

**Exhibit No.:** \_\_\_\_\_  
**Issue(s):** Meter Reading Expense/Cash Working  
Capital/Ms. Thompson's Overtime  
**Witness/Type of Exhibit:** Riley/Surrebuttal  
**Sponsoring Party:** Public Counsel  
**Case No.:** WR-2023-0344

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN S. RILEY**

Submitted on Behalf of the Office of the Public Counsel

**RAYTOWN WATER COMPANY**

CASE NO. WR-2023-0344

November 8, 2023

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**SURREBUTTAL TESTIMONY**  
**OF**  
**JOHN S RILEY**  
**RAYTOWN WATER COMPANY**  
**CASE NO. WR-2023-0344**

1 **Q. What is your name and what is your business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. Are you the same John S. Riley who prepared and filed direct and rebuttal testimony in**  
4 **this case on behalf of the Office of the Public Counsel?**

5 A. Yes.

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

7 A. This testimony will respond to Raytown Water Company (“Raytown”) witness Ms. Chiki  
8 Thompson’s and Staff witness Daronn A. Williams’ testimony regarding Meter Reading  
9 Expense. Then, I will respond to Staff witness Angela Niemeier’s discussion and apparent  
10 change in Staff’s policy that disregards Commission rules and regulations regard CWC  
11 calculations. Finally, I will address Ms. Chiki Thompson and Staff witness Niemeier  
12 concerning the excessive overtime by Thompson to be allowed in rates.

13 **METER READING EXPENSE**

14 **Q. Is your surrebuttal discussion of meter reading expense prompted by Staff witness**  
15 **Daronn A. Williams’ rebuttal that meter readers should still be employed?**

16 A. Yes. I had proposed that meter reading expense be eliminated from the revenue requirement.

17 **Q. In your direct testimony, your argument was that the need for meter readers is now**  
18 **unnecessary due to Raytown’s installation of AMI meters, correct?**

19 A. Yes.

1 **Q. The expected completion date for the installation of all the AMI water meters was by**  
2 **the end of September. Do you know if the project has been completed?**

3 A. Company personnel have updated the progress and, as of the end of September, all but about  
4 300 meters have been installed. That means that roughly 95% of all the meters have been  
5 successfully replaced.

6 **Q. What is your understanding of the job description of a meter reader?**

7 A. If the meters in the Raytown service area are not AMI meters, a meter reader would be needed  
8 to walk or drive to each meter and record the usage for each month. If the meters are AMI  
9 meters, however, then a meter reader would serve no purpose.

10 **Q. Given that roughly 95% of the meters at Raytown have been replaced with AMI meters,**  
11 **Is it necessary for Raytown to still employ meter readers?**

12 A. Not under that position title.

13 **Q. How many meter readers does Chiki Thompson say are employed by the Company**  
14 **currently?**

15 A. Ms. Thompson stated in rebuttal that Company “have employed three (3) meter readers.”<sup>1</sup>

16 **Q. Is that the number of meter readers employed during the test year?**

17 A. That is not clear. Staff’s workpapers has \$98,094 recorded as meter reader payroll plus another  
18 \$10,910 built in as overtime. At this time, I have not ascertained if that is wages for two or  
19 three employees.

20 **Q. In direct testimony you were making an adjustment of over \$170,000 for meter readers.**  
21 **Why the difference?**

22 A. I made the adjustment off of Staff’s “Rate Making Income Statement- Water” which is  
23 included in its 150 day report, where account 902.000 Meter Reading Expenses – CAE has a  
24 balance of \$170,755. This amount is what would be included in rates. If the test year is

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<sup>1</sup> WR-2023-0344, Thompson rebuttal, page 14, line 11

1           \$98,094 but Staff has included \$170,755 in its rate proposal, then I would guess that a third  
2           meter reader has been added to the revenue requirement payroll outside of the test year.

3           **Q. Both Chiki Thompson and Staff witness Mr. Daronn A. Williams have stated that the**  
4           **third meter reader will be transferred to the field crew. How should the Company and**  
5           **Staff have handled this third meter reader expense?**

6           A. I'm not sure why Staff included additional meter reading expense that was obviously outside  
7           the test year. There are several reasons not to try and pigeon hole this expense in account 902.  
8           First, half the AMI meters were installed and recognized in rates by Staff at the end of the  
9           true-up period. Raytown has repeatedly stated that most, if not all, of the AMI meters would  
10          be installed prior to rates going into effect. This technology would cut true meter reading  
11          responsibilities to almost nothing. Thus, there is no reason why Staff should add yet another  
12          meter reader to Raytown's cost of service after the elimination of any justification for the  
13          first two. If the third "reader" was hired outside of the test year, and the payroll was going to  
14          be allowed in the revenue requirement, Staff should have included that cost in the field crew  
15          payroll. Staff's creative accounting with regard to these expenses is not commiserate with the  
16          standards expected of professionals working this field.

17          **Q. What is your adjustment for Meter Reading expense for this rate case?**

18          A. Both Thompson and Williams seek to embellish the responsibilities that are left to the "meter  
19          reading expense," but these tasks do not represent true costs. For example, monthly water  
20          quality collection and testing is not so time consuming as to require maintaining personnel  
21          responsible for that task alone. Moreover, amplifying the *other* tasks designated to these  
22          employees directly undermines one of the few possible benefits that Raytown's customers  
23          could receive from Raytown's choice of AMI meters. The OPC has challenged the prudence  
24          of AMI deployment in Raytown's service territory in its entirety. However, this deployment  
25          has already occurred. Customers should be provided with some benefit through a reduction  
26          of meter reading costs.

1 Staff had \$98,094, without overtime, built into account 902. To avoid having to completely  
2 re-calculate payroll, the adjustment should be to reduce the 902 expense by \$72,661, so as to  
3 bring it back to the test year amount which, at the time, did not recognize the meter reading  
4 efficiencies created by the AMI meter installation. We know that meter reading will no longer  
5 be a full time job so this adjustment provides two employees to float between water testing  
6 and field work.

7 **Q. In direct testimony you pointed out overlapping expenses where meter reading and**  
8 **software/maintenance were essentially providing similar results. Ms. Thompson**  
9 **pointed out in rebuttal that the software/maintenance expense had not been paid until**  
10 **September, outside of the test year and true-up period. Does this issue need to be**  
11 **revisited?**

12 A. No. Since my adjustment leaves the test year payroll in, I see no conflict with the software  
13 payment. There would only be a problem if Staff suddenly tried to add the maintenance  
14 expense in the cost of service.

15 **Q. Why would the additional maintenance expense cause an issue?**

16 A. Well, for one, the expense is clearly outside of the test year and the majority of the meters are  
17 not in rates. Also, there is no evidence as to where the funding came from for the maintenance  
18 agreement. Raytown paid the bond insurance out of the proceeds of the EI ERA loan granted  
19 in the Commission's financing case, as was \$250,000 in pre-paid interest. There is, thus, a  
20 potential argument that the maintenance agreement funding came out of the bond proceeds.  
21 If that is the case, then there is no true expense to consider as a cost of service. We can  
22 hopefully leave this question for the next rate case.

1 **CASH WORKING CAPITAL (CWC)**

2 **Q. You performed CWC calculations for your direct testimony despite the fact that Staff**  
3 **did not undertake this exercise for this case. Did Staff explain, in rebuttal testimony,**  
4 **why it did not conduct CWC calculations?**

5 A. Yes. Ms. Angela Niemeier explained that Staff does not typically include CWC in the  
6 calculations for revenue requirement for small, Staff-assisted rate cases.

7 **Q. What is the explanation for the exclusion?**

8 A. Starting on line 21 of page 4 of her rebuttal and continuing on to page 5, Ms. Niemeier wrote:

9 “Typically, small utility companies do not have the resources to  
10 perform a lead/lag study. Nor should ratepayers bear the cost of an  
11 outside consultant completing a lead/lag study for small utility  
12 companies. Further, small Staff assisted rate cases have a short  
13 timeline of 150 days, making it difficult to review costs and related  
14 invoices necessary to perform a CWC lead/lag study. Finally, in small  
15 rate cases, CWC generally has a smaller impact on the revenue  
16 requirement.”

17 In short. Staff believes that a lead/lag study and, subsequently, a CWC calculation is the  
18 responsibility of the Company.

19 **Q. Who do you believe should be responsible for CWC calculations?**

20 A. I believe the Commission Rules and Regulations places the responsibility on the Staff that is  
21 assisting the small utility company with its rate case.

22 **Q. What is the basis for your belief that Staff should do the CWC calculation?**

23 A. We can start at Chapter 10 of the Public Service Commission regulations. *20 CSR 4240-*  
24 *10.075 Staff Assisted Rate Case Procedure* is the citation that Staff includes in the opening  
25 paragraph of its Non-Unanimous Stipulation and Agreement (Report). I’ve included a copy  
26 of 10.075 as JSR-S-01. Neither party argues that Raytown doesn’t qualify as a small utility  
27 under the Rule, so let’s move to directly addressing Staff’s responsibilities. Section (4) of the  
28 rules states:

1                   (4) **Staff will assist a small utility in processing a small utility rate**  
2                   **case insofar as the assistance is consistent with staff’s function and**  
3                   **responsibilities to the commission.** Staff may not represent the small  
4                   utility and may not assume the small utility’s statutory burden of proof  
5                   to show that any increased rate is just and reasonable. (Emphasis  
6                   added)

7                   The next important section is Section (8), subsection (D)

8                   “Staff’s investigation shall include an update of the utility’s rate base.”

9                   And Section (E):

10                   (E) In determining the utility’s cost of service, the value of normal  
11                   expense items and plant-in-service and other rate base items, for which  
12                   documentation is not available, may be based upon such evidence as  
13                   is available or may be estimated in order to include reasonable levels  
14                   of those costs. Unusual expense or rate base items, or expense or rate  
15                   base items for which the utility claims unusual levels of cost may  
16                   require additional support by the utility. Nothing in this section  
17                   diminishes the utility’s obligation to adhere to the commission’s rules  
18                   regarding appropriate recordkeeping. (Emphasis added in both  
19                   sections)

20                   **Q. Does Staff consider CWC rate base?**

21                   A. Yes. I will include Ms. Niemeier’s rebuttal explanation of CWC below:

22                   Q. What is the significance of CWC on rate base?

23                   A. CWC is the amount of funding necessary for a utility to pay the  
24                   day-to-day expenses incurred in providing utility services to its  
25                   customers. When a utility expends funds to pay for an expense  
26                   necessary to the provision of service before it receives any  
27                   corresponding payment for that expense from the ratepayers, the  
28                   utility’s shareholders are the source of the funds. This shareholder  
29                   funding represents a portion of each shareholder’s total investment in  
30                   the utility. The shareholders are compensated by the inclusion of these  
31                   funds in rate base. By including these funds in rate base, the  
32                   shareholders earn a return on the CWC-related funding they have  
33                   invested. Ratepayers supply CWC when they pay for services received  
34                   before the utility pays expenses incurred in providing that service.  
35                   Ratepayers are compensated for the CWC they provide by a reduction  
36                   to the utility’s rate base. By removing these funds from rate base, the



1 utility earns no return on that funding which customers supplied as  
2 CWC. The amount of CWC included in rates is based on the results of  
3 a lead/lag study.

4 **Q. Why does Staff believe the utility company is responsible for the lead/lag and CWC?**

5 A. I'm not altogether sure. Larger utilities would generally have consultants perform such  
6 studies, but small utility cases operate under a different set of rules. Large utilities develop  
7 an entire rate case and present it to the Commission with direct testimony, workpapers and  
8 revenue requirement. Small utilities inform the Commission that they need a rate increase  
9 and Staff carries the revenue requirement load. Expecting the small utility to be responsible  
10 for just this one small portion of revenue requirement development is therefore quite odd. The  
11 rule says Staff will update rate base and CWC is part of rate base. Therefore, Staff, not the  
12 small utility, should be performing the lead/lag study.

13 **Q. Do you believe that there isn't enough information available for Staff to perform the**  
14 **calculations?**

15 A. Staff has all the amounts available in its workpapers. The lead/lag does not have to be  
16 flawless.<sup>2</sup> Staff should be able to put together fairly accurate CWC balances.

17 **Q. Ms. Niemeier states that it isn't appropriate to use other utility revenue and expense lags**  
18 **to develop a CWC for the current rate case. Do you agree?**

19 A. I do not. Ms. Niemeier's statement is not entirely accurate. I believe that Ms. Niemeier made  
20 this assertion to cover the fact that Staff did not conduct a CWC analysis for a case where they  
21 are responsible for the calculations. Staff has used information in current cases that was  
22 developed in prior cases<sup>3</sup> as well as surrogate lead/lag information in other cases in order to  
23 complete CWC calculations for a rate case.

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<sup>2</sup> 20 CSR 4240-10.075(8) (E) states, in relevant part, "plant-in-service and other rate base items ... may be estimated."

<sup>3</sup> ER-2014-0351, Staff and Company agreed to use information concerning CWC calculations that was developed in the 2012 case.

1 **Q. You stated in direct testimony that you didn't perform a lead/lag study of your own.**  
2 **You also said that "The revenue and expense lag figures were gathered from the**  
3 **following cases: Raytown WR-2015-0246, Missouri-American WR-2022-0303,**  
4 **Confluence Rivers WR-2023-0006 or Raytown WR-2020-0264"<sup>4</sup>. Do you believe your**  
5 **calculations are accurate?**

6 A. I am as sure as I can be, based on the information I had. To perform these calculations, I used  
7 Staff-generated expenses and no one from Staff contacted me after direct testimony was filed  
8 to point out errors or assist in combining expenses. I didn't try to reinvent the wheel. I  
9 reviewed my inputs again and made some changes, then looked to other cases for lead/lag  
10 input. I used the revenue lag of 43 days from the Raytown Water Co. WR-2015-0246 case  
11 and relied heavily on Ms. Jane Dhority's Cash Working Capital workpaper from the  
12 Confluence Rivers WR-2023-0006 rate case as a model for my spreadsheet. My most recent  
13 CWC calculations are attached as JSR-S-02

14 **Q. Obviously, you thought the Dhority calculations were fairly accurate. Did she conduct**  
15 **a lead/lag study for the Confluence case?**

16 A. Yes she did. She did explain in her direct testimony in that case that Confluence did not  
17 provide all the information that she required and ended up using a surrogate. "Staff used the  
18 billing and collection lags from Missouri American Water Company's ("MAWC") revenue  
19 lags from its most recent rate case No. WR-2022-0303 as surrogates in order to calculate  
20 Confluences revenue lag."<sup>5</sup>

21 **Q. The WR-2023-0006 rate case was not a small utility rate case. What did Confluence**  
22 **Rivers use for CWC calculations?**

23 A. Confluence Rivers did not hire a consultant. They instead used a generic 45-day convention.  
24 A simple explanation is that Confluence multiplied all its expenses by a 45/365 (product) to

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<sup>4</sup> Riley direct, page 4, lines 2-4

<sup>5</sup> Confluence Rivers, WR-2023-0006, Dhority Direct, page 14, lines 8-10

1 produce a total number. Ms. Dhority discusses this method in her testimony. I've included  
2 that portion of her testimony as JSR-S-03

3 **Q. So is your point that a small utility company does not have to hire a consultant and pay**  
4 **for an expensive lead/lag study?**

5 A. Yes. It is to recognize that a small water utility need not hire a consultant or pay for an  
6 expensive lead/lag study. However, in cases such as this one, I would also like to point out  
7 that it is Staff's responsibility to assist the small utility. That responsibility includes  
8 performing some sort of CWC calculations to update the company rate base.

9 **Q. Should the Commission rely on your CWC spreadsheet?**

10 A. Yes. While I believe Staff could assist in making it as accurate as possible, Staff has also  
11 stated that it does not perform CWC calculations in small utility cases. Therefore, as the only  
12 CWC spreadsheet available in this case, the Commission should rely on my calculations.

13 **Q. What is your updated CWC calculations and adjustment to rate base/revenue**  
14 **requirement?**

15 A. The adjustment to rate base is a reduction of \$145,388. This amount equates to about a  
16 \$12,115 reduction in revenue requirement before tax calculations.<sup>6</sup>

17 **THOMPSON OVERTIME**

18 **Q. Ms. Thompson argues that the Company is "short staffed" and she has no other choice**  
19 **but to take on extra work. What are the duties that cause Ms. Thompson to work**  
20 **overtime?**

21 A. Page 16 of her rebuttal testimony lists: "Prep work for collection day, billing, after hour calls,  
22 program updates for computer, end of day back-up, emergency call outs (water breaks), cover

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<sup>6</sup> It is the responsibility of Staff to calculate and measure the income tax impact on rates not the small utility company.

1 for short office/field staff as needed to meet deadlines, and after hour turn-ons on collection  
2 day for both water and sewer (disconnect agreements).

3 **Q. What is your initial impression of the overtime duties?**

4 A. If I didn't know better, I would think that she works alone in the office. It appears that quite  
5 a bit of this is office work. Ms. Thompson claims the Company is understaffed at 16 full time  
6 employees but the records I reviewed show that seven of those employees (counting Ms.  
7 Thompson) work in the office. Given this information, I conclude that Raytown is not  
8 currently operating with the proper division of labor that would be expected of a prudently  
9 managed business.

10 **Q. Ms. Thompson also indicates that she handles emergency call-outs due to her DS-III  
11 certification. You stated in direct testimony that the field employees should be DS  
12 certified, which would eliminate the extra overtime. Has your opinion changed since  
13 you read Company and Staff rebuttal testimony?**

14 A. No, but Ms. Thompson has since addressed the certification issue by pointing out that Neal  
15 Clevenger is also DS-III certified. However, another individual at Raytown also being DS-III  
16 certified further strengthens my argument that she should not be the only one responsible for  
17 on-site DNR qualifications.

18 **Q. Was the prior field supervisor, Mr. Cramer (who retired in May of 2023) DS-III  
19 certified?**

20 A. Yes he was. This fact makes the Company's response to OPC data request 1203 all the more  
21 puzzling. You can read the entire data request in my direct testimony, JSR-D-03 but I quote a  
22 portion below.

23 Chiki Thompson job responsibilities have not changed. Due to increase in work  
24 and lack of employees to complete necessary tasks, Ms. Thompson has had to do  
25 more work in the field reading meters, after hour service restoration, work on  
26 water main breaks and help cover other positions for those who are out ill, Covid  
27 quarantined or on vacation in addition to regular daily duties.

1 Water main breaks often do not occur during regular business hours and Mo  
2 Department of Natural Resources (MODNR) requires someone with a DS  
3 certification to be involved with the repairs of such water breaks.

4 The previous field supervisor was fully qualified to satisfy DNR requirements. There was no  
5 reason for Ms. Thompson to be in the field to provide a DS certified respondent. When the  
6 Company's justifications for Thompson's overtime are compared to the facts, there really isn't  
7 a good argument.

8 **Q. Let's circle back to field operator certification. Ms. Thompson stated that the**  
9 **Company's objective is to have the new field supervisor trained and certified. However,**  
10 **the current field supervisor, Brayton Pescetto, has only been with Raytown "for about**  
11 **four (4) months," and "the logistics of doing so and the demands of his job make that**  
12 **very difficult."**<sup>7</sup> **Do you believe that it is important to have Mr. Pescetto trained as soon**  
13 **as possible?**

14 **A.** Yes. Witness Thompson's rebuttal testimony asserts the new supervisor has been with the  
15 Company for only four months, but that is false. In reality, the current field supervisor has  
16 been employed with Raytown since September of 2016. The four-month time period that Ms.  
17 Thompson refers to only reflects his promotion to field supervisor, which occurred after he  
18 replaced Mr. Cramer.

19 With that said, Raytown could easily have had its new supervisor trained in advance of him  
20 stepping into his supervisory position. Generally, retirements aren't sudden and I have seen  
21 no evidence that suggests this was an exception. Further, the Company would run more  
22 efficiently with multiple field technicians who are also DS III certified. The new field  
23 supervisor, prior to his promotion, has been with the Company for seven years. Which  
24 exceeds the three (3) years of experience required to be DS III certified. Beyond having the  
25 necessary experience, the only other requirement for DS III certification is passing a 100

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<sup>7</sup> WR-2023-0344, Chiki Thompson rebuttal, page 18 line 4, 8, and 9.

1 question multiple choice test. It is not reasonable that the Company has not made time  
2 available to have some field employees, preferably the field supervisor, DS III certified.

3 **Q. This line of questioning has focused on Chiki Thompson's excessive amount of overtime**  
4 **hours, computed at time and half. Are there other concerns about Ms. Thompson's pay**  
5 **when reviewing this rate case compared to WR-2020-0246?**

6 A. In that case, Ms. Thompson's annualized hourly pay was \$54,746. Further, in the 2020 case,  
7 Staff allotted the *entire* Company \$43,492 in overtime pay. Ms. Thompson's base wage in  
8 this case is \$108,759 and her overtime that Staff included in this case is \$41,425 all by itself.  
9 So in three years, since the last rate case, her base pay doubled and her overtime is over \$78  
10 an hour. This is not a just and reasonable salary given the size and scale of Raytown.

11 **Q. How did Staff witness, Angela Niemeier, view Ms. Thompson's wage and overtime?**

12 A. Ms. Niemeier question neither Ms. Thompson's wage increase, nor Ms. Thompson's amount  
13 of overtime, which demonstrates a lack of professional skepticism. Total Company overtime  
14 has fluctuated over the years but seems to spike in the test year periods of 2014 and 2019.  
15 This should have led Staff to approach this issue more critically and perform a more robust  
16 analysis. It is odd that Staff chose instead to accept this overtime pay as a salary expense  
17 without applying any testing, three-year average, or other normalization method.

18 **Q. Could you summarize your position on Ms. Thompson's overtime?**

19 A. The evidence I reviewed shows that Ms. Thompson's overtime is far above what it should be  
20 for a prudently managed utility that is the same size as Raytown. All indications point to a  
21 consistent group of office employees that should be capable of providing customer support  
22 and handling office duties. The Company's answers to the OPC's data requests indicate that  
23 Ms. Thompson has spent a great deal of time out in the field due to her DS certification.  
24 However, we now understand Ms. Thompson's certification is duplicative, and the Company  
25 really needs one or more fully-qualified, DS-III certified field workers. There is no need for

1 her to be in the field. Eliminating field time will give Ms. Thompson more time to handle  
2 duties in the office (with the rest of the staff) thus making an eight hour day more productive.  
3 The revenue requirement should be reduced by the overtime amounts outlined in my direct  
4 testimony.

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

6 **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         )   Case No. WR-2023-0344

**AFFIDAVIT OF JOHN S. RILEY**

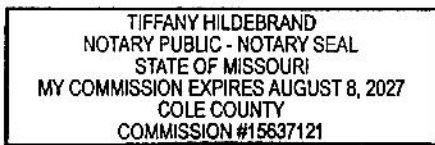
STATE OF MISSOURI    )  
  )   ss  
COUNTY OF COLE     )

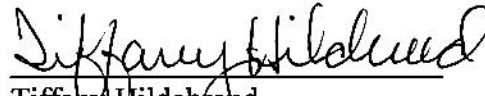
John S. Riley, of lawful age and being first duly sworn, deposes and states:

1. My name is John S. Riley. I am a Utility Regulatory Supervisor 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.

  
\_\_\_\_\_  
John S. Riley  
Utility Regulatory Supervisor

Subscribed and sworn to me this 8<sup>th</sup> day of November 2023.



  
\_\_\_\_\_  
Tiffany Hildebrand  
Notary Public

My Commission expires August 8, 2027.