

**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

RAYTOWN WATER’S STATEMENT OF POSITION

Comes now The Raytown Water Company (“Raytown Water”, “RWC” or “Company”), and states the following to the Missouri Public Service Commission (“Commission”) as its *Statement of Position* as to issues described in the *List of Issues, List and Order of Witnesses, Order of Opening, and Order of Cross-Examination* filed on November 9, 2023:

LIST OF ISSUES

1. **Advanced Metering Infrastructure (“AMI”)**
 - a. **How should this AMI investment be treated for rate making purposes?**
 - b. **Should the Commission grant a return on the AMI investment?**
 - c. **Should the Commission include all known and measurable AMI investments that the Company has either in service or in inventory in rate base?**

RWC Position:

a. The Company’s decisions and expenditure associated with the deployment of AMI were prudent. Thus, Raytown Water should receive both a return on and return of that portion of the meters installed as of the update period in this case (June 30, 2023).

b. Yes. See 1.a. above.

c. Consistent with the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, the Commission should include in rate base for purposes of this case that portion of the AMI investment that was installed as of the end of the update period. However, if it were to contemplate inclusion of the entire AMI project, at a

minimum, it should also include in the revenue requirement the annual maintenance fee associated with the AMI project that the Company began to pay in September of 2023.

*Thomson Dir., All; Thompson Reb., p. 2-9; Thompson Sur., p. 2-5.
Noel Sur., All.*

2. Late Fees: Should the Commission eliminate or reduce late fees?

RWC Position: There is no reason to change the late fee that was agreed to in Commission Case No. WR-2012-0405 and has been in place since 2012. However, if the Commission decides to reduce or eliminate late fees, it should be noted that the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* has included revenues in the amount of \$93,090 for late fees in this case. That amount, or an appropriate percentage, would need to be subtracted from normalized revenues or added to RWC's cost of service if the Commission decides to eliminate or reduce late fees.

Thompson Reb., p. 9-11.

3. Depreciation

a. Reserve Transfer

1. Should depreciation reserves be transferred from over-accrued accounts to not-fully-accrued accounts?

2. If so, to which accounts should the depreciation reserves be transferred?

b. Should depreciation expense be removed for the existing plastic meters?

c. Should depreciation reserve be adjusted to reflect the salvage values from the Company's vehicle sales in 2022 and 2023?

RWC Position:

a. Raytown Water has not employed a depreciation expert for the purposes of this case and will rely on the Staff testimony.

b. Raytown Water has not employed a depreciation expert for the purposes of this case and will rely on the Staff testimony.

c. Raytown Water has not employed a depreciation expert for the purposes of this case and will rely on the Staff testimony. Moreover, Raytown Water notes that it has previously recorded 2022 sales and will also record the 2023 sales.

4. Customer Notice: In what instance should the Company send additional notice of a proposed rate increase that differs from the original, noticed rate increase?

RWC Position: The Commission certainly has the discretion to order notice as it deems necessary. However, the Commission’s rules do contemplate the situation in this case – a resulting rate increase that is greater than the Company’s original request. Commission Rule 20 CSR 4240-10.075(14) states that “[t]he commission must set just and reasonable rates, which may result in a revenue increase more or less than the increase originally sought by the utility, or which may result in a revenue decrease.”

Additionally, the notice that was previously sent by the Company acknowledged that a different rate could result as it included the following statement:

At the end of this Notice is a table that compares the Company’s current residential customer rates and the proposed residential rates. The proposed rates and proposed amount of rate change identified in the table reflect estimates based on the amount of the Company’s requested increase only. The new rates and their effects on customers’ bills have not yet been determined. The Commission will determine what it believes to be just and reasonable rates.

Clevenger Reb., p. 2-4.

5. Distribution Mains Operations and Maintenance (“O&M”):
a. What value of non-labor operations and maintenance expense should be included for distribution mains?

RWC Position: Test year expense should be utilized. Raytown Water has been experiencing an increased number of main breaks over the last several years, combined with an increase in the cost of materials. As OPC witness Robinett notes, this expense has been increasing (\$217,196 in 2020,

\$344,678 for 2021, and \$474,606 for 2022)¹. A normalization, or average of prior years, is not appropriate in the situation where an expense has risen year over year.²

Thompson Reb., p. 11-13.

- 6. Rate of Return:**
 - a. What is the appropriate return on common equity?**
 - b. If the Commission agrees to change the return on common equity, should the dividend rate on preferred stock change for the purposes of rate of return?**

RWC Position:

a. The appropriate rate of return in this case is 6.8%, as agreed to in the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*. The return on equity (ROE) used to determine that rate of return for RWC is 10.37%, as supported by the testimony of Staff witness Jennings.

b. If the Commission decides not to use the 10.37% ROE agreed to by RWC and the Staff, it should calculate the resulting rate of return by also utilizing the Company's current Preferred Stock dividend rate. The *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* utilized a Preferred Stock dividend rate of 3.25%, which was the prime rate per annum as of January 1, 2022. As of January 1, 2023, well within the update period for this case (ending June 30, 2023), the prime rate per annum as reported in the Wall Street Journal was 7.5%. That is the rate upon which Raytown Water made dividend payments to its holders of preferred stock at the end of the first and second quarters of 2023.

Clevenger Reb., p. 13-15.

¹ OPC Robinett Sur., p. 5.

² See *State ex rel. Missouri Power & Light Co. v. Public Service Com.*, 669 S.W.2d 941, 945 (Mo.App.W.D, 1984) (“The test year is a period past, but is employed as a vehicle upon which to project experience in a future period when the rates determined in the case will be in effect. Normalization of a test year cost by multi-year averaging of the cost based on experience assumes that the cost rises and falls, with the consequence that the actual cost incurred in the test year is not representative.”).

7. Cash Working Capital (“CWC”): Should cash working capital be included in rate base?

RWC Position: Raytown Water has not performed a lead/lag study or any other cash working capital calculations for the purpose of this case as it has neither the personnel nor the expertise to do so. The Company will rely on the position taken by the Staff.

Thompson Reb., p. 16.

8. Payroll Expense

a. Should all of the Company’s employee overtime be normalized?

b. What is the just and reasonable amount of pay to include in rates for the Company’s Vice President, Sr. Accounting Clerk, Jr. Accounting Clerk, and Sr. Customer Service/Admin Assistant?

RWC Position:

a. This issue first appeared in surrebuttal testimony. It is unclear from such testimony whether this is an observation or a separately proposed disallowance as the only proposed disallowance of overtime identified is that referenced in issue 8.b. If this is a proposed disallowance based on an issue first raised in surrebuttal testimony, it would violate Commission Rule 20 CSR 4240-2.130(7)(D) (“Surrebuttal testimony shall be limited to material which is responsive to matters raised in another party’s rebuttal testimony.”).

b. No adjustment or disallowance appears to have been made for the Company’s “Jr. Accounting Clerk.” Adjustments have been proposed for the first time in OPC’s surrebuttal testimony for the Sr. Accounting Clerk and the Sr. Customer Service/Admin Assistant. Because of that timing, Raytown Water has not been provided an opportunity to respond to those adjustments. Accordingly, they violate Commission Rule 20 CSR 4240-2.130(7)(D) (“Surrebuttal testimony shall be limited to material which is responsive to matters raised in another party’s rebuttal testimony.”).

As to the Company's Vice President, her overtime pay should be allowed. First, the recorded hours accurately reflect the extra work she puts in to keep Raytown Water running. Second, because of Staffing needs, there were no other options than for her to take on extra work. The Vice President's overtime includes preparation for the utility's collection day, billing, after hour calls, program updates for the computer system, end of day back-up, emergency call outs (water breaks), cover for short office/field staff as needed to meet deadlines, and after hour turn-ons on collection day for both water and sewer (through disconnect agreements). The type of after-hours work performed by the Vice President is beyond that that would be performed by a Vice President in a larger water utility. Accordingly, no disallowance in the Vice President's overtime pay should be granted.

Clevenger Reb., p. 4-5.
Thompson Rebuttal, p. 16-18.

9. Meter Reading Expense: What is the just and reasonable amount to include in rates for meter reading expense?

RWC Position: No disallowance or adjustment should be made to the Company's meter reading expense. All meter readers were employed as of the end of the update period in this (June 30, 2023). Further, even after the completion of the deployment of AMI, Raytown Water plans to continue to employ two (2) Meter Service Techs to complete meter reads, service orders, water sampling and collection disconnect/reconnects. The Company plans to transfer the 3rd meter reader to the Field Crew.

Thompson Reb., p. 13-15.

- 10. Rate Case Expense**
- a. What amount of rate case expense should be included in the cost of service?**
 - b. Should rate case expense be amortized or normalized?**
 - c. Should the rate case expense follow a 50/50 sharing mechanism?**

RWC Position:

a. Up to the filing of the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, Raytown Water had processed this case without legal representation. Once an evidentiary hearing was requested, and because Raytown Water is a corporation, it was required to hire legal counsel. Rate case expense, for purposes of calculating the revenue requirement in this case, should be updated throughout the case to reflect RWC's prudent legal expenses, any other third-party costs, and expenses related to notices and other requirements of processing this case. It would be appropriate to normalize rate case expenses over a two-year period, given the known future purchased water rate increases and the fact that slightly less than one-half of Raytown Water's AMI investment is included in this case and another rate case will be required in the near future.

b. If the Commission prefers to amortize, rather than normalize, rate case expense in this case, it should only do so on a prospective basis.

c. No. Because this case is a Staff Assisted Rate Case and could have been processed without an attorney, it does not fit into the same category of cases as a general rate case.

Clevenger, Dir., p. 7.

11. Truck Disallowance

- a. What amount of the Company's Truck 206 should be included in revenue requirement?**
- b. How should the Company be reimbursed for the personal use of its vehicles?**

RWC Position:

a. While primarily driven by the Company's President, vehicle logs show that Truck 206 is being used in the provision of utility service by both the President and other Raytown Water employees. The purchase price of Truck 206, minus accumulated depreciation associated with

Truck 206, should remain in rate base for the purpose of setting the revenue requirement in this case.

b. Currently, the Company is reimbursed for any personal use of Truck 206 at the Internal Revenue Service mileage reimbursement rate. A mileage-based reimbursement has been used by Raytown Water for many years. This was acknowledged by a Staff filing as far back as Case No. WO-93-194 (the Management Audit case).

Clevenger Reb., p. 8-12.

12. 1993 Management Audit

a. Should the Company be required to follow any recommendations spelled out and agreed upon in the 1993 management audit?

b. If so, which of the 1993 audit recommendations should the Company be required to follow?

c. If so, what benchmarking policy should the Company follow to ensure it is following these recommendations?

RWC Position:

a. No. This question concerns a management audit conducted by the Staff around 30 years ago in Commission Case No. WO-93-194. That matter was closed about 23 years ago. The Company's conduct violates no statute or regulation. These matters should be within the direction of management.

b. Not applicable. See position as to 12.a. above.

c. Not applicable. See position as to 12.a. above.

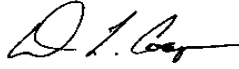
Thompson Sur., p. 5-7.

Clevenger Reb., p. 6-13; Clevenger Sur., p. 8-10.

WHEREFORE, Raytown Water respectfully requests that the Commission consider this

Statement of Position.

Respectfully submitted,



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**ATTORNEYS FOR
THE RAYTOWN WATER COMPANY**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 13th day of November, 2023, to:

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