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Service Commission

Exhibit No. 5

The Raytown Water Company – Exhibit 5
Clevenger
Direct
File No. WR-2023-0344

Exhibit No.	
Issues:	Disposition Agreement, Company Background, Purchased Water Expense and Rate Case Expense
Witness:	Neal S. Clevenger
Type of Exhibit:	Direct Testimony
Sponsoring Party:	The Raytown Water Company
File No.:	WR-2023-0344
Date:	October 10, 2023

Missouri Public Service Commission

Direct Testimony

of

Neal S. Clevenger

On Behalf of

The Raytown Water Company

October 10, 2023

Table of Contents

I. WITNESS INTRODUCTION 1

II. PURPOSE..... 2

III. THE RAYTOWN WATER COMPANY 2

IV. RATE INCREASE REQUEST..... 3

V. PURCHASED WATER 6

VI. RATE CASE EXPENSE..... 7

**DIRECT TESTIMONY OF
NEAL S. CLEVINGER
THE RAYTOWN WATER COMPANY**

1 **I. WITNESS INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Neal S. Clevenger. My business address is 10017 E. 63rd Street,
4 Raytown, Missouri 64133.

5 **Q. WHAT IS YOUR POSITION WITH THE RAYTOWN WATER COMPANY?**

6 A. I am the President and General Manager of The Raytown Water Company
7 (“Raytown Water” or “Company”).

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **EXPERIENCE.**

10 A. I attended Kansas City Junior College, Oklahoma State University, and the
11 University of Missouri-Kansas City, studying business management. I was
12 interrupted for military service, while serving in the Missouri National Guard. I
13 became self-employed in real estate development and business operations.
14 However, in one way or another, I have been connected to Raytown Water for
15 most of my life. The Company was started by my grandfather in 1925 and from a
16 very young age, I was always around the Company. I took my first full time job
17 with the Company as a laborer. Years later, I later moved to a foreman position
18 and, after my mother retired, I ultimately moved to my current position as President
19 and General Manager.

20

1 **II. PURPOSE**

2 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

3 A. My direct testimony has four purposes. First, I will provide background as to the
4 operations of Raytown Water. Second, I want to formally express the Company's
5 support for the *Non-Unanimous Agreement Regarding Disposition of Small Utility*
6 *Company Revenue Increase Request* ("Non-Unanimous Agreement"), which the
7 Commission Staff ("Staff") and the Company jointly filed September 13, 2023.
8 Third, I will provide additional information related to a significant aspect of this rate
9 increase request –the Company's purchased water expense. Lastly, I will explain
10 why, in addition to the rate increase included in the *Non-Unanimous Agreement*,
11 the Commission should also add an amount related to Raytown Water's rate case
12 expense.

13 **Q. WILL ANYONE ELSE FILE DIRECT TESTIMONY ON BEHALF OF RAYTOWN**
14 **WATER?**

15 A. Yes. Raytown Water witness Chiki Thompson will discuss another significant
16 aspect of the Company's rate increase request – its investment in Advanced
17 Metering Infrastructure.

18
19 **III. THE RAYTOWN WATER COMPANY**

20 **Q. PLEASE DESCRIBE RAYTOWN WATER'S ORIGIN.**

21 A. The Company's predecessor was formed on January 22, 1925, and was
22 certificated by the Commission on July 7, 1925, in Commission Case No. 4408.

1 **Q. WHERE DOES THE COMPANY PROVIDE SERVICE?**

2 A. The Company's certificated service area includes approximately one-half of the
3 City of Raytown and a small portion of the City of Independence, in Jackson
4 County.

5 **Q. HOW MANY CUSTOMERS DOES RAYTOWN WATER SERVE?**

6 A. Currently, the Company provided water service to approximately 6,700 metered
7 service connections.

8 **Q. PLEASE DESCRIBE THE COMPANY'S WATER SUPPLY AND DISTRIBUTION
9 SYSTEM.**

10 A. Raytown Water purchases all of its water requirements from the Kansas City Water
11 Department. The Company's water system consists of approximately 379,210 feet
12 of water main distributing water through the service area. It has three elevated
13 storage tanks, which in total can store 2.5 million gallons of water.

14

15 **IV. RATE INCREASE REQUEST**

16 **Q. WHEN WAS RAYTOWN WATER'S LAST RATE INCREASE?**

17 A. Raytown Water filed its last rate case in March of 2020 (File No. WR-2020-0264).
18 Rates became effective as a result of that case on September 8, 2020, a little over
19 three years ago.

20 **Q. HOW WAS THIS CASE INITIATED?**

21 A. On April 3, 2023, Raytown Water submitted a letter to the Secretary of the
22 Commission in accordance with the provisions of Commission Rule 20 CSR 4240-

1 10.075, Staff Assisted Rate Case Procedure. In that letter, the Company set forth
2 its request for an increase of \$735,103 in its total annual water service operating
3 revenues based on information known through December 31, 2022.

4 **Q. DID THE COMPANY REACH AN AGREEMENT WITH THE STAFF OF THE**
5 **COMMISSION (“STAFF”) ON A DIFFERENT RATE INCREASE IN THIS CASE?**

6 A. Yes. On September 13, 2023, Staff and Raytown Water filed a *Non-Unanimous*
7 *Agreement Regarding Disposition of Small utility Company Revenue Increase*
8 *Request (“Non-Unanimous Agreement”)*.

9 **Q. WHAT RATE INCREASE WAS REFLECTED IN THE *NON-UNANIMOUS***
10 ***AGREEMENT*?**

11 A. Based on an audit using the 12-month period ended December 31, 2022, updated
12 to June 30, 2023, the parties recommended a water revenue requirement increase
13 of \$1,174,782, added to the level of current revenues of \$4,309,019, which results
14 in overall annual revenues of \$5,483,801.

15 **Q. DOES RAYTOWN WATER SUPPORT THE STAFF CALCULATIONS THAT**
16 **FORM THE BASIS FOR THAT RATE INCREASE?**

17 A. Yes. The Company adopts the findings and recommendations stated in the *Non-*
18 *Unanimous Agreement*, including the recommendation the Company be allowed a
19 water revenue requirement increase of \$1,174,782, plus, as discussed below,
20 whatever rate case expense the Commission may authorize as a result of this
21 hearing.

1 **Q. WHY DO YOU BELIEVE THE ULTIMATE INCREASE AGREED TO WAS**
2 **GREATER THAN THAT INCLUDED IN THE COMPANY'S INITIAL REQUEST?**

3 A. Initially, as stated above, our calculation was based on information as of December
4 31, 2022. We relied on our outside accountant to compile these figures and are
5 somewhat unsophisticated in regulated rate making. Accordingly, we did not take
6 into account known changes that took place, or would take place, in the update
7 period, such as the general increase in prices in 2023.

8 Moreover, a few significant events took place in 2023 as to Raytown Water's
9 operations. First, Kansas City is charging Raytown Water for greater volumes of
10 water at greater rates than was assumed in the Company's initial calculations.
11 Second, a significant meter replacement project progressed such that by June 30,
12 2023, the Company had installed approximately 3,073 new meters, resulting in an
13 increase to the Company's rate base. Third, there are 2023 general wage
14 increases for Raytown Water employees.

15 **Q. IS THERE AN ISSUE ASSOCIATED WITH THE FACT THAT THE *NON-***
16 ***UNANIMOUS AGREEMENT* INCLUDES A GREATER INCREASE THAN THAT**
17 **IDENTIFIED IN RAYTOWN WATER'S INITIAL REQUEST?**

18 A. I do not believe so. I am advised by counsel that Commission Rule 20 CSR 4240-
19 10.075(14) states that "[t]he commission must set just and reasonable rates, which
20 may result in a revenue increase more or less than the increase originally sought
21 by the utility, or which may result in a revenue decrease."
22

1 **V. PURCHASED WATER**

2 **Q. HOW WOULD YOU DESCRIBE THE IMPACT OF PURCHASED WATER ON**
3 **RAYTOWN WATER?**

4 A. It is an extremely significant part of the Company's operating expense. As noted
5 above, Raytown Water purchases all of its water supply from Kansas City.

6 On July 14, 2022, the Company signed a twenty-year Purchase Water Agreement
7 (PWA) with Kansas City. This agreement guarantees the Company up to three
8 million gallons of water per day (MGD) under normal operating conditions. The
9 PWA also includes language that allows the cost of water being purchased by
10 Raytown Water to be increased by Kansas City as needed. Kansas City increased
11 these rates most recently by an average of 3.8% beginning May 1, 2023. Such
12 increases have generally occurred annually for many years and are projected to
13 continue on an annual basis into the future.

14 **Q. IN ADDITION TO THE KANSAS CITY RATE INCREASE, IS THERE ANY**
15 **OTHER REASON THAT RAYTOWN WATER IS EXPERIENCING HIGHER**
16 **PURCHASED WATER COSTS?**

17 A. Yes. It became clear that Kansas City's meters were not accurately measuring the
18 volumes of water received by Raytown Water and, thus, the volumes of water for
19 which it was being billed. The meters were under recording the volumes. Kansas
20 City's meters were replaced beginning in June of 2023 and was completed in July
21 of 2023. Since the replacement of the Kansas City meters, Raytown Water is
22 experiencing increased volumes of purchased water. Thus, Raytown Water is

1 being billed for greater volumes, at a greater price, than it has experienced
2 previously.

3
4 **VI. RATE CASE EXPENSE**

5 **Q. ARE THERE ANY COSTS THAT YOU BELIEVE SHOULD BE REFLECTED IN**
6 **RAYTOWN WATER'S REVENUE REQUIREMENT IN THIS CASE BEYOND**
7 **THOSE FOUND IN THE *NON-UNANIMOUS AGREEMENT*?**

8 A. Yes. Up to the filing of the *Non-Unanimous Agreement*, Raytown Water had
9 processed this case without legal representation. Now that an evidentiary hearing
10 has been requested, and because Raytown Water is a corporation, it was required
11 to hire legal counsel. The Company believes that its rate case expense, for
12 purposes of calculating the revenue requirement in this case, should be updated
13 throughout the case to reflect its prudent legal expenses, other third-party costs
14 and expenses related to notices and other requirements of processing this case.
15 Further, given the annual rate increases expected in the Company's water
16 purchases from Kansas City and that a portion of the meter installations will not
17 yet be in rate base at the conclusion of this case, the Company will need to file
18 another rate case in the near future. Thus, it would be appropriate to normalize
19 rate case expenses over a two-year period.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes, it does.

VERIFICATION OF NEAL S. CLEVINGER

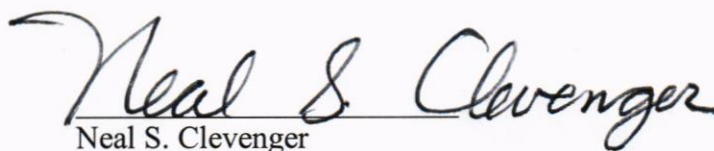
STATE OF MISSOURI)
)
COUNTY OF JACKSON)

I, Neal S. Clevenger, of lawful age, under penalty of perjury, and pursuant to Section 509.030, RSMo, state as follows:

1. My name is Neal S. Clevenger. I am the President and General Manager for The Raytown Water Company. My business address is 10017 E. 63rd Street, Raytown, Missouri 64133.

2. My direct testimony on behalf of The Raytown Water Company is attached to this verification.

3. My answers to each question in the attached direct testimony are true and correct to the best of my knowledge, information, and belief.


Neal S. Clevenger

Oct. 10, 23
Date