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DIRECT TESTIMONY
OF
GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

RAYTOWN WATER COMPANY

CASE NO. WR-2023-0344

Denotes Confidential Information that has been redacted

October 10, 2023

PUBLIC

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DIRECT TESTIMONY
OF
GEOFF MARKE
THE RAYTOWN WATER COMPANY
CASE NO. WR-2023-0344

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. What are your qualifications and experience?**

6 A. I have been in my present position with OPC since 2014 where I am responsible for economic
7 analysis and policy research in electric, gas, water, and sewer utility operations.

8 **Q. Have you testified previously before the Missouri Public Service Commission?**

9 A. Yes. A listing of the Commission cases in which I have previously filed testimony and/or
10 comments is attached in Schedule GM-1.

11 **Q. What is the purpose of your direct testimony?**

12 A. The purpose of my direct testimony is to provide a brief primer on the importance of proper
13 “economic” utility regulation to level set my specific recommendations regarding the Raytown
14 Water Company (“RWC”) to the Commission for the following issues:

- 15 • Cost disallowance related to automated metering infrastructure investments (“AMI”);
- 16 • Tentative cost disallowance for costs related to insurance premium increases; and
- 17 • A recommendation to eliminate the late fee payment penalty moving forward

18 **II. ECONOMIC UTILITY REGULATION AND THE PRUDENT**
19 **INVESTMENT TEST**

20 **Q. What is a simple definition of public utility regulation?**

21 A. Public utility regulation is the government oversight of public utilities, such as electric, water,
22 and natural gas companies. The goal of economic utility regulation is to protect consumers and

1 investors, while also ensuring that customers have access to safe, reliable, and affordable utility
2 services for an essential service.

3 **Q. What role does “economics” play foundationally in the existence of public utility**
4 **regulation?**

5 A. Utilities are often considered natural monopolies, meaning that it is more efficient for a single
6 company to provide the service than for multiple companies to compete. As a natural
7 monopoly, the utility enjoys the following benefits:

- 8 • An exclusive franchise for a certificated service territory;
- 9 • Protection from competition and antitrust;
- 10 • An opportunity to recover prudently incurred costs;
- 11 • The opportunity to earn a reasonable return on prudent investments;
- 12 • Rights of eminent domain; and
- 13 • The ability to charge for the cost of service.

14 However, the utility also accepts an obligation to provide all paying customers with safe,
15 adequate, reliable, and nondiscriminatory service on just and reasonable terms, while
16 assuming certain business risks and subjecting itself to regulatory oversight.¹

17 Absent proper economic regulatory oversight, utilities have no incentive to keep either costs
18 down or quality high because the lack of competition represents a market failure, granting the
19 natural monopoly an undue advantage that would not exist if it had to compete for its
20 customers.

¹ Public Service Commissions are also supposed to control market entry and exit and system expansion; ensure safety, adequacy, and reliability; specify standards and terms of service; process and resolve customer complaints; impose systems of accounts; require annual reports and conduct audits; approve capital structures and financial issuances; review and place conditions on mergers, acquisitions, affiliate transactions, and diversification; conduct prudence reviews and management audits; review resource and infrastructure plans; review forecasts for supply and demand; and ensure openness, transparency, due process, and ethical conduct. Much of which intersect or is assessed with fundamental economic principles.

1 **Q. Is competition a good thing for consumers?**

2 A. Yes. Basic economic theory demonstrates that when firms have to compete for customers, it
3 leads to lower prices, higher quality goods and services, greater variety, and more innovation.
4 The lack of competition creates market imperfections that necessitate government intervention.

5 **Q. So how does the Commission account for the lack of competition in setting rates?**

6 A. The entire regulatory process, in theory, is supposed to act effectively as an imperfect
7 substitute, surrogate, or proxy for competition.

8 The regulatory oversight standard question is “Would a reasonable person make this decision”
9 when evaluating the prudence of capital investments. A proper determination of prudence
10 requires a finding that the costs are commensurate with benefits and are allocated as closely as
11 possible on a cost causative basis. If regulators permit such imprudent investments, those
12 individuals have failed in their responsibility and market imperfections will become even more
13 pronounced. Moreover, captive ratepayers will pay more than they otherwise should for the
14 services rendered.

15 Contrast this scenario with a competitive market.

16 If a private company operating in a competitive market increases its cost of service, it runs the
17 very real risk that customers will walk away when they no longer feel the benefits equal or
18 outweigh the costs. Simply put, customers will chose a substitute (another provider) or elect to
19 not make the purchase at all. If enough customers elect to leave then the company can go out
20 of business.

21 Such a situation is not possible for customers served by a regulated public utility.²

22 Captive customers have no recourse like they do in competitive markets. They can file
23 comments and attend public hearings, but the rates that are charged to them ultimately depend
24 on what the Commission orders.

² Except in rare whole-scale technological or statutory changes that create competitive markets. Even if a public utility were to go bankrupt it would not be replaced by a competitive market but by another natural monopoly in its place.

1 As such, regulators enforce certain standards, like the prudent investment standard, to ensure
2 that utilities are not needlessly increasing rate base, operating inefficiently or not otherwise
3 taking advantage of captive customers.

4 **Q. What is the prudent investment standard?**

5 In *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of State of Mo.*, the
6 Western District Court of Appeals stated the Commission defined its prudence standard as
7 follows:

8 [A] utility's costs are presumed to be prudently incurred.... However, the
9 presumption does not survive “a showing of inefficiency or improvidence... [W]here
10 some other participant in the proceeding creates a serious doubt as to the prudence
11 of expenditure, then the applicant has the burden of dispelling these doubts and
12 proving the questioned expenditure to have been prudent.

13 In the same case, the PSC noted that this test of prudence should not be based upon
14 hindsight, but upon a reasonableness standard: [T]he company's conduct should be
15 judged by asking whether the conduct was reasonable at the time, under all the
16 circumstances, considering that the company had to solve its problem prospectively
17 rather than in reliance on hindsight. In effect, our responsibility is to determine how
18 reasonable people would have performed the tasks that confronted the company.³

19 In reversing the Commission in that case, the Court did not criticize the Commission’s
20 definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its
21 ratepayers based on imprudence the Commission must determine the detrimental impact of
22 that imprudence on the utility’s ratepayers.

23 In keeping with that standard of evaluating prudence, I reviewed whether a reasonable
24 person making the same decision would find both 1) the information the decision-maker
25 relied on and 2) the process the decision-maker employed to be reasonable based on the

³ 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

1 circumstances and information known at the time the decision was made, i.e., without the
2 benefit of hindsight. The decision actually made is disregarded; instead, the review
3 evaluates the reasonableness of the information the decision-maker relied on and the process
4 the decision-maker employed. If either the information relied upon or the process the
5 decision-maker employed was imprudent, then I examine whether the imprudent decision
6 caused any harm to ratepayers. I will propose a disallowance if, and *only* if, an imprudent
7 decision resulted in harm to ratepayers. This is the prudence standard that I applied in
8 accessing the Raytown Water Company’s investment in advanced metering infrastructure
9 (“AMI” or “smart meters”).

10 **III. ADVANCED METERING INFRASTRUCTURE (“AMI”)**

11 **Q. What is the main function of a meter?**

12 A. The purpose of a utility meter is to measure the consumption of water, gas, or electricity by
13 a business or residence. The periodic results (typically on a month-to-month basis) of the
14 meters are used by utility companies to bill customers for their usage.

15 Utility meters are typically installed at the point of service, where the utility service enters
16 the building. For example, a water meter would be installed at the point where the water
17 service line enters the house.

18 **Q. How does AMI differ from traditional diaphragm meters?**

19 A. AMI systems typically consist of hardware: smart water meters and software, a
20 communications network and a data management system. This allows for a two-way
21 communication that could provide the following benefits:

- 22 • O&M savings from the elimination of meter readers;
- 23 • Remote disconnection/reconnection of customers;
- 24 • The ability to introduce dynamic pricing; and
- 25 • Leak detection based on high usage;

1 However, these realized benefits are not guaranteed or even applicable in most cases.
2 Additionally, investment in AMI often comes with large upfront capital and continuous
3 maintenance costs that can be prohibitive for a small utility. AMI also introduces the risk of
4 cybersecurity hacks and customer privacy concerns.

5 **Q. Do you believe that AMI for a water utility is a prudent investment in general?**

6 A. I do have a healthy degree of skepticism about such large investments for water companies, in
7 general, and for small water utilities in a relatively small territorial area, in particular.

8 I have not objected to the AMI attachment investment in the St. Louis area for Missouri
9 American Water Company (“MAWC”), but I have recommended cost disallowance for AMI
10 investment for Confluence Rivers (aka “Central States Water Company” or “CSWR”).

11 In both cases, I didn’t categorically say no. Rather, I relied on the information provided by the
12 utility in its decision-making process that took into account a number of variables including:

- 13 • O&M savings from reduced personnel (layoff meter readers)
- 14 • Cost savings through economies of scale and competitive bids;
- 15 • Benefits of data usage for regulators in designing future rates;
- 16 • Costs to customers on an individual basis
- 17 • Customer access to real-time water usage data at interval times; and
- 18 • Ability to minimize cybersecurity exposure with the introduction of customer sensitive
19 usage information

20 In the former case, the costs appear to be justified. With the latter utility, it was unable to
21 provide any rationale or any evidence to support the record for its investment.

22 **Q. How does RWC’s AMI-use case compare to MAWC or CSWR?**

23 A. The argument for AMI investment in RWC is much weaker than it is for MAWC or CSWR.

24 **Q. Why do you believe MAWC’s decision to invest in AMI was prudent?**

25 A. MAWC has approximately half-a-million customers with various small and large water and
26 waste water systems throughout Missouri including Joplin, St. Joseph, St. Louis, and Jefferson

1 City. Because of its overall size in Missouri and corporate buying power more generally,
2 MAWC was able to provide economies of scale in both hardware and software investment that
3 minimized overall costs and the Company relied upon competitive bidding. MAWC was also
4 able to minimize O&M expense through reduced personnel, could leverage corporate
5 cybersecurity protocols to diminish customer privacy concerns, and has already inspired rate
6 design discussion outside of a rate case with stakeholders based on large data set differences
7 in usage pattern across its Missouri footprint.

8 **Q. Why do you believe CSWR's decision to invest in AMI was imprudent?**

9 A. CSWR was unable to demonstrate customer benefits in any of the aforementioned bullet points
10 above. Neither CSWR nor the Missouri Public Service Commission Staff ("Staff") could
11 substantiate any evidence in the record for CSWR's AMI investment in two of its many small
12 water systems. That being said, the theoretical argument for AMI investment in CSWR's
13 geographically dispersed water systems is stronger than it would be if it was one single,
14 centralized, small water utility like RWC.

15 **Q. Why is that?**

16 A. Because CSWR spends considerably more money on O&M to manage water and waste water
17 systems in geographically distant parts of Missouri. RWC in contrast only needs to concern
18 itself with customers in the City of Raytown, Missouri where it employs two to three full-time
19 meter readers. The fact that these full-time meter reader positions still exist post AMI-
20 investment underscores my recommendation and will be discussed later in this testimony.

21 **Q. What were the circumstances surrounding RWC's investment in AMI?**

22 A. In Case No. WF-2021-0427, RWC filed an application with the Commission requesting
23 authority to issue Water Facilities Refunding and Improvement Bonds through the
24 Environmental Improvement and Energy Resources Authority ("EIERA") not to exceed \$5
25 million at an interest rate not to exceed 3.25% per year.

26 On page 3 of its application, RWC describes the purpose of the bonds and the use of the loans
27 with the primary purpose:

1 (a) to update the entire water metering system to AMI [Advanced Metering
2 Infrastructure] by replacing all manually read meters with radio readers; (b) to upgrade
3 meters wells as needed; (c) to install new data collectors; (d) to upgrade metering
4 software and make live metering information available to customers through the
5 company website;⁴

6 No party opposed the financing order. Nor did any party issue any discovery around the cost-
7 benefit assumptions or prudence of the AMI investment. All discovery was directed around
8 the terms of the financing not prudence of what the bonds were purchasing.

9 Importantly, page 4 A. of the Commission’s Order Approving the Finance Authority states:

10 Nothing in this Order shall be considered a finding by the Commission of the prudence
11 of this transaction for rate making purposes, and the Commission reserves the right to
12 consider the rate making treatment to be afforded the financing transaction, and its
13 impact on the cost of capital, in any later rate proceeding.

14 **Q. Why is that important?**

15 A. Missouri is not a preapproval state and regulators do not manage public utilities. As such, WF-
16 2021-0427 is not the appropriate venue to challenge prudence issues. Prudence issues are
17 largely reserved for rate cases or in statutorily approved single-issue ratemaking adjustments
18 (e.g., fuel adjustment clause, energy efficiency, etc...).

19 **Q. Did the financing application provide any insight into why RWC had elected to move to
20 AMI?**

21 A. Yes. Attachment A of RWC’s application included a PowerPoint presentation/sales pitch from
22 Utility Service Group water system consultant Tom Stechmann that was given on December
23 10, 2022.

⁴ Case No. WR-2021-0427 p. 3. The Commission subsequently granted a larger “do not exceed” interest rate of 4% per year.

1 OPC DR-2003 asked the following questions and received the following response from the
2 Company:

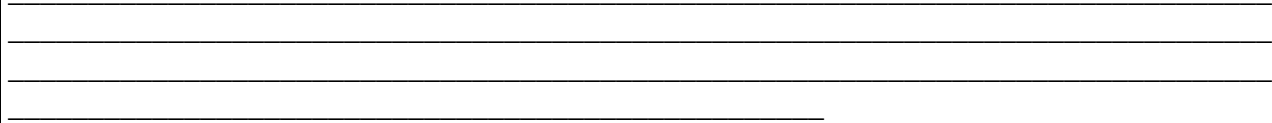
3 2003. Please provide all cost-benefit analysis undertaken regarding AMI investments. If
4 no cost-benefit analysis was conducted, please provide a narrative response as to
5 why. Additionally, please indicate the entity that performed said study if it is not
6 explicit.

7 Response: RWC did not undertake its own cost-benefit analysis regarding AMI investment.
8 RWC chose to go with Aclara & USG. Please see page 19-21 from the
9 presentation slide from Aclara, "AMI Metering Asset Management: Enhance
10 Revenues and Deliver Superior Customer Service for Raytown Water Co, MO".

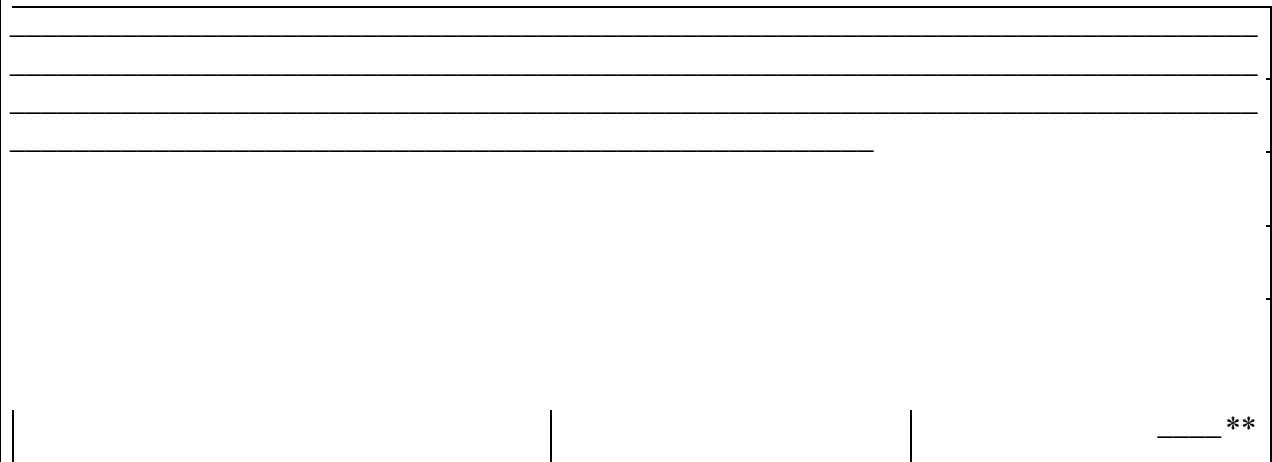
11 **Q. Did you review the cost benefit assumptions contained in pages 19-21 of the**
12 **aforementioned PowerPoint presentation?**

13 A. I did and was confused around the seemingly high cost savings input assumptions. As such, I
14 issued various discovery to the Company to verify the USG analysis. Figures 1 and 2 provide
15 a breakdown of USG cost saving assumptions compared to actual 5-year average RWC data.

1 Figure 1: USG Cost Saving Assumptions from WF-2021-0427 **



2 Figure 2: RWC Cost Saving Assumptions based on 5-year historically incurred actions and costs



⁵ I have been unable to substantiate why a meter read costs \$3.00 per read.

⁶ USG bases this assumption on there being 6,811 meters in operation.

⁷ I have been unable to substantiate why a customer service call costs \$65.00 per call.

⁸ I included 15 years based on the average assumed useful life of a smart meter (10-20 years).

⁹ This is based on the elimination of the combined monthly salary of the three RWC meter readers (\$10,616) divided by the number of actual accounts (6,458 accounts as of March 2023) read on a monthly basis and including the five-year monthly average for rereads (133) based on discovery from OPC 2020 for a total of 6,591 meter reads per month.

¹⁰ I based this assumption on 6,458 meter accounts and the 5.5 yearly average monthly re-reads of 133 based on the last available number of operational accounts in the test year from Staff DR 00092 and the 5.5 yearly average broken down on a monthly basis based on OPC DR-2020.

¹¹ Based on Response to OPC DR-2020 that asked for the number of inquiries by customers to the Company's call center related to metering issues each of the past five years broken down on an average monthly basis.

¹² I kept the cost assumption in the RWC actual and multiplied it by the actual number of monthly service calls related to metering. Given the previous discrepancies between USG and RWC's actual incurred costs this dollar amount is likely overstated.

1 **Q. What should the Commission take away from those two figures?**

2 A. Based on my analysis, USG overstated cost saving assumptions by at least 70%.

3 **Q. Did RWC employ their own independent cost benefit analysis?**

4 A. No. Again, based on OPC DR-2003, RWC states:

5 RWC did not undertake its own cost-benefit analysis regarding AMI investment.

6 **Q. Did RWC issue a competitive bid or otherwise check vendors for different prices?**

7 A. No. Based on the response in OPC DR-2004, RWC states:

8 Company did not seek out individual bids for each piece of this bid as the bid from
9 Aclara & USG is all inclusive for the above.

10 **Q. Will RWC realize operational cost savings from the elimination of meter readers?**

11 A. Not entirely. Based on the response to OPC DR-2009

12 Company will still need a minimum of 2 Meter Reader/Service Techs after AMI is
13 fully deployed. Company will still have to complete service orders, billing
14 investigations, collections (weekly) and sewer collections (monthly).

15 **Q. Are those cost savings assumptions accurate then?**

16 A. No. The meter reading assumptions are dependent on ratepayers no longer paying costs for
17 meter readers. If 2 of the 3 meter readers are still employed as meter readers it would further
18 diminish the assumed cost savings for meter reads by more than 60%. Importantly, the third
19 meter reader has not been eliminated at all, but rather moved to a different position.

20 It should be noted that RWC's smart meters do not have a remote disconnection or
21 reconnection feature. This also underscores why meter readers still need to be gainfully
22 employed and this results in overstated cost benefits to customers.

23 Finally, I would be negligent if I failed to point out that according to the Company's response
24 to OPC DR-2006 that "there is an annual maintenance expense of \$103,824 that goes up every
25 year to maintain the AMI system." That additional expense far outweighs the \$46,696 annual
26 costs associated with the one meter reader who has been redeployed to other services.

1 **Q. Are there any benefits for regulators in designing rates with more finite usage data?**

2 A. I do not believe so, and certainly not one that justifies this gold-plated expense. Time of use
3 (“TOU”) rates are almost never applicable to a water utility outside of extraordinarily unique
4 circumstances (e.g., the combination of severe droughts and/or other cost prohibitive expenses
5 whose demand outstrips supply). Usage data could be useful if there was reason to believe it
6 varies considerably across systems such as MAWC, but finite usage data would have
7 considerably lesser benefit as it applies to a single system like RWC.

8 **Q. Are there any benefits for customers in having access to finite water usage data?**

9 A. For a very small, select subset of customers it might be beneficial if there is a leakage issue
10 within a domicile’s premise. Based on the Company’s response to OPC DR-2020 there were
11 365 call center inquires about leaks from January 2018 to June 2023. That represents an
12 average of 5.5 calls about leakage per month. It should be noted that it is not entirely clear
13 whether or not this represents 5.5 unique individual calls from separate customer accounts a
14 month or if this number includes multiple calls from the same account. If the latter, this would
15 necessarily overstate the overall amount of times this inquiry actually comes up for the average
16 RWC customer.

17 For illustrative purposes, let’s assume there is no double-counting and that each of the 365 calls
18 were unique separate accounts. That number still only represents approximately 1% of all
19 customers in a given year (66 out of 6,458 accounts) that have an inquiry about leaks.

20 **Q. Will customers have access to the hourly water usage data with the AMI investment?**

21 A. No. Only the Company will. Sometime in the future, customers should be able to access daily
22 usage, though.

23 **Q. Will the Company notify customers if their usage is too high or low now with the AMI
24 investment?**

25 A. RWC was already notifying customers of possible leaks prior to the AMI investment.

1 Further, it appears moving forward that RWC will cease that practice and direct customers to
2 check their customer portal instead if they want notification.

3 **Q. Is that a good thing for customers?**

4 A. At best, it's a wash. If the Company ceases its proactive notices to customers for too high/low
5 usage, relying instead on customers proactively in managing their account, I see this as an
6 overall loss to customers. Recent experience with Evergy's TOU customer portals suggests
7 that the vast majority of customers do not actively engage with their utilities customer portal,
8 despite a broad marketing campaign and frequent news articles. I suspect RWC will produce
9 much lower results as the vast majority of customers do not need to know what their daily
10 water usage is.

11 **Q. Do the RWC AMI investments have leak detection valves installed?**

12 A. No. According to the Company's response to OPC DR-2036:

13 The AMI system does not have leak detection valves installed. The cost was too
14 prohibitive.

15 **Q. Will the AMI investments be able to show where leaks are occurring in RWC's
16 distribution system?**

17 A. No. The AMI investment would only show more or less water usage within a customer's
18 domicile. It is not designed to identify leakage in the distribution system.

19 **Q. Do the RWC AMI investments introduce new risks to customers in terms of privacy or
20 cybersecurity hacks?**

21 A. Yes. Certainly more than what existed before. RWC will likely be working with multiple
22 vendors over the life of these assets. Each one of those vendors as well as the Company's own
23 internal billing and customer portal system run the increased risk of nefarious actors
24 compromising the Company and/or its customers. Although rare, it is also not unheard of.
25 Both Ameren Missouri and Evergy Metro/West are currently building and maintaining their
26 own 4G network (to later be updated to 5G in the future) based on cybersecurity concerns
27 across their enterprise and the introduction of AMI investment.

1 Raytown, on the other hand, will be dependent on its vendors (and their second and third-party
2 contractors) and its own internal company policies to minimize customer and company risk
3 exposure. This exposure-risk will almost assuredly result in future costs moving forward from
4 increased liabilities.

5 **Q. Are there any other benefits the Company has identified associated with its AMI**
6 **investment that you have failed to mention?**

7 A. Yes. A great deal of the feedback OPC received centered on the perceived decrease in customer
8 lawsuits associated with customers falling into the meter wells.¹³ RWC cited as many as three
9 lawsuits (the latest at a cost of \$1 million dollars to the Company) as evidence that the AMI
10 investments are prudent.

11 **Q. I'm not sure I follow. How often are customers falling into Company meter wells?**

12 A. Based on the Company's response to OPC DR-2029 there are at least 2 customers a year if not
13 more who fall into one of the many Company meter wells.

14 **Q. How is this related to AMI investment?**

15 A. It's not, really. In changing out the diaphragm to smart meters the Company also replaced the
16 metal lids that secure the meter wells with a lid that includes a lock. Moving forward, this lock
17 will presumably minimize falls and lawsuits moving forward.

18 **Q. Could the Company have just bought lids with locks instead?**

19 A. Yes. The total costs associated with the new lids and locks was approximately \$20,000 and
20 could have been done without investing millions of dollars in smart meters and functionality.

21 **Q. What is your recommendation to the Commission regarding the AMI investment?**

22 A. I do not believe a reasonable person would invest in this AMI for a small water utility like
23 RWC for all of the reasons articulated above. My conclusion is based on the assumption that
24 prudent management would conduct its own internal cost benefit analysis and seek a

¹³ A meter well (or meter vault) is an underground watertight/waterproof structure approved by the utility that houses the water meter and other devices as necessary. The meter well is of sufficient dimensions to allow safe access for maintenance of the meter and the other devices – See also OPC DR-2029.

1 competitive bid to realize the most benefits to customers. RWC did neither. It relied on
2 information that grossly overstated the savings for customers and minimized the costs.

3 These actions (or inactions) result in an over-inflated rate base and real financial harm to
4 customers. As such I am making several recommendations for the Commission's
5 consideration. Presently, the Staff has only included \$1,746,097 or less than half of the \$3.8
6 million in total AMI adjustments. This will result in another rate case in the near future as well
7 as a delay realizing depreciation for the rest of the AMIs not in rate base. As such, my primary
8 recommendation is as follows:

- 9 • Include the entire \$3.8M AMI investment in rate base; and
- 10 • Do not allow RWC to receive a return on its AMI investment

11 This recommendation should result in a \$258,400 total disallowance, an extremely generous
12 proposition from my perspective. I am recommending that the Company be covered entirely
13 for the AMI investments and not harmed. My disallowance would only impact the profit
14 margin associated with this imprudent and unnecessary expense.¹⁴

15 My secondary recommendation would be to disallow both the return of and return on the AMI
16 investment. However, if the Commission elects to adopt my secondary recommendation there
17 may be a material impact to the Company's ability to operate. This option would, of course,
18 be appropriate and in line with economic regulation that is supposed to function as a proxy for
19 the competitive market. If a pizza parlor put all of its savings into a wood-burning oven, but
20 that resulted in raising the products' cost by 27.26%, the company would run the real risk of
21 not recouping its money and going out of business.

22 If the Commission elects to dismiss my recommendation, it should be aware that the Company
23 will need to file a rate case immediately after this in order to recoup the rest of the expense

¹⁴ If the Commission elects to disallow the return on AMI investment that is included in Staff's case and not include the rest of the AMI investment in rate base at this time, then the cost disallowance would be \$118,735.60 (the return on of the \$1,746,097 of AMI investment currently in Staff's recommendation). I would caution against such a move as it would merely place the Company in the position of having to file another rate case immediately after this to receive the same result.

1 related to its AMI investment. Further, this decision will have a real tangible negative impact
2 on Raytown's captive customers who are dependent on the Commission to approve just and
3 reasonable rates.

4 **IV. INSURANCE PREMIUM EXPENSE**

5 **Q. What is an insurance premium expense?**

6 A. An insurance premium is the amount you pay each month (or each year) to keep your insurance
7 policy active. Your premium amount is determined by many factors, including risk, coverage
8 amount and more – depending on the type of insurance you have.

9 **Q. What would be an example of a factor that could drive a small water utility's insurance 10 premium to increase?**

11 A. Successful lawsuits against the Company in which the utility was found liable for injuries
12 related to falls into meter wells would be one example.

13 **Q. Did RWC's insurance premium get increased as a result of the many lawsuits filed 14 against it?**

15 A. Most likely. I have been unable to verify this information with the Company to date and am
16 awaiting outstanding discovery. As such, I will update this information in rebuttal testimony
17 which should allow all parties an opportunity to respond accordingly in surrebuttal if necessary.

18 **V. LATE FEES**

19 **Q. What are the benefits associated with late fees?**

20 A. The two arguments supporting the continued use of late fees include: 1.) greater revenue
21 assurance (late fees offset the revenue requirement assuming the Company is not over-
22 earning); and 2.) late fees should (theoretically) encourage timely payments.

23 **Q. Do you support late payment fees?**

24 A. No. I have not seen any evidence to support that late payment fees are an appropriate deterrent
25 to non-payment, and I believe that any additional fee added to an already financially struggling

1 customer will increase the likelihood of disconnection. I believe the threat of disconnection is
2 the primary deterrent to incentivize timely payments, and that Raytown should be doing
3 everything in its power to provide an affordable service, which should include minimizing
4 punitive charges that make it more likely for already struggling customers to fall off.

5 **Q. Do you know of any Commissions that recently ordered the elimination of late fees?**

6 A. Yes. Beginning in June, Missouri American Water customers will no longer be subject to late
7 payment fees. This was the result of the Missouri Public Service Commission approval of the
8 stipulation and agreement in Case No. WR-2022-0303 and Confluence Rivers Operating
9 Company in Case No. WR-2023-0006.

10 **Q. What is Raytown's late payment fee?**

11 A. \$5 or 1% of the customer's bill. Whichever amount is greater. This effectively means the late
12 fee will always be \$5. Unless a customer's bill exceeds \$500.

13 **Q. Do you have any recommendations to modify this amount?**

14 A. I recommend that the late fee be removed from Raytown's tariff in its entirety. The elimination
15 of the fee should help minimize the punitive pressure on struggling customers, as I believe the
16 threat of disconnection is deterrent enough to incentivize timely payments.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

**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 GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

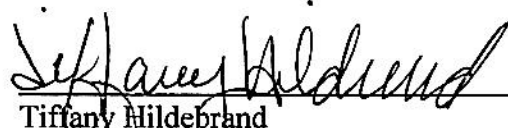
1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Geoff Marke
Chief Economist

Subscribed and sworn to me this 10th day of October 2023.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121



Tiffany Hildebrand
Notary Public

My commission expires August 8, 2027.