercial Property Coverage	\$ 9,632.00	\$ 10,025.00	\$ 13,726.00	\$ 16,458.00	\$ 19,151.00	1%	5%	8%	14.06%
Commercial General Liability Coverage	\$ 4,344.00	\$ 6,057.00	\$ 7,459.00	\$ 8,764.00	\$ 9,761.00	9%	4%	7%	10.21%
Commercial Umbrella/Excess Liability Coverage	\$ 9,297.00	\$ 9,990.00	\$ 11,369.00	\$ 11,284.00	\$ 12,594.00	2%	2%	0%	10.40%
Data Defender Coverage			\$ 87.00	\$ 87.00	\$ 105.00			0%	17.14%
Network Defender Coverage			\$ 242.00	\$ 242.00	\$ 290.00			0%	16.55%
Crime and Fidelity Coverage			\$ 419.00	\$ 857.00	\$ 857.00			26%	
Crime Expanded Coverage Plus	\$ 125.00	\$ 125.00	\$ 200.00	\$ 200.00	\$ 200.00	0%	8%	0%	
Contractors Equipment Scheduled		\$ 4,228.00	\$ 3,529.00	\$ 2,941.00	\$ 2,681.00	33%	-4%	-10%	-9.70%
Contractors' Equipment Supplemental Coverages				\$ 625.00	\$ 750.00				16.67%
Electronic Data Processing Equipment	\$ 787.00	\$ 779.00	\$ 1,183.00	\$ 1,595.00	\$ 1,851.00	0%	7%	13%	13.83%
Installment Charge		\$ 20.00							
Terrorism Coverage	\$ 231.00	\$ 256.00	\$ 597.00	\$ 667.00	\$ 750.00	3%	11%	5%	11.07%
Employee Benefit Liability			\$ 222.00	\$ 222.00	\$ 222.00			0%	
Non-Auto Commercial Package	<b>\$ 24,416.00</b>	<b>\$ 31,480.00</b>	<b>\$ 39,033.00</b>	<b>\$ 43,942.00</b>	<b>\$ 49,212.00</b>	7%	4%	6%	10.71%
Commercial Auto Coverage	9899	\$ 11,241	<b>\$ 13,588.00</b>	<b>\$ 12,118.00</b>	<b>\$ 18,888.00</b>	4%	3%	-6%	35.84%
Total Annualized Premium Cost	<b>\$ 34,315.00</b>	<b>\$ 42,721.00</b>	<b>\$ 52,621.00</b>	<b>\$ 56,060.00</b>	<b>\$ 68,100.00</b>	7%	4%	3%	17.68%

No way of determining amount that went up due to the lawsuits in insurance payments.

Average increase of Non-Auto Commercial Insurance is 11% with the lowest increase of 10% and the highest in 17%.

17% Increase located on Equipment, Network, and Crime and Fidelity coverage.

Usual about 10%, with claims factors more like 20-40%

[Property insurance rates to keep surging in 2023 | Business Insurance](#)

[Not Time to Celebrate but Commercial Insurance Rates Are Stabilizing \(insurancejournal.com\)](#)

[Risk Management Magazine - What to Expect for the Commercial Insurance Market in 2023 \(rmmagazine.com\)](#)

[Commercial Insurance Rate Hikes to Continue in 2022 - Leaders' Choice Insurance - Leaders' Choice Insurance \(leaderschoiceinsurance.com\)](#)

Name	Final Judgement	Amount
**		
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