

FILED  
December 6, 2023  
Data Center  
Missouri Public  
Service Commission

# Exhibit No. 103

Staff – Exhibit 103  
Spratt  
Direct  
File No. WR-2023-0344

*Exhibit No.:*  
*Issue(s):* *Non-Unanimous Agreement*  
*Witness:* *David A. Spratt*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *WR-2023-0344*  
*Date Testimony Prepared:* *October 10, 2023*

**MISSOURI PUBLIC SERVICE COMMISSION**

**INDUSTRY ANALYSIS DIVISION**

**WATER, SEWER & STEAM DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**DAVID A. SPRATT**

**THE RAYTOWN WATER COMPANY**

**CASE NO. WR-2023-0344**

*Jefferson City, Missouri*  
*October 2023*



1 On September 19, 2023, OPC filed a pleading indicating its objection to the Non-Unanimous  
2 Disposition Agreement and requesting an evidentiary hearing. Per regulation 2-CSR 4240  
3 10.075 (9) (C), the attached non-unanimous agreement becomes a joint position of the  
4 Company and Staff.

5 Q. Briefly provide a background of Case No. WR-2020-0344.

6 A. On April 3, 2023, RWC filed for a rate increase under the provisions of the  
7 Staff-Assisted Rate Case Rule 20 CSR 4240-10.075. With its request, RWC requested an  
8 increase in water revenues of \$735,103. No parties filed to intervene, therefore the only other  
9 participant in this case is OPC. Staff requested a local public hearing, and pursuant to the  
10 Commission's May 3, 2023, order, a Virtual Public Hearing (VPH) was held on May 23, 2023.  
11 Unfortunately, no customers chose to participate in the VPH despite proper notice from  
12 the Company.

13 Q. What issues did Public Counsel indicate it particularly opposed?

14 A. In its pleading filed on September 19, 2020, Public Counsel indicated that it opposes  
15 the amount of the rate increase agreed upon, the installation of Advanced Metering  
16 Infrastructure (AMI), lawsuits and the impact it has had on insurance premiums, the amount of  
17 customer fees being paid to RWC, increases in salaries, the cost of capital, non-regulated  
18 affiliates, customer service concerns, operation and maintenance expenses, as well as the  
19 potential need for a management audit to review management practices.

20 Q. What was the ultimate revenue requirement agreed to between Staff and RCW?

21 A. The agreed upon revenue requirement for RWC is \$5,483,801. This represents an  
22 increase of \$1,174,782 over current water revenues. A detailed analysis of how the revenue  
23 requirement was determined can be found in Keith Foster's direct testimony.

Direct Testimony of  
David A. Spratt

1 Q. What is Staff's recommendation?

2 A. Staff recommends the Commission approve the Non-Unanimous Stipulation and  
3 Agreement filed September 13, 2023.

4 Q. Does this conclude your direct testimony?

5 A. Yes it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

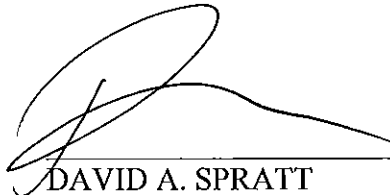
In the Matter of the Application of a Rate            )  
Increase of Raytown Water Company                )            Case No. WR-2023-0344

**AFFIDAVIT OF DAVID A. SPRATT**

STATE OF MISSOURI     )  
                                  )  
COUNTY OF COLE     )            ss.

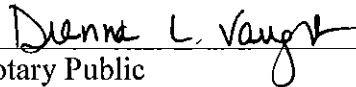
**COMES NOW DAVID A. SPRATT** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of David A. Spratt*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
DAVID A. SPRATT

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10<sup>th</sup> day of October 2023.

  
\_\_\_\_\_  
Notary Public

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: July 18, 2027  
Commission Number: 15207377

**David A. Spratt**

As a Senior Research/Data Analyst, with the Water, Sewer and Steam Department of the Commission Staff Industry Analysis Division my core duties revolve around being a Case Manager for Small Company Rate Cases filed with the Commission. These duties include, but are not limited to: setting up the case Activities Timeline; authoring Customer Notice(s); coordinating meetings and correspondence between Staff, Office of the Public Counsel (“OPC”), and the utilities; disseminating information between Staff, OPC and the utilities; reviewing and if necessary, revising Company tariffs as well as performing rate design and authoring testimony when appropriate. I have earned D level certificates from the Missouri Department of Natural Resources (DNR) for Drinking Water Treatment and Wastewater Treatment as well as a DS-I certificate for Water Distribution.

**Educational Background and Work Experience**

Masters of Public Administration Degree from the University of Missouri – Columbia

Bachelor of Arts in History from Lincoln University

June 1995 to January 2000 – Manager of a small family owned retail inventory business

January 2000 to May 2001 – Ameren UE Call Center

May 2001 to August 2007 – Ameren UE Engineering Department

August 2007 to April 2008 – Financial Advisor with AXA Advisors

April 2008 to Present – Missouri Public Service Commission Water and Sewer Staff

**Previous Testimony Before the Public Service Commission**

<b>Case Number</b>	<b>Company</b>	<b>Type of Filing</b>	<b>Issue</b>
WC-2023-0142	Missouri-American Water Company (MAWC)	Direct Testimony	Water damage
WC-2023-0273	Missouri-American Water Company (MAWC)	Direct Testimony	Water damage
WC-2023-0142	Missouri-American Water Company (MAWC)	Rebuttal Testimony	Water damage
WC-2023-0273	Missouri-American Water Company (MAWC)	Rebuttal Testimony	Water damage
WC-2022-0162	MAWC	Live Testimony	Unexplained use
WC-2021-0075	MAWC	Live Testimony	Unexplained use

WC-2020-0181	MAWC	Live Testimony	Unexplained use
WR-2017-0259	Indian Hills Utility Operating Company, Inc.	Direct, Surrebuttal & Live Testimony	Operations & Maintenance
SR-2016-0202	Moore Bend Water Utility, LLC	Rebuttal Testimony	Maintenance
WC-2011-0409	Woodland Manor Water Company, LLC	Live Testimony	Ownership of water service lines



**NON-UNANIMOUS AGREEMENT REGARDING DISPOSITION OF  
SMALL UTILITY COMPANY REVENUE INCREASE REQUEST**

**THE RAYTOWN WATER COMPANY**

**MO PSC FILE NO. WR-2023-0344**

**BACKGROUND**

The Raytown Water Company, ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 20 CSR 4240-10.075, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on April 3, 2023, the Company set forth its request for an increase of \$735,103 in its total annual water service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff's recommendations. The Company provides service to approximately 6,541 water customers.

Pursuant to the provisions of the Staff Assisted Rate Case Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (These activities are collectively referred to hereinafter as Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") with information regarding Staff's investigation and the results of the investigation, including Staff's initial recommendations for resolution of the Company's Request.

## **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

Pursuant to negotiations held subsequent to the Company's and Public Counsel's receipt of the above-referenced information regarding Staff's investigation of the Company's request, Staff and the Company hereby state the following agreements:

- (1) The agreed upon water revenue requirement increase of \$1,174,782 (27.26% increase) added to the level of current revenues of \$4,309,019 results in overall annual revenues of \$5,483,801. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. These amounts are shown on the ratemaking income statements found in Attachment A, incorporated by reference herein;
- (2) The Auditing Department conducted a full and complete audit of the Company's books and records using the 12-month period ended December 31, 2022 updated to June 30, 2023, as the basis for the revenue requirement determined above. The audit findings can be found in Attachments B and C, incorporated by reference herein;
- (3) The agreed upon net rate base is \$9,144,649 for water service. The development of this amount is shown on the rate base worksheet that is found in Attachment D, incorporated by reference herein. This amount is included in the audit work papers in the ultimate determination of the revenue requirement shown in (1) above;
- (4) Included in Attachment B is the agreed upon capital structure which includes the Company's overall recommended rate of return of 6.80%, which is calculated based on a hypothetical capital structure consisting of 37.97% debt, 47.20% common equity, and 14.82% preferred equity, with a cost of debt of 3.75%.
- (5) The schedule of depreciation rates in Attachment E, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of water/sewer plant depreciation rates for the Company;
- (6) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment F, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown on Attachment G, also attached and incorporated by reference herein;
- (7) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission, proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheet(s) attached as Attachment H. The proposed tariffs will contain a set of consolidated rates, charges, and rules for water customers. The proposed tariff revisions will bear an effective date of October 30, 2023;
- (8) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Non-Unanimous

Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill.

(9) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Non-Unanimous Disposition Agreement;

(10) Staff or Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Non-Unanimous Disposition Agreement;

(11) The Company, Staff and Public Counsel agree that they have read the foregoing Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the parties; and that the Company freely and voluntarily enters into this Disposition Agreement; and

(12) The above agreements satisfactorily resolve all issues identified by Staff, Public Counsel and the Company regarding the Company's request, except as otherwise specifically stated herein additional matters.

### **Additional Matters**

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Non-Unanimous Disposition Agreement reflect compromises between the Staff and the Company, and no party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The results of Staff's inspections and review of the Company's operation of its facilities can be found in the Water, Sewer, & Steam Department Report, Attachment J. Staff has completed a Summary of Case Events and has included that summary as Attachment K to this Non-Unanimous Disposition Agreement.

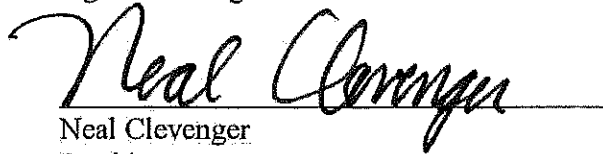
The Company, Public Counsel, and Staff acknowledge that Staff will be filing this Non-Unanimous Disposition Agreement and the attachments hereto, in the existing case and that the Company will file the proposed tariff revisions called for in the agreement. The Company and Public Counsel also acknowledge that Staff may make other filings in this case.

Additionally, the Company and Public Counsel agree that subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff shall have the right to provide an oral explanation to support its entering into this Non-Unanimous Disposition Agreement, if the Commission requests one at any agenda meeting at which this case is noticed to be considered by the

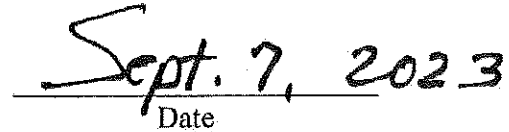
Commission. Subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff will be available to answer Commission questions regarding this Non-Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to be present and/or represented at the meeting.

**SIGNATURES**

Agreement Signed and Dated:



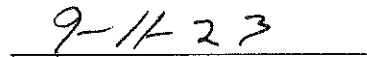
Neal Clevenger  
President  
The Raytown Water Company



Date



Curtis Gateley  
Manager – Water & Sewer Department  
Missouri Public Service Commission Staff



Date

**List of Attachments**

- Attachment A – Ratemaking Income Statement
- Attachment B – Auditing Department Report
- Attachment C – EMS Run
- Attachment D – Rate Base Worksheet
- Attachment E – Schedules of Depreciation Rates
- Attachment F – Rate Design Worksheet
- Attachment G – Billing Comparison Worksheet
- Attachment H – Example Tariff
- Attachment I – CXD Report
- Attachment J – Water and Sewer Department Report
- Attachment K – Summary of Events