Exhibit No.:

Issue(s): Depreciation Reserve Transfers/

Water Loss and Distribution Mains Operation/

Maintenance Expense

Witness/Type of Exhibit: Robinett/Surrebuttal Sponsoring Party: Public Counsel

Case No.: WR-2023-0344

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

RAYTOWN WATER COMPANY

CASE NO. WR-2023-0344

November 8, 2023

TABLE OF CONTENTS

<u>l estimony</u>	<u> Page</u>
Depreciation Reserve	1
Operation and Maintenance Expense/ Water Loss	3

SURREBUTTAL TESTIMONY OF JOHN A. ROBINETT

THE RAYTOWN WATER COMPANY

CASE No. WR-2023-0344

1	Q.	What is your name and what is your business address?
2	A.	John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.
3	Q.	Are you the same John A. Robinett who filed direct testimony on behalf of the Missouri
4		Office of the Public Counsel ("OPC") in this proceeding?
5	A.	Yes.
6	Q.	What is the purpose of your surrebuttal testimony?
7	A.	First, I will address the rebuttal testimony of Staff witness Ms. Angela Niemeier. Then, I
8		will address concerns related to values provided by Staff and Raytown for distribution
9		mains operation and maintenance expense.
10		Additionally, I will discuss the rebuttal testimony of Mr. David A. Spratt and Mr. Daronn
11		A. Williams about the water loss amount in Staff's recommendation and its relationship to
12		the Non-Unanimous Stipulation and Agreement's ("Agreement") operation and
13		maintenance ("O&M") expense for water mains. Finally, I will address the rebuttal
14		testimony of Raytown witness Ms. Chiki Thompson related to operations and maintenance
15		expense.
16	DEPR	ECIATION RESERVE
17	Q.	What was Staff's response to your concerns about its removal of depreciation reserve
18		from fully accrued accounts?
19	A	Staff's response appears in Ms. Angela Niemeier's rebuttal testimony, beginning at page 2
20		line 18 and continuing through page 3 line 16. Her testimony states as follows:

DEPRECIATION RESERVE

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

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

Q. Was Staff's adjustment made in error?

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

Q. Did Staff correct the depreciation reserve balances?

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

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

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

Staff disagrees that not reallocating the depreciation reserve was an error, phrasing the mistake instead as an "inadvertently[-]omitted" second step. Staff also indicated that I missed an additional, fully-accrued account that had reserve adjusted out without it being transferred to another account that was not fully depreciated.

Q. Does Staff indicate where it will place the removed reserves in testimony?

- A. No. As the testimony above indicates, Auditing Staff is planning on working with Staff's depreciation department to determine where to transfer the depreciation reserves.
- Q. Do you have an opinion on where the depreciation reserves that Staff removed should be placed?
- A. Yes, I do. The removed reserves should first be placed into account 346.000 for Raytown's plastic meters that are currently in the process of being replaced. Once account 346.000 for

- meters has been fully recovered, I recommend that the remaining reserve balance be transferred into account 346.200, meters-hot rod. This account has more than enough plant that still needs to be collected and can easily absorb the remaining reserve without the need to shutoff depreciation expense to another account.
- Q. Does your recommendation, placing reserves against the existing meters in account 346 and the remaining reserve against account 346.200 meters-hot rod, require any other adjustments to Staff's revenue requirement?
- A. Yes. Staff should also remove the depreciation expense included in its case for the plastic meters going forward. Placing the removed reserve into that account will make Raytown whole for the existing meters so the Company will not need to continue depreciating them.
- Q. What is the revenue requirement impact of ceasing to depreciate the existing meters?
- A. The revenue requirement that Staff and Raytown agreed to would decrease by a further \$35,624 if depreciation on the existing meters ended. There would be no revenue requirement impact for the shifting of reserves to account 346.200 for meters-hot rod except for the initial reduction resulting from placing reserves back in to reserve accounts that had been removed but not transferred.

Operation and Maintenance Expense/ Water Loss

- Q. Do you know of which Commission-Staff Division and Department Mr. Spratt and Mr. Williams are members?
- A. Yes. Mr. Spratt and Mr. Williams are in the Water, Sewer, & Steam Department of the Industry Analysis Division of the Missouri Public Service Commission.
- Q. Did either Mr. Spratt or Mr. Williams attach the Water and Sewer Department Report?
- 23 A. No.

Q. What has Staff included for non-labor O&M expense for distribution mains?

A. The Accounting Schedule 09, which was attached to Staff witness Mr. Keith Foster's direct testimony, includes an annual value for non-labor O&M of \$494,681. Staff and Raytown provide a slightly different value for distribution main O&M expense of \$490,641 for account 673.000 Maint. of Transmission & Distribution Mains in the ratemaking income statement which is Attachment A to the stipulation.

- Q. Are those values consistent with numbers previously ordered or stipulated to?
- A. No. Schedule JAR-S-1, attached, is the O&M value, \$245,324, that was included in the 2015 rate proceeding. Attached Schedule JAR-S-2 is the \$170,140 O&M value from the 2020 rate proceeding. Finally, attached as Schedule JAR-S-3, is Raytown's response to Staff data request number 0022, which sought the expense to capitalization ratio for distribution mains account 673. The values included in response to Staff data request 0022 are \$217,196 for 2020, \$217,196 for 2021 and \$474,606 for 2022 for maintenance expense on distribution mains account 673.
- Q. Did Staff or Raytown address either the distribution mains maintenance expense or the Company's water loss as part of their direct or rebuttal recommendations?
- A. Staff just included in attached accounting schedules and audit memorandum without direct testimony discussion. Raytown briefly discussed the water loss issue and mentioned the City of Kansas City replacing the meters connected to Raytown. However, there was no discussion related to the continuing nature of the much higher expense.
- Q. Do you have any corrections to make to your recommendation on O&M disallowance?
- 22 A. Yes.

1 Q. Why are you making this change? 2 OPC submitted a data request 8517 to Raytown to confirm the values of its response to Staff A. data 0022 in which Raytown's response indicated identical values for 2020 and 2021 for 3 4 distribution main operation and maintenance expense. Raytown, in response to OPC data 5 request 8517, indicated the values in its initial response were in error and provided updated value in response to OPCs data request. My edit will reflect a new number based on the 6 7 information provided in response to OPC data request 8517 is attached as Schedule JAR-S-4. Q. 8 What are the values for O&M expense on mains from the response to OPC data request 9 number 8517? According to the corrected response for Staff data request 0022 given in response to OPC data 10 A. request 8517 asking for confirmation of expense values, Raytown states that it expended for 11 12 2020 \$217,196 consistent with Raytown's response to Staff data request 0022, \$344,678 for 2021, and \$474,606 for 2022. 13 Q. What are the values for distribution mains that have been capitalized from the response 14 15 to OPC data request number 8517? A. According to the corrected response for Staff data request 0022 given in response to OPC data 16 request 8517 asking for confirmation of expense values, Raytown states that it capitalized for 17 distribution mains \$61,243 in 2020, \$613,687 in 2021, and \$948,536 in 2022. 18 Q. 19 What is your recommended value for O&M expense and how was it calculated? A. I recommend an annual O&M expense of \$345,494 for distribution mains, account 673, based 20 on the three year average of the Company's response to OPC data request 8517 and the 21

corrected response to Staff data request 0022.

Q. How does that compare to Staff's recommended level?

- A. The Accounting Schedule 09, attached to Mr. Foster's direct testimony, includes an annual value for non-labor O&M of \$494,681. Attachment A, in the Agreement's ratemaking income statement, differs slightly from Mr. Foster's testimony for distribution main O&M expense, \$490,641 for account 673.000 Maint. of Transmission & Distribution Mains. My recommended average value of \$345,494 for distribution mains O&M is approximately \$150,000 less that what Raytown and Staff included in the Agreement.
- Q. Did Raytown have anything to say about the issues of water loss and operation and maintenance expense you raised in direct testimony?
- A. Ms. Chiki Thompson addresses these issues starting at page 11 line 4 continuing to page 13 line 12. She further discusses Raytown regularly selling more water than it purchased and supports relying on the 2020 water loss values.
- Q. What is your opinion of the water loss value from the 2020 rate case?
- A. My opinion is that the 2020 water loss value is also highly flawed. Reviewing the water-loss number from the 2020 rate case, it is clear that Staff did not calculate the 12.04% loss amount in the way most would expect. Rather than a simple average over three consecutive years, Staff removed three values that it identified as "outliers" from the average to begin with. Two "outliers" were around 3% loss and one "outlier" was 25% loss. Staff then adjusted another value after a hydrant was hit in RWC's territory, and averaged this adjusted value with the two other, unadjusted values to create the average. This methodology creates a question as to the validity of the water-loss data from the 2020 case.

Q. Do you have a water loss recommendation?

A. Yes. Ultimately the best course of action is to utilize the entire history of water loss as it has varied over time. After averaging *all* of the data, the average water loss value from 2009 through 2022 is approximately 10.12%. I did not throw out any data as provided in my direct testimony showing the water loss fluctuations since 2009.

ork pape	rs WR-2015-0264				
	Gallons purchased	Gallons sold	Loss Factor	% Loss	
2009	424,215,484	409,062,700	15,152,784	3.57%	
2010	434,197,544	404,723,500	29,474,044	6.79%	
2011	441,164,416	384,003,472	57,160,944	12.96%	
2012	522,747,280	421,524,840	101,222,440	19.36%	
2013	410,312,408	381,695,600	28,616,808	6.97%	
2014	464,466,860	447,396,000	17,070,860	3.68%	
work pape	rs WR-2020-0264				
	Gallons purchased	Gallons sold	Loss Factor	% Loss	Data obtained from DR 7
2014	393,417,867	378,281,800	15,136,067	3.85%	
2015	428,441,684	373,381,300	55,060,384	12.85%	
2016	429,493,372	383,107,700	46,385,672	10.80%	
2017	394,310,444	378,916,600	15,393,844	3.90%	
2018	444,218,711	364,247,900	79,970,811	18.00%	
2019	467,929,706	346,845,488	121,084,218	25.88%	
3 yr avg	435,486,287	363,336,663	72,149,624	15.93%	
work pape	ers WR-2023-0344				
2018	444,218,711	364,247,900	79,970,811	18.00%	Data obtained from WR-2020-0264 Staff Purchased Water W
2019	467,929,716	346,845,488	121,084,228	25.88%	Data obtained from WR-2020-0264 Staff Purchased Water W
2020		352,841,100		14.58%	WR-2023-0344 DR 7
2021	343,445,694	338,093,900		1.56%	WR-2023-0344 DR 7
2022	338,156,783	336,135,700		0.60%	WR-2023-0344 DR 7
3 yr avg		342,356,900		5.58%	WW 2020 00 77 DW 7

The only changes I made when using the data sets were deleting duplicate data points, so I did not use two 2020 or two 2014 numbers. Also, in an instance of conflicting percentages I used the higher number. The average I calculated was a 10.12% for the entire time period of 2009 to 2022. This calculation was previously provided to Staff and Raytown as part of my direct testimony work papers.

Q. What is the importance of the water loss percentage calculation?

A. The water loss percentage calculation by itself seems insignificant except when used to look at how the utility is operating as was discussed in my direct testimony. The recent

This report was not attached to anyone's direct testimony or rebuttal testimony for Staff in

8

9

10

11

12

13

14

15

16

17

18

19

20

21

this case. Further, the report does not state that the system is experiencing leaks or that the system has corroded piping that needs to be replaced. In fact, Staff stated the following in its introduction paragraph, "At the time of Staff's inspection the facilities appeared to be operating routinely." Further, in its summary, Staff wrote, "Staff has no specific recommendations at this time regarding operations. Staff has not received any customer complaints nor customer comments that would indicate significant shortcomings from an operations perspective."

- Q. How do you respond to Mr. Williams' discussion from page 3 line 17 through page 4 line 15 indicating the water and sewer report didn't discuss the water loss excessive leaks or the fact that the utility sold more water than it purchased for fourteen months since the last case?
- A. Mr. Williams believes the problems are fixed and Staff was conservative using data from the 2020 case on water loss
- Q. Do you have concerns with Staff's belief that the 2020 data it relied upon was a conservative value?
- A Yes. A review of the work paper that supported Staff's Water loss data from the 2020 case shows some questionable decisions in deeming it a conservative estimate and a good base for the number. The following is a photo snippet of the work paper from the 2020 case that was used to calculate Staff's conservative water loss value.

		Gallons purchased	Gallons sold	Loss Factor	% Loss	Data obto	ined from	DR 7		
	2014	393,417,867	378,281,800	15,136,067	3.85%					
	2015	428,441,684	373,381,300	55,060,384	12.85%					
	2016	429,493,372	383,107,700	46,385,672	10.80%					
	2017	394,310,444	378,916,600	15,393,844	3.90%					
Adjusted -28,125,000 for hydrant leak -	2018	→ 416,093,711	364,247,900	51,845,811	12.46%					
	2019	467,929,706	346,845,488	121,084,218	25.88%					
	3 yr avg	426,111,287	363,336,663	62,774,624	12.04%	Highlight	ghted years excluded from the average as outliers.			

First, the work papers provide six years of gallons purchased, gallons sold, and the

calculated percentage of water loss. Staff's "conservative number" throws away half of the data as outliers. Then, more concerning, Staff adjusts one third of the remaining "good data" to create the 12.04% value.

Q. Staff's 2023 water and sewer report discusses the following statement:

Suez has also been working with RWC to replace all of the water meters to new Advanced Meter Infrastructure (AMI) technology to increase reliability and decrease water loss reporting.

Mr. Williams' statements on page 5 lines 4 through 8:

- Q. So, an important part of being able to identify 'lost' water is also ensuring accurate customer meters as well?
- A. Yes. RWC's efforts to replace older customer meters in its system will improve the quality of data so that other sources of non-revenue water can be identified, including actual loss.

What is your response to these two statements?

- A. I struggle to answer this question when the data is critically flawed. I don't know how or if the AMI meters will lower the reported water loss as there is no reliable baseline off of which to judge this statement or measure the results. Additionally, there is no discussion in Staff's 2023 water and sewer report about Raytown's meters being defective. In fact, Staff's own data shows that Raytown's meters registered more water sold than the City of Kansas City's meters showed purchased on fourteen monthly instances since the 2020 rates case.
- Q. Do you agree with Mr. Williams' claim on pages 5 and 6 where he states that Raytown sold more water than they bought in 2020, 2021, 2022?
- A. No. I strongly disagree with his statement. As the data, provided above, shows, each of the years 2020, 2021 and 2022 have more water purchased from City of Kansas City than sold by Raytown. While I agree that there are instances where Raytown sold more water than

water company provides.

2

they purchased *on a monthly basis* since the last rate case, in all three years gallons purchased is more than gallons sold, meaning more purchases than sales. Mr. Williams' statement is mathematically false.

3

Q. Mr. Williams supplies an American Water works Association chart for water loss. Does the level of detail present in the chart exist for Raytown?

6

7

8

A.

5

that the level of detail shown in this chart exists for Raytown. Therefore, Mr. Williams' point misses the mark. I utilized the data Raytown and Staff's work papers presented and

9

reviewed that information, which clearly shows the same level of detail does not exist for

My review of Staff work papers for the previous two rate cases and this case do not indicate

10

Raytown, currently. Mr. Williams makes no recommendation in the water and sewer report

11

that Staff needs or expects this level of detail in the water loss data that its largest small

12

13

Q. How do you respond to Mr. Williams' statements on the bottom of page 6 concerning an acceptable level of non-revenue water?

14

15

16

17

18

A. Mr. Williams states generally that there is no acceptable value for non-revenue water that applies to all systems. However, Mr. Williams then makes generalized statements about what a utility *should* do and how Staff examines various factors before making a recommendation. Ultimately, Staff's recommendation is a non-recommendation. Mr. Williams states that the City of Kansas City's meters have been replaced, Raytown's

meters are being replaced, all of the problems are solved, and no changes are necessary.

23

1 Q. On page 7 of Mr. Williams' rebuttal testimony he alludes to your recommendation as 2 punishing the utility. Do you agree with Mr. Williams? A. No. It is the utility's burden to prove their case. Furthermore, as I discussed earlier, I had 3 4 questions related to Raytown's response to Staff data request 0022 related to distribution 5 mains maintenance expense being identical for 2020 and 2021 coupled with a large jump in 2022 expense. As was discussed earlier OPC was provided in response to data request 8517 6 7 a correct response to Staff data request 0022 in which the 2021 value for maintenance expense on distribution mains was changed so it is no longer identical to 2020. Additionally, Staff did 8 9 not and has not described why it included the much higher 2022 number rather than a three 10 year average. Q. How do you respond to the chart that Mr. David Spratt placed in his testimony related 11 12 to the cases where there has been an agreed to increase that exceeds the initial request of the utility in water and sewer cases? 13 A. Mr. Spratt's table, in my opinion, gives further credence to the need for additional notice as 14 15 the amount above the request in this case exceeds the highest listed value in his table by four times the largest monetary difference of the examples he provided. 16 17 Q. How do you respond to Mr. Spratt's statement that we had a local public hearing and no one showed and we have only had 5 filed comments? 18 A. 19 This in my opinion is a problem with the current small water and sewer assisted rate case rule. This rule requires a local public hearing to be held within the first 60 days of the case being 20 filed. At day 60 parties are still seeking information and developing their audits. Numbers are 21

not known or projected to what they may be at this time. Staff and OPC initial audits are due

at day 90 which is the starting point of knowing potentially where this case may fall in terms

of a potential increase. This rule is truly calling for notifying the public before it is really known what the value may be that actually affects them going forward. A better time to hold these local public hearings is after the initial audits are exchanged and all parties have an idea of where the case stands and the information provided to customers is not just based on the utility's initial estimate that may be widely wrong as is seen in the case at hand.

Q. Do you agree with Mr. Williams' statements that you are punishing the utility for prudent investments?

A. No. My disallowance was related to O&M annual maintenance expense. I did not disallow any capital investments related to distribution mains. Staff has provided to date not a single discussion about where their value for distribution maintenance expense comes from. Staff's number is higher than what Raytown provided in response to Staff data request 0022 for the value from 2022, and Staff's number is \$150,000 higher than the three year average from 2020, 2021, and 2022.

Q. How do you respond to Mr. Williams' statements as a whole?

A. Mr. Williams seems to misunderstand which party has the burden of proof. My duty is to make sure that Staff and the utility presented their case with numbers that have sufficient support. In my mind, Staff has failed to support the numbers highlighted by the Agreement it made with RWC. In my view, the OPC's skepticism towards the numbers present in Staff's case is not only reasonable, but necessary to protect the public from receiving rate increases based on unreliable data.

Q. Did you issue any data requests to Staff as part of your investigation in this case?

A. Yes, I did. Some of the responses raised some concerns and caused the need for additional requests to be made. Attached as Schedule JAR-S-8 are Staff's responses to data requests that caused me concern.

Q. What is your opinion of Staff's response to data request 0128 and 0143?

A. There appears to be a disconnect between Staff's DR responses and Mr. Williams' rebuttal testimony, claiming the water-loss-data problem is solved and the causes have been determined. Mr. Williams has been identified as the respondent to data request 0143 but Staff's response there is that it has not identified any date to begin collecting future water loss data that is accurate. This response conflicts with Mr. Spratt's response to data request 0128, which indicated that, although it was a small sample size, the data was of a higher quality. When the OPC asked whether Staff's Water, Sewer, & Steam Department assessed Raytown's physical system, Mr. Spratt responded that it is not Staff's job to do additional analysis for OPC.

Q. What is your opinion of Mr. Spratt's response to data request 0128?

A. Staff did not provide any analysis in this case related to water loss. Staff's auditing department made the statement in their memo that Raytown sold more water than it purchased during fourteen months since the end of the 2020 rate case. Therefore, Staff utilized the 2020 water loss value, but as I discussed earlier in this testimony, the data from that 2020 rate case is highly questionable at best. Again, Staff eliminated or altered 66% of the data related to water loss as inaccurate in that case.

However, a review of the table I presented in my direct testimony, and again on page 9 of this testimony, indicates the water loss data has heavily fluctuated from 2009 through

Surrebuttal Testimony of John A. Robinett Case No. WR-2023-0344

- 2 2022. If Staff's method of calculating the water-loss data in the 2020 case reflects its method of calculating data, generally, I question whether the data has ever been accurate since Staff began employing this method.
 - Q. Does this conclude your surrebuttal testimony?
 - A. Yes, it does.

4

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 JOHN A. ROBINETT

STATE OF MISSOURI)	
)	SS
COUNTY OF COLE)	

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

- 1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
 - 2. Attached hereto and made a part hereof for all purposes is my surrebuttal 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.

ohn A. Robinett

Utility Engineering Specialist

fildread

Subscribed and sworn to me this 8th day of November 2023.

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

My Commission expires August 8, 2027.

Tiffany Hildebrand

Notary Public