

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of the            )  
Application of a Rate Increase of                )  
Raytown Water Company                            )  
**Case No. WR-2023-0344**

**POSITION STATEMENTS**

**COMES NOW** the Staff of the Missouri Public Service Commission, and for its  
*Position Statements* states as follows:

**1. Advanced Metering Infrastructure (“AMI”)**

- a.** How should this AMI investment be treated for rate making purposes?

As of June 30, 2023, the update period, Raytown Water Company (“RWC”) had placed 3,073 of 6,811 meters, or 45.12%, in service. Therefore, Staff has included 45.12% of the total AMI meter cost in revenue requirement. (Niemeier, Rebuttal: pgs. 6-7).

- b.** Should the Commission grant a return on the AMI investment?

Yes. RWC should earn a return on the meters that are installed as of June 30, 2023.

- c.** Should the Commission include all known and measurable AMI investments that the Company has either in service or in inventory in rate base?

Staff has included 45.12%, or \$1,746,097, of the total AMI cost in plant. Staff has only included AMI meters that were in service as of June 30, 2023. (Niemeier, Rebuttal: p. 7-9)

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

No. The Commission should not eliminate late fees. It is Staff’s position the late fee should not be removed from the tariff in its entirety. The late fee is a deterrent for customers paying late and lessens the impact of delayed cash flow. It also is only charged to late payers versus the overall population of rate payers. (Clark Rebuttal, p. 2-4)

### 3. Depreciation

#### a. Reserve Transfer

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

Yes. Staff agreed with OPC that it had inadvertently omitted a second step to the process dealing with over-accrued accounts. (Niemeier, Rebuttal: p.3)

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

Auditing worked with the Engineering Analysis Department, to apply a corresponding positive adjustment to the accounts 346.2 Meters and 390 Structures and Improvements-GP. The total amount transferred to these accounts is \$51,559. Correcting this adjustment reduced Staff's recommended revenue requirement by \$4,297. (Niemeier, Surrebuttal, p. 2).

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

In the revenue requirement, Staff made an adjustment to depreciation expense for the plastic meter (account 346.000) by reducing its annual depreciation by 45.12%<sup>1</sup> as an offset for the inclusion of the depreciation for the installed AMI meters. Once all AMI meters are in service, the depreciation for the remaining plastic meters can be removed.

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

Staff has not taken a position on this issue at this time.

- #### 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?

Staff has not taken a position on this issue at this time.

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

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<sup>1</sup> As of June 2023, Raytown Water installed 45.12% of the total AMI deployment. These are the meters that are currently used and useful.

Staff included an annual level of \$410,770 in account 673 Maintenance of Transmission & Distribution Mains in revenue requirement for Day 150. (Foster, Direct: Accounting Schedule 9, page 1)

**6. Rate of Return:**

- a. What is the appropriate return on common equity?

10.37% (Jennings Direct, p. 2)

- 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?

Staff has not taken a position on this issue at this time.

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

No. Historically, Staff has not performed a cash working capital study for small utilities. Staff has not performed a study for the following reasons:

- a. Cash working capital study is labor intensive. The shortened timeline for Staff assisted rate cases puts an undue burden on the Company and Staff.
- b. The result of a cash working capital study is likely to have minimal impact on the revenue requirement, positive or negative. (Niemeier, Rebuttal: pgs. 4-5)

**8. Payroll Expense**

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

Staff has no testimony filed on this position, as it is a new issue brought up by OPC in its surrebuttal filing. Staff reviewed overtime for all employees. As a result of the downward trend, Staff calculated overtime costs based upon 2022 overtime hours. Staff annualized overtime for all employees using the 12 months ending December 31, 2022, test year.

- 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?

Staff has no testimony filed on this position, as it is a new issue brought up by OPC in its surrebuttal filing. In WR-2020-0264 the Company reevaluated their employee’s pay. Those wages went into rates. Staff evaluated these wage increases in accordance with the Cost-of-Living Allowances (COLA)

increases for each year since the prior rate case. Staff also reviewed Missouri Economic Research and Information Center (“MERIC”) for Kansas City region for 2022 to ensure that their new hourly wages were below the MERIC median wages for their current positions. (Niemeier, Rebuttal: pgs. 9-10)

OPC wishes to treat four employees listed in 8b of the position statements as salaried employees. In the revenue requirement, Staff has included the entire amount at each employee’s current hourly pay, plus overtime. Staff evaluated these wage increases in accordance with the Cost-of-Living Allowances (COLA) increases for each year since the prior rate case and reviewed the wages to ensure they were consistent with MERIC.

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

Following the full implementation of AMI meters, RWC employees currently responsible for meter reading will take on new job responsibilities. As of the update period, June 30, 2023, meter readers were still performing the job of a meter reader. The payroll expense for meter readers should remain in this rate case. Staff will evaluate the employee positions in the next rate case. (Niemeier, Rebuttal: pg. 9)

**10. Rate Case Expense**

**a.** What amount of rate case expense should be included in the cost of service?

The appropriate amount of rate case expense to include in RWC’s cost of service presently is \$5,856. (Foster Direct Schedule KDF-d2 Disposition Agreement Attachment B). Staff will continue to examine the actual costs incurred by RWC related to the processing of this rate case and include all rate case expense incurred during the course of this proceeding. (Lesmes, Rebuttal p. 3 and Surrebuttal p. 5)

**b.** Should rate case expense be amortized or normalized?

Yes. Rate case expense should be normalized. (Lesmes, Surrebuttal pgs. 2-3)

**c.** Should the rate case expense follow a 50/50 sharing mechanism?

No, Staff agrees it would be appropriate to update the recommended revenue requirement to include all prudently incurred rate case expenses. (Lesmes Rebuttal pg. 3)

## 11. Truck Disallowance

- a. What amount of the Company's Truck 206 should be included in revenue requirement?

Since rate Case No. WR-2009-0098, RWC has used the IRS Standard Mileage Rates for calculating Neal Clevenger's reimbursement for his personal use of the company truck assigned to him. With limited personal use of this truck by Mr. Clevenger, Staff agrees with the continued use of this methodology to determine Mr. Clevenger's reimbursements. (Horton Rebuttal, pgs. 3-5)

- b. How should the Company be reimbursed for the personal use of its vehicles?

Staff has not proposed any changes to the Company's reimbursement practices for personal use of its vehicles.

## 12. 1993 Management Audit

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

No. Staff does not believe that this is necessary. (Spratt Rebuttal, p. 7)

- 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?

### Staff Witness Topics:

**Keith Foster:** Auditing Department Support

**Daronn Williams:** AMI, Staff's inspection, O&M Expense, Water Loss, Transportation Expense

**David Spratt:** AMI, Customer Notice

**Angela Niemeier:** Payroll Expense, Depreciation Reserve, Cash Working Capital

**Melanie Clark:** Late Fees

**Randall Jennings:** Rate of Return

**Courtney Horton:** Transportation Revenues

**Sherry Lesmes:** Rate Case Expense

Respectfully submitted,

**/s/ Casi Aslin**

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and or counsel of record on this 13<sup>th</sup> day of November, 2023.

**/s/ Casi Aslin**