

FILED
December 7, 2023
Data Center
Missouri Public
Service Commission

Exhibit No. 206

OPC – Exhibit 206
Riley
Surrebuttal
File No. WR-2023-0344

Exhibit No.: _____
Issue(s): Meter Reading Expense/Cash Working
Capital/Ms. Thompson's Overtime
Witness/Type of Exhibit: Riley/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: WR-2023-0344

SURREBUTTAL TESTIMONY

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

RAYTOWN WATER COMPANY

CASE NO. WR-2023-0344

November 8, 2023

TABLE OF CONTENTS

Testimony	Page
Meter Reading Expense	1
Cash Working Capital (“CWC”)	5
Thompson Overtime	9

SURREBUTTAL TESTIMONY
OF
JOHN S RILEY
RAYTOWN WATER COMPANY
CASE NO. WR-2023-0344

1 **Q. What is your name and what is your business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. Are you the same John S. Riley who prepared and filed direct and rebuttal testimony in**
4 **this case on behalf of the Office of the Public Counsel?**

5 A. Yes.

6 **Q. What is the purpose of your surrebuttal testimony?**

7 A. This testimony will respond to Raytown Water Company (“Raytown”) witness Ms. Chiki
8 Thompson’s and Staff witness Daronn A. Williams’ testimony regarding Meter Reading
9 Expense. Then, I will respond to Staff witness Angela Niemeier’s discussion and apparent
10 change in Staff’s policy that disregards Commission rules and regulations regard CWC
11 calculations. Finally, I will address Ms. Chiki Thompson and Staff witness Niemeier
12 concerning the excessive overtime by Thompson to be allowed in rates.

13 **METER READING EXPENSE**

14 **Q. Is your surrebuttal discussion of meter reading expense prompted by Staff witness**
15 **Daronn A. Williams’ rebuttal that meter readers should still be employed?**

16 A. Yes. I had proposed that meter reading expense be eliminated from the revenue requirement.

17 **Q. In your direct testimony, your argument was that the need for meter readers is now**
18 **unnecessary due to Raytown’s installation of AMI meters, correct?**

19 A. Yes.

1 **Q. The expected completion date for the installation of all the AMI water meters was by**
2 **the end of September. Do you know if the project has been completed?**

3 A. Company personnel have updated the progress and, as of the end of September, all but about
4 300 meters have been installed. That means that roughly 95% of all the meters have been
5 successfully replaced.

6 **Q. What is your understanding of the job description of a meter reader?**

7 A. If the meters in the Raytown service area are not AMI meters, a meter reader would be needed
8 to walk or drive to each meter and record the usage for each month. If the meters are AMI
9 meters, however, then a meter reader would serve no purpose.

10 **Q. Given that roughly 95% of the meters at Raytown have been replaced with AMI meters,**
11 **Is it necessary for Raytown to still employ meter readers?**

12 A. Not under that position title.

13 **Q. How many meter readers does Chiki Thompson say are employed by the Company**
14 **currently?**

15 A. Ms. Thompson stated in rebuttal that Company “have employed three (3) meter readers.”¹

16 **Q. Is that the number of meter readers employed during the test year?**

17 A. That is not clear. Staff’s workpapers has \$98,094 recorded as meter reader payroll plus another
18 \$10,910 built in as overtime. At this time, I have not ascertained if that is wages for two or
19 three employees.

20 **Q. In direct testimony you were making an adjustment of over \$170,000 for meter readers.**
21 **Why the difference?**

22 A. I made the adjustment off of Staff’s “Rate Making Income Statement- Water” which is
23 included in its 150 day report, where account 902.000 Meter Reading Expenses – CAE has a
24 balance of \$170,755. This amount is what would be included in rates. If the test year is

¹ WR-2023-0344, Thompson rebuttal, page 14, line 11

1 \$98,094 but Staff has included \$170,755 in its rate proposal, then I would guess that a third
2 meter reader has been added to the revenue requirement payroll outside of the test year.

3 **Q. Both Chiki Thompson and Staff witness Mr. Daronn A. Williams have stated that the**
4 **third meter reader will be transferred to the field crew. How should the Company and**
5 **Staff have handled this third meter reader expense?**

6 A. I'm not sure why Staff included additional meter reading expense that was obviously outside
7 the test year. There are several reasons not to try and pigeon hole this expense in account 902.
8 First, half the AMI meters were installed and recognized in rates by Staff at the end of the
9 true-up period. Raytown has repeatedly stated that most, if not all, of the AMI meters would
10 be installed prior to rates going into effect. This technology would cut true meter reading
11 responsibilities to almost nothing. Thus, there is no reason why Staff should add yet another
12 meter reader to Raytown's cost of service after the elimination of any justification for the
13 first two. If the third "reader" was hired outside of the test year, and the payroll was going to
14 be allowed in the revenue requirement, Staff should have included that cost in the field crew
15 payroll. Staff's creative accounting with regard to these expenses is not commiserate with the
16 standards expected of professionals working this field.

17 **Q. What is your adjustment for Meter Reading expense for this rate case?**

18 A. Both Thompson and Williams seek to embellish the responsibilities that are left to the "meter
19 reading expense," but these tasks do not represent true costs. For example, monthly water
20 quality collection and testing is not so time consuming as to require maintaining personnel
21 responsible for that task alone. Moreover, amplifying the *other* tasks designated to these
22 employees directly undermines one of the few possible benefits that Raytown's customers
23 could receive from Raytown's choice of AMI meters. The OPC has challenged the prudence
24 of AMI deployment in Raytown's service territory in its entirety. However, this deployment
25 has already occurred. Customers should be provided with some benefit through a reduction
26 of meter reading costs.

1 Staff had \$98,094, without overtime, built into account 902. To avoid having to completely
2 re-calculate payroll, the adjustment should be to reduce the 902 expense by \$72,661, so as to
3 bring it back to the test year amount which, at the time, did not recognize the meter reading
4 efficiencies created by the AMI meter installation. We know that meter reading will no longer
5 be a full time job so this adjustment provides two employees to float between water testing
6 and field work.

7 **Q. In direct testimony you pointed out overlapping expenses where meter reading and**
8 **software/maintenance were essentially providing similar results. Ms. Thompson**
9 **pointed out in rebuttal that the software/maintenance expense had not been paid until**
10 **September, outside of the test year and true-up period. Does this issue need to be**
11 **revisited?**

12 A. No. Since my adjustment leaves the test year payroll in, I see no conflict with the software
13 payment. There would only be a problem if Staff suddenly tried to add the maintenance
14 expense in the cost of service.

15 **Q. Why would the additional maintenance expense cause an issue?**

16 A. Well, for one, the expense is clearly outside of the test year and the majority of the meters are
17 not in rates. Also, there is no evidence as to where the funding came from for the maintenance
18 agreement. Raytown paid the bond insurance out of the proceeds of the EI ERA loan granted
19 in the Commission's financing case, as was \$250,000 in pre-paid interest. There is, thus, a
20 potential argument that the maintenance agreement funding came out of the bond proceeds.
21 If that is the case, then there is no true expense to consider as a cost of service. We can
22 hopefully leave this question for the next rate case.

1 **CASH WORKING CAPITAL (CWC)**

2 **Q. You performed CWC calculations for your direct testimony despite the fact that Staff**
3 **did not undertake this exercise for this case. Did Staff explain, in rebuttal testimony,**
4 **why it did not conduct CWC calculations?**

5 A. Yes. Ms. Angela Niemeier explained that Staff does not typically include CWC in the
6 calculations for revenue requirement for small, Staff-assisted rate cases.

7 **Q. What is the explanation for the exclusion?**

8 A. Starting on line 21 of page 4 of her rebuttal and continuing on to page 5, Ms. Niemeier wrote:

9 “Typically, small utility companies do not have the resources to
10 perform a lead/lag study. Nor should ratepayers bear the cost of an
11 outside consultant completing a lead/lag study for small utility
12 companies. Further, small Staff assisted rate cases have a short
13 timeline of 150 days, making it difficult to review costs and related
14 invoices necessary to perform a CWC lead/lag study. Finally, in small
15 rate cases, CWC generally has a smaller impact on the revenue
16 requirement.”

17 In short. Staff believes that a lead/lag study and, subsequently, a CWC calculation is the
18 responsibility of the Company.

19 **Q. Who do you believe should be responsible for CWC calculations?**

20 A. I believe the Commission Rules and Regulations places the responsibility on the Staff that is
21 assisting the small utility company with its rate case.

22 **Q. What is the basis for your belief that Staff should do the CWC calculation?**

23 A. We can start at Chapter 10 of the Public Service Commission regulations. *20 CSR 4240-*
24 *10.075 Staff Assisted Rate Case Procedure* is the citation that Staff includes in the opening
25 paragraph of its Non-Unanimous Stipulation and Agreement (Report). I’ve included a copy
26 of 10.075 as JSR-S-01. Neither party argues that Raytown doesn’t qualify as a small utility
27 under the Rule, so let’s move to directly addressing Staff’s responsibilities. Section (4) of the
28 rules states:

1 (4) **Staff will assist a small utility in processing a small utility rate**
2 **case insofar as the assistance is consistent with staff’s function and**
3 **responsibilities to the commission.** Staff may not represent the small
4 utility and may not assume the small utility’s statutory burden of proof
5 to show that any increased rate is just and reasonable. (Emphasis
6 added)

7 The next important section is Section (8), subsection (D)

8 “Staff’s investigation shall include an update of the utility’s rate base.”

9 And Section (E):

10 (E) In determining the utility’s cost of service, the value of normal
11 expense items and plant-in-service and other rate base items, for which
12 documentation is not available, may be based upon such evidence as
13 is available or may be estimated in order to include reasonable levels
14 of those costs. Unusual expense or rate base items, or expense or rate
15 base items for which the utility claims unusual levels of cost may
16 require additional support by the utility. Nothing in this section
17 diminishes the utility’s obligation to adhere to the commission’s rules
18 regarding appropriate recordkeeping. (Emphasis added in both
19 sections)

20 **Q. Does Staff consider CWC rate base?**

21 A. Yes. I will include Ms. Niemeier’s rebuttal explanation of CWC below:

22 Q. What is the significance of CWC on rate base?

23 A. CWC is the amount of funding necessary for a utility to pay the
24 day-to-day expenses incurred in providing utility services to its
25 customers. When a utility expends funds to pay for an expense
26 necessary to the provision of service before it receives any
27 corresponding payment for that expense from the ratepayers, the
28 utility’s shareholders are the source of the funds. This shareholder
29 funding represents a portion of each shareholder’s total investment in
30 the utility. The shareholders are compensated by the inclusion of these
31 funds in rate base. By including these funds in rate base, the
32 shareholders earn a return on the CWC-related funding they have
33 invested. Ratepayers supply CWC when they pay for services received
34 before the utility pays expenses incurred in providing that service.
35 Ratepayers are compensated for the CWC they provide by a reduction
36 to the utility’s rate base. By removing these funds from rate base, the

1 utility earns no return on that funding which customers supplied as
2 CWC. The amount of CWC included in rates is based on the results of
3 a lead/lag study.

4 **Q. Why does Staff believe the utility company is responsible for the lead/lag and CWC?**

5 A. I'm not altogether sure. Larger utilities would generally have consultants perform such
6 studies, but small utility cases operate under a different set of rules. Large utilities develop
7 an entire rate case and present it to the Commission with direct testimony, workpapers and
8 revenue requirement. Small utilities inform the Commission that they need a rate increase
9 and Staff carries the revenue requirement load. Expecting the small utility to be responsible
10 for just this one small portion of revenue requirement development is therefore quite odd. The
11 rule says Staff will update rate base and CWC is part of rate base. Therefore, Staff, not the
12 small utility, should be performing the lead/lag study.

13 **Q. Do you believe that there isn't enough information available for Staff to perform the**
14 **calculations?**

15 A. Staff has all the amounts available in its workpapers. The lead/lag does not have to be
16 flawless.² Staff should be able to put together fairly accurate CWC balances.

17 **Q. Ms. Niemeier states that it isn't appropriate to use other utility revenue and expense lags**
18 **to develop a CWC for the current rate case. Do you agree?**

19 A. I do not. Ms. Niemeier's statement is not entirely accurate. I believe that Ms. Niemeier made
20 this assertion to cover the fact that Staff did not conduct a CWC analysis for a case where they
21 are responsible for the calculations. Staff has used information in current cases that was
22 developed in prior cases³ as well as surrogate lead/lag information in other cases in order to
23 complete CWC calculations for a rate case.

² 20 CSR 4240-10.075(8) (E) states, in relevant part, "plant-in-service and other rate base items ... may be estimated."

³ ER-2014-0351, Staff and Company agreed to use information concerning CWC calculations that was developed in the 2012 case.

1 **Q. You stated in direct testimony that you didn't perform a lead/lag study of your own.**
2 **You also said that "The revenue and expense lag figures were gathered from the**
3 **following cases: Raytown WR-2015-0246, Missouri-American WR-2022-0303,**
4 **Confluence Rivers WR-2023-0006 or Raytown WR-2020-0264"⁴. Do you believe your**
5 **calculations are accurate?**

6 A. I am as sure as I can be, based on the information I had. To perform these calculations, I used
7 Staff-generated expenses and no one from Staff contacted me after direct testimony was filed
8 to point out errors or assist in combining expenses. I didn't try to reinvent the wheel. I
9 reviewed my inputs again and made some changes, then looked to other cases for lead/lag
10 input. I used the revenue lag of 43 days from the Raytown Water Co. WR-2015-0246 case
11 and relied heavily on Ms. Jane Dhority's Cash Working Capital workpaper from the
12 Confluence Rivers WR-2023-0006 rate case as a model for my spreadsheet. My most recent
13 CWC calculations are attached as JSR-S-02

14 **Q. Obviously, you thought the Dhority calculations were fairly accurate. Did she conduct**
15 **a lead/lag study for the Confluence case?**

16 A. Yes she did. She did explain in her direct testimony in that case that Confluence did not
17 provide all the information that she required and ended up using a surrogate. "Staff used the
18 billing and collection lags from Missouri American Water Company's ("MAWC") revenue
19 lags from its most recent rate case No. WR-2022-0303 as surrogates in order to calculate
20 Confluences revenue lag."⁵

21 **Q. The WR-2023-0006 rate case was not a small utility rate case. What did Confluence**
22 **Rivers use for CWC calculations?**

23 A. Confluence Rivers did not hire a consultant. They instead used a generic 45-day convention.
24 A simple explanation is that Confluence multiplied all its expenses by a 45/365 (product) to

⁴ Riley direct, page 4, lines 2-4

⁵ Confluence Rivers, WR-2023-0006, Dhority Direct, page 14, lines 8-10

1 produce a total number. Ms. Dhority discusses this method in her testimony. I've included
2 that portion of her testimony as JSR-S-03

3 **Q. So is your point that a small utility company does not have to hire a consultant and pay**
4 **for an expensive lead/lag study?**

5 A. Yes. It is to recognize that a small water utility need not hire a consultant or pay for an
6 expensive lead/lag study. However, in cases such as this one, I would also like to point out
7 that it is Staff's responsibility to assist the small utility. That responsibility includes
8 performing some sort of CWC calculations to update the company rate base.

9 **Q. Should the Commission rely on your CWC spreadsheet?**

10 A. Yes. While I believe Staff could assist in making it as accurate as possible, Staff has also
11 stated that it does not perform CWC calculations in small utility cases. Therefore, as the only
12 CWC spreadsheet available in this case, the Commission should rely on my calculations.

13 **Q. What is your updated CWC calculations and adjustment to rate base/revenue**
14 **requirement?**

15 A. The adjustment to rate base is a reduction of \$145,388. This amount equates to about a
16 \$12,115 reduction in revenue requirement before tax calculations.⁶

17 **THOMPSON OVERTIME**

18 **Q. Ms. Thompson argues that the Company is "short staffed" and she has no other choice**
19 **but to take on extra work. What are the duties that cause Ms. Thompson to work**
20 **overtime?**

21 A. Page 16 of her rebuttal testimony lists: "Prep work for collection day, billing, after hour calls,
22 program updates for computer, end of day back-up, emergency call outs (water breaks), cover

⁶ It is the responsibility of Staff to calculate and measure the income tax impact on rates not the small utility company.

1 for short office/field staff as needed to meet deadlines, and after hour turn-ons on collection
2 day for both water and sewer (disconnect agreements).

3 **Q. What is your initial impression of the overtime duties?**

4 A. If I didn't know better, I would think that she works alone in the office. It appears that quite
5 a bit of this is office work. Ms. Thompson claims the Company is understaffed at 16 full time
6 employees but the records I reviewed show that seven of those employees (counting Ms.
7 Thompson) work in the office. Given this information, I conclude that Raytown is not
8 currently operating with the proper division of labor that would be expected of a prudently
9 managed business.

10 **Q. Ms. Thompson also indicates that she handles emergency call-outs due to her DS-III**
11 **certification. You stated in direct testimony that the field employees should be DS**
12 **certified, which would eliminate the extra overtime. Has your opinion changed since**
13 **you read Company and Staff rebuttal testimony?**

14 A. No, but Ms. Thompson has since addressed the certification issue by pointing out that Neal
15 Clevenger is also DS-III certified. However, another individual at Raytown also being DS-III
16 certified further strengthens my argument that she should not be the only one responsible for
17 on-site DNR qualifications.

18 **Q. Was the prior field supervisor, Mr. Cramer (who retired in May of 2023) DS-III**
19 **certified?**

20 A. Yes he was. This fact makes the Company's response to OPC data request 1203 all the more
21 puzzling. You can read the entire data request in my direct testimony, JSR-D-03 but I quote a
22 portion below.

23 Chiki Thompson job responsibilities have not changed. Due to increase in work
24 and lack of employees to complete necessary tasks, Ms. Thompson has had to do
25 more work in the field reading meters, after hour service restoration, work on
26 water main breaks and help cover other positions for those who are out ill, Covid
27 quarantined or on vacation in addition to regular daily duties.

1 Water main breaks often do not occur during regular business hours and Mo
2 Department of Natural Resources (MODNR) requires someone with a DS
3 certification to be involved with the repairs of such water breaks.

4 The previous field supervisor was fully qualified to satisfy DNR requirements. There was no
5 reason for Ms. Thompson to be in the field to provide a DS certified respondent. When the
6 Company's justifications for Thompson's overtime are compared to the facts, there really isn't
7 a good argument.

8 **Q. Let's circle back to field operator certification. Ms. Thompson stated that the**
9 **Company's objective is to have the new field supervisor trained and certified. However,**
10 **the current field supervisor, Brayton Pescetto, has only been with Raytown "for about**
11 **four (4) months," and "the logistics of doing so and the demands of his job make that**
12 **very difficult."**⁷ **Do you believe that it is important to have Mr. Pescetto trained as soon**
13 **as possible?**

14 **A.** Yes. Witness Thompson's rebuttal testimony asserts the new supervisor has been with the
15 Company for only four months, but that is false. In reality, the current field supervisor has
16 been employed with Raytown since September of 2016. The four-month time period that Ms.
17 Thompson refers to only reflects his promotion to field supervisor, which occurred after he
18 replaced Mr. Cramer.

19 With that said, Raytown could easily have had its new supervisor trained in advance of him
20 stepping into his supervisory position. Generally, retirements aren't sudden and I have seen
21 no evidence that suggests this was an exception. Further, the Company would run more
22 efficiently with multiple field technicians who are also DS III certified. The new field
23 supervisor, prior to his promotion, has been with the Company for seven years. Which
24 exceeds the three (3) years of experience required to be DS III certified. Beyond having the
25 necessary experience, the only other requirement for DS III certification is passing a 100

⁷ WR-2023-0344, Chiki Thompson rebuttal, page 18 line 4, 8, and 9.

1 question multiple choice test. It is not reasonable that the Company has not made time
2 available to have some field employees, preferably the field supervisor, DS III certified.

3 **Q. This line of questioning has focused on Chiki Thompson's excessive amount of overtime**
4 **hours, computed at time and half. Are there other concerns about Ms. Thompson's pay**
5 **when reviewing this rate case compared to WR-2020-0246?**

6 A. In that case, Ms. Thompson's annualized hourly pay was \$54,746. Further, in the 2020 case,
7 Staff allotted the *entire* Company \$43,492 in overtime pay. Ms. Thompson's base wage in
8 this case is \$108,759 and her overtime that Staff included in this case is \$41,425 all by itself.
9 So in three years, since the last rate case, her base pay doubled and her overtime is over \$78
10 an hour. This is not a just and reasonable salary given the size and scale of Raytown.

11 **Q. How did Staff witness, Angela Niemeier, view Ms. Thompson's wage and overtime?**

12 A. Ms. Niemeier question neither Ms. Thompson's wage increase, nor Ms. Thompson's amount
13 of overtime, which demonstrates a lack of professional skepticism. Total Company overtime
14 has fluctuated over the years but seems to spike in the test year periods of 2014 and 2019.
15 This should have led Staff to approach this issue more critically and perform a more robust
16 analysis. It is odd that Staff chose instead to accept this overtime pay as a salary expense
17 without applying any testing, three-year average, or other normalization method.

18 **Q. Could you summarize your position on Ms. Thompson's overtime?**

19 A. The evidence I reviewed shows that Ms. Thompson's overtime is far above what it should be
20 for a prudently managed utility that is the same size as Raytown. All indications point to a
21 consistent group of office employees that should be capable of providing customer support
22 and handling office duties. The Company's answers to the OPC's data requests indicate that
23 Ms. Thompson has spent a great deal of time out in the field due to her DS certification.
24 However, we now understand Ms. Thompson's certification is duplicative, and the Company
25 really needs one or more fully-qualified, DS-III certified field workers. There is no need for

1 her to be in the field. Eliminating field time will give Ms. Thompson more time to handle
2 duties in the office (with the rest of the staff) thus making an eight hour day more productive.
3 The revenue requirement should be reduced by the overtime amounts outlined in my direct
4 testimony.

5 **Q. Does this conclude your surrebuttal testimony?**

6 A. Yes, it does.

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

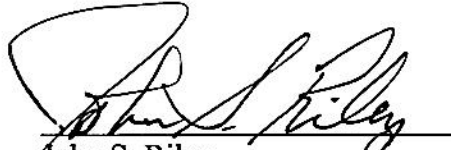
In the Matter of the Application of a Rate)
Increase of Raytown Water Company) Case No. WR-2023-0344

AFFIDAVIT OF JOHN S. RILEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John S. Riley, of lawful age and being first duly sworn, deposes and states:

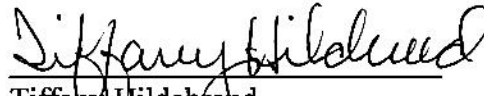
1. My name is John S. Riley. I am a Utility Regulatory Supervisor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



John S. Riley
Utility Regulatory Supervisor

Subscribed and sworn to me this 8th day of November 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.



Rules of Department of Commerce and Insurance

Division 4240—Public Service Commission Chapter 10—Utilities

Title	Page
20 CSR 4240-10.010 Books and Records	3
20 CSR 4240-10.020 Income on Depreciation Fund Investments	3
20 CSR 4240-10.030 Standards of Quality	4
20 CSR 4240-10.040 Service and Billing Practices for Commercial and Industrial Customers of Electric, Gas, Water, and Steam Heat Utilities	9
20 CSR 4240-10.060 Gross Receipts Tax	10
20 CSR 4240-10.075 Staff Assisted Rate Case Procedure.....	10
20 CSR 4240-10.085 Incentives for Acquisition of Nonviable Utilities.....	12
20 CSR 4240-10.095 Environmental Improvement Contingency Fund.....	13
20 CSR 4240-10.105 Filing Requirements for Electric, Gas, Water, Sewer, and Steam Heating Utility Applications for Authority to Sell, Assign, Lease, or Transfer Assets	14
20 CSR 4240-10.115 Filing Requirements for Electric, Gas, Water, Sewer, and Steam Heating Utility Applications for Authority to Merge or Consolidate	15
20 CSR 4240-10.125 Filing Requirements for Electric, Gas, Water, Sewer, and Steam Heating Utility Applications for Authority to Issue Stock, Bonds, Notes, and Other Evidences of Indebtedness	15
20 CSR 4240-10.135 Filing Requirements for Electric, Gas, Water, Sewer, and Steam Heating Utility Applications for Authority to Acquire the Stock of a Public Utility	15
20 CSR 4240-10.145 Annual Report Submission Requirements for Electric, Gas, Water, Sewer, and Steam Heating Utilities	16



(5) A statement of the practice of any utility covering deposits or guarantees of surety, together with interest rate payable upon cash deposits, must be filed with the commission as a portion of the utility's schedule of rates under the provisions of the commission's rules covering the filing and publication of rate schedules. A statement of the practice governing service main or line extensions by any utility must likewise be filed with the commission as a portion of the schedule of rates on file. Each utility shall adjust customer's bills for incorrect meter readings or improper meter registration in a reasonable and equitable manner consistent with the rules which it has on file with the commission. Any specific rule adopted by a utility covering these adjustments shall be filed with the commission in conformance with the commission's rules covering the filing and publication of rate schedules.

(6) Customer, as used in this rule, means a commercial or industrial customer of an electric, gas, water, or steam heat utility.

AUTHORITY: sections 386.250, 393.140, and 393.290, RSMo 2016.* This rule originally filed as 4 CSR 240-10.040. Original rule filed March 5, 1953, effective March 15, 1953. Amended: Filed Sept. 22, 1959, effective Oct. 1, 1959. Amended: Filed May 2, 1968, effective May 16, 1968. Amended: Filed June 10, 1992, effective Feb. 26, 1993. Amended: Filed Nov. 7, 2018, effective July 30, 2019. Moved to 20 CSR 4240-10.040, effective Aug. 28, 2019.

*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996; 393.140, RSMo 1939, amended 1949, 1967; and 393.290, RSMo 1939, amended 1967.

20 CSR 4240-10.060 Gross Receipts Tax

PURPOSE: This rule establishes a procedure by which the commission may obtain the information it needs to give notice of rate increases of seven percent or more to cities and counties that impose a utility gross receipts tax.

(1) When any gas, electric, sewer or water corporation, pursuant to a commission report and order or under a Purchased Gas Adjustment provision in its tariffs, files a tariff which includes an increase in annual revenues in excess of seven percent (7%) in the whole or within any part of that company's service territory, the corporation shall file with the tariff the following information:

(A) A list of all cities and counties within

its certificate area which implies a business license tax on the corporation's gross receipts, together with the name, mailing address and title (that is, collector, treasurer, clerk) of the official responsible for administration of the gross receipts tax or business license tax in each of the listed cities and counties. The corporation shall update this list throughout the period of time before the date the tariff takes effect;

(B) A reasonable estimate of the resulting annual increase in the corporation's annual gross receipts in each affected city and county; and

(C) An explanation of the methods used in developing those estimates.

(2) If the commission allows a filed tariff containing a general rate increase in excess of seven percent (7%) to go into effect without suspension and that tariff was not authorized by commission order prior to the filing, the filing gas, electric, sewer or water corporation shall file the information required in subsections (1)(A)–(C) of this rule within ten (10) days after the effective date of the tariff.

AUTHORITY: section 393.275(1), RSMo 1986.* This rule originally filed as 4 CSR 240-10.060. Original rule filed Oct. 6, 1987, effective Jan. 14, 1988. Moved to 20 CSR 4240-10.060, effective Aug. 28, 2019.

*Original authority: 393.275, RSMo 1984, amended 1985.

20 CSR 4240-10.075 Staff Assisted Rate Case Procedure

PURPOSE: This rule prescribes the process to be followed when the commission processes a utility rate case for certain small utilities.

(1) Definitions. As used in this rule, the following terms mean:

(A) A small utility means a gas utility serving ten thousand (10,000) or fewer customers, a water or sewer utility serving eight thousand (8,000) or fewer customers, or a steam utility serving one hundred (100) or fewer customers; and

(B) A disposition agreement is a document that sets forth the signatories' proposed resolution of some or all of the issues pertaining to a small utility rate case, and has the same weight as a stipulation and agreement as defined in 4 CSR 240-2.115.

(2) This rule describes the process for small utility rate cases.

(A) In addition to the commission's provisions regarding dismissal of a case in 4 CSR 240-2.116, the commission may dismiss a small utility rate case at any time if—

1. The utility is not current on the payment of all of its commission assessments;

2. The utility fails to submit its annual report or annual statement of operating revenue; or

3. The utility is not in good standing with the Missouri Secretary of State, if applicable.

(3) Commencement. A small utility rate case may be commenced by—

(A) A letter received by the secretary of the commission from a small utility stating the amount of the requested increase in its overall annual operating revenues.

1. Any such letter need not be accompanied by any proposed tariff revisions.

2. Upon receipt of the letter, the secretary of the commission will cause a rate case to be opened and will file a copy of the letter in that case.

3. At any time before day one hundred fifty (150) of the timeline described in section (5) of this rule, the utility may submit to the secretary of the commission a letter withdrawing its previous request for an increase in its annual operating revenues. Upon receipt of such a letter, the secretary of the commission will close the rate case;

(B) A complaint filed by staff or by any eligible entity or entities pursuant to section 386.390.1, RSMo, or section 393.260.1, RSMo; and

(C) A proposed tariff stating a new rate or charge filed by a small utility pursuant to section 393.150.1, RSMo, if accompanied by a written statement requesting the use of the procedures established by this rule.

(4) Staff will assist a small utility in processing a small utility rate case insofar as the assistance is consistent with staff's function and responsibilities to the commission. Staff may not represent the small utility and may not assume the small utility's statutory burden of proof to show that any increased rate is just and reasonable.

(5) Rate Case Timeline. Within one (1) week after a small utility rate case is opened, staff will file a timeline under which the case will proceed, specifying due dates for the activities required by this rule.

(A) Staff and the utility may agree in writing that the deadlines set out in the rate case timeline, including the date for issuance



of the commission's report and order, be extended for up to thirty (30) days. If an extension is agreed upon, staff shall file the agreement and an updated timeline reflecting the extension in the case file.

(6) Local public hearing. A local public hearing shall be scheduled to occur no later than sixty (60) days after the opening of the case unless staff files a notice in the case stating that all parties agree a local public hearing is not necessary.

(7) Notice.

(A) At least ten (10) days prior to a local public hearing, or upon the filing of a notice that a local public hearing is not necessary, the utility shall mail a written notice, as approved by staff and the Office of the Public Counsel (OPC), to its customers stating—

1. The time, date, and location of the local public hearing, consistent with the order setting the hearing, if applicable;

2. A summary of the proposed rates and charges, the effect of the proposed rate increase on an average residential customer's bill, and any other company requests that may affect customers, if known;

3. An invitation to submit comments about the utility's rates and quality of service within thirty (30) days after the date shown on the notice and instructions as to how comments can be submitted electronically, by telephone, and in writing; and

4. Instructions for viewing the publicly available filings made in the case via the commission's electronic filing system.

(B) Staff will file a copy of the notice in the case file.

(8) Investigation and audit. After a small utility rate case is opened, the staff shall, and the public counsel may, conduct an investigation of the utility's request.

(A) Staff's investigation may include a review of any and all information and materials related to the utility's cost of providing service and its operating revenues, the design of the utility's rates, the utility's service charges or fees, all provisions of the utility's tariffs, and any operational or customer service issues that are discovered during the investigation. The staff's audit and investigation will ensure reasonable consistency in the recommended rate treatment of the utility's rate base, revenue, and expenses with that of other similarly situated utilities.

(B) Staff's investigation may include a review of the records generated since the utility's previous rate case, the case in which the utility was granted its Certificate of Convenience and Necessity, or the utility's transfer

of assets case, whichever is most recent.

(C) If an investigation of the utility's request includes the submission of data requests to the utility, copies of the data requests shall be provided to all parties to the case when they are submitted to the utility. The utility's responses to such data requests shall also be shared.

(D) Staff's investigation shall include an update of the utility's rate base.

(E) In determining the utility's cost of service, the value of normal expense items and plant-in-service and other rate base items, for which documentation is not available, may be based upon such evidence as is available or may be estimated in order to include reasonable levels of those costs. Unusual expense or rate base items, or expense or rate base items for which the utility claims unusual levels of cost may require additional support by the utility. Nothing in this section diminishes the utility's obligation to adhere to the commission's rules regarding appropriate record-keeping.

(F) Not later than ninety (90) days after a small utility rate case is opened, the staff shall provide to all parties, a report of its preliminary investigation, audit, analysis, and workpapers including:

1. An evaluation of the utility's record-keeping practices; and

2. A list of the cost of service items that are still under consideration with an explanation for why those items are not yet resolved.

(G) If the public counsel is conducting its own investigation it shall, not later than ninety (90) days after a small utility rate case is opened, provide to all parties a report regarding whatever investigation it has conducted.

(9) Settlement proposals.

(A) Staff's confidential settlement proposal. Not later than one hundred twenty (120) days after a small utility rate case is opened staff shall, and the public counsel if proposing its own settlement, may provide to all parties to the case, a confidential settlement proposal.

1. Staff's settlement proposal will address the following subjects:

A. The utility's annual operating revenues;

B. The utility's customer rates;

C. The utility's service charges and fees;

D. The utility's plant depreciation rates;

E. The utility's tariff provisions;

F. The operation of the utility's systems; and

G. The management of the utility's

operations.

2. Staff's settlement proposal will include the following documents:

A. Draft revised tariff sheets reflecting the settlement proposal;

B. A draft disposition agreement reflecting the settlement proposal;

C. Staff's updated workpapers; and

D. Any other documents supporting the staff's settlement proposal.

3. If OPC makes a settlement proposal, it shall include the following documents:

A. OPC's updated workpapers; and

B. Any other documents supporting OPC's settlement proposal.

(B) Any settlement proposal, including any draft disposition agreement, and all supporting documents attached thereto are strictly intended for settlement negotiations only. If staff and the utility are unable to reach a full or partial settlement via disposition agreement, neither party is bound to any position stated or implied by the settlement proposal, draft disposition agreement, or supporting documents provided.

(C) Not later than ten (10) days after staff provides its settlement proposal, the public counsel, the utility, and any other parties to the case shall notify staff whether they agree with the proposal or, if not, provide any suggested changes and the reasoning for those changes to the parties. Any party suggesting changes shall provide to all other parties any audit workpapers, rate design workpapers, or other documents in its possession that support its suggestions.

(10) At any time prior to the filing of a disposition agreement, any party may request the assigned regulatory law judge meet with the participants and mediate discussions to assist them in reaching at least a partial agreement.

(11) Disposition agreement.

(A) Not later than one hundred fifty (150) days after a small utility rate case is opened, staff shall file one (1) of the following:

1. A disposition agreement involving, at a minimum, staff and the utility, and providing for a full resolution of the small utility rate case;

2. A disposition agreement involving, at a minimum, staff and the utility, and providing for a partial resolution of the small utility rate case and a motion requesting that the case proceed to an evidentiary hearing; or

3. A motion stating that agreements cannot be reached on any of the issues related to the small utility rate case and asking



that the case proceed to an evidentiary hearing.

(B) If the disposition agreement provides for a full resolution of the small utility rate case and is executed by all parties, the utility will submit to the commission, within five (5) business days of staff's filing, new and/or revised tariff sheets bearing an effective date of not fewer than thirty (30) days later, to implement the agreement.

(C) If the disposition agreement filed by staff provides for a full resolution of the small utility rate case but is not executed by all parties, the utility will submit to the commission concurrent with staff's filing new and/or revised tariff sheets, bearing an effective date that is not fewer than forty-five (45) days after they are filed, to implement the agreement.

(D) No later than five (5) business days after the filing of a full or partial disposition agreement that is not executed by all parties, each non-signatory party shall file a pleading stating its position regarding the disposition agreement and the related tariff revisions and providing the reasons for its position. If the non-signatory party intends to ask that the case be resolved by evidentiary hearing, it must do so in this pleading. If a disposition agreement is not executed by all parties, and a hearing is requested, then no party is bound to any position stated or implied by the disposition agreement or supporting documents if the company determines it no longer wants to pursue positions in the disposition agreement.

(E) If any party requests an evidentiary hearing where the disposition agreement filed by staff provides for a full resolution of the small utility rate case and is executed by at least the utility and staff, either the utility or staff may present evidence in support of the disposition agreement.

1. If the utility requests to be excused from participating as a party in such an evidentiary hearing through a utility representative's affidavit submitted by staff or a motion submitted by the utility, the regulatory law judge may grant that request and issue a notice in the case file that the request has been made and granted. However, representatives of the utility may still be called as witnesses by other parties.

(12) Evidentiary hearing procedures.

(A) Any party may file a request for an evidentiary hearing. A request for an evidentiary hearing shall include a specified list of issues that the requesting party believes should be the subject of the hearing.

(B) Once such a request is filed, the regulatory law judge will issue a procedural

schedule designed to resolve the case in the time remaining in the small utility rate case process, consistent with the requirements of due process and fairness to the parties and the utility's customers and will suspend the utility's pending tariff revisions, if any, pending completion of the hearing.

(13) The small utility rate case shall be wholly submitted to the commission for decision not later than two hundred forty (240) days after the small utility rate case is opened in order for the commission's report and order regarding the case to be effective not later than two hundred seventy (270) days after the small utility rate case is opened.

(14) The 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.

(15) Waiver of Provisions of this Rule. Any provision of this rule, including the requirement that the commission's report and order to resolve the case be effective no later than two hundred seventy (270) days after the small utility rate case is opened, may be waived by the commission upon a finding of good cause.

AUTHORITY: sections 386.040, 386.250, 393.140, 393.290, and 393.291, RSMo 2016. This rule originally filed as 4 CSR 240-10.075. Original rule filed Oct. 5, 2017, effective May 30, 2018. Moved to 20 CSR 4240-10.075, effective Aug. 28, 2019.*

**Original authority: 386.040, RSMo 1939; 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996; 393.140, RSMo 1939, amended 1949, 1967; 393.290, RSMo 1939, amended 1967; and 393.291, RSMo 2003.*

20 CSR 4240-10.085 Incentives for Acquisition of Nonviable Utilities

PURPOSE: The purpose of this proposed rule is to create a process for a water or sewer utility to propose an acquisition incentive to encourage acquisition of nonviable water or sewer utilities by a water or sewer utility with the resources to rehabilitate the acquired utility within a reasonable time frame.

(1) As used in this rule, the following terms mean:

(A) Acquisition incentive—A rate of return premium, debt acquisition adjustment, or both designed to incentivize the acquisition of a nonviable utility;

(B) Debit acquisition adjustment. Adjustments to a portion or all of an acquiring utility's rate base to reflect a portion or all of the excess acquisition cost over depreciated original cost of the acquired system;

(C) Nonviable utility—A small water or sewer utility, serving eight thousand (8,000) or fewer customers that:

1. Is in violation of statutory or regulatory standards that affect the safety and adequacy of the service provided, including, but not limited to, the Public Service Commission law, the federal clean water law, the federal Safe Drinking Water Act, as amended, and the regulations adopted under these laws;

2. Has failed to comply with any order of a federal agency, the Department of Natural Resources, or the commission concerning the safety and adequacy of service;

3. Is not reasonably expected to furnish and maintain safe and adequate service and facilities in the future; or

4. Is insolvent;

(D) Plant-in-service study. A report detailing a determination of the value of the original costs of the property of a public utility that requires the acquiring utility to accumulate the records and accounting details in order to support reasonable plant, reserve, and contributions in aid of construction balances; and

(E) Rate of return premiums. Additional rate of return basis points, up to one hundred (100) basis points, applied to either the acquiring utility's entire rate base or to the newly acquired rate base, awarded at the commission's discretion in recognition of risks involved in acquisition of nonviable utilities and the associated system improvement costs.

(2) An application for an acquisition incentive must be filed at the beginning of a case seeking authority under sections 393.190 or 393.170, RSMo. If the commission determines the request for an acquisition incentive is in the public interest, it shall grant the request. The commission may apply an acquisition incentive in the applicant's next general rate proceeding following acquisition of a nonviable utility if the commission determines it will not result in unjust or unreasonable rates.

(3) Filing Requirements—

(A) An application for an acquisition incentive to acquire a nonviable utility shall include the following:

1. A statement as to whether the nonviable utility is related to the operation of another utility (for example, a water or sewer system providing service to the same or similar service area) and whether the related utility operation is part of the transaction;

Raytown Water Co.
WR-2023-0344

B	C	D	E	F	G
TEST YEAR	REV LAG	EXP LAG	NET C-D	FACTOR E/365	CWC REQ BxF

Base Payroll	\$ 857,634	43	14.91	28.09	0.076959	\$ 66,003	
Withholding Tax	\$ -	43					
Pension & Employee Benefits	\$ 344,617	43	-2.53	45.53	0.12474	\$ 42,987	
		43	39.51				
Office Supplies and Expenses	\$ 219,075	43	39.5	3.5	0.009589	\$ 2,101	
		43	43				
Purchased Water	\$ 1,396,830	43	29.3	13.7	0.037534	\$ 52,429	
PSC Assessment	\$ 45,475	43	182.5	-139.5	-0.38219	\$ (17,380)	
Cash Vouchers	\$ 4,181,613	43	46.89	-3.89	-0.01066	\$ (44,566)	
TOTAL OPERATION AND MAINT. EXPENSE						\$ 101,574	
TAXES							
Employer Portion of Payroll	\$ 80,063	43	16.09	27.5	0.075342	\$ 6,032	
Property Tax	\$ 144,427	43	286.4	-243.4	-0.66685	\$ (96,311)	
TOTAL TAXES	\$ 224,490					\$ (90,279)	
CWC REQ'D BEFORE RATE BASE OFFSET						\$ 11,295	\$ 11,295
TAX OFFSET FROM RATE BASE							
Federal Tax	\$ 86,930	43	365	-322	-0.88219	\$ (76,689)	
State Tax	\$ 15,437	43	365	-322	-0.88219	\$ (13,618)	
Interest Expense	\$ 174,297	43	182	-139	-0.38082	\$ (66,376)	
TOTAL OFFSET FROM RATE BASE						\$ (156,683)	\$ (156,683)
Total Plant Reduction							\$ (145,388)

1 the utility's recovery of this expense in rates is not tracked against its actual rate case
2 expense for consideration for over or under recovery. Staff recommends this cost be
3 "normalized" by including an annual level in the cost of service. In the current case,
4 Staff recommends a three-year normalization of rate case expense due to the historical
5 frequency of large utility rate case filings.

6 Staff also included the full cost of the depreciation study, amortized over a five (5) year
7 period as the Commission requires a depreciation study be conducted every five (5) years.

8 Q. Does Staff have any further comments regarding rate case expense?

9 A. Yes. Staff submitted Data Request 0271 which requested all expenses incurred
10 by Confluence for customer notices and Data Request 0272 requesting information regarding
11 outside consultants engaged by Confluence for the purpose of this rate case. The responses to
12 these data requests are not due until after Staff's direct testimony is filed, therefore, an
13 adjustment for these expense may be possible at rebuttal.

14 **CASH WORKING CAPITAL**

15 Q. Please explain cash working capital.

16 A. Cash working capital ("CWC") represents the amount of cash Confluence
17 requires for day-to-day expenses to provide service to ratepayers. When a utility expends
18 funds to pay for an expense necessary to the provision of service before it receives any
19 corresponding payment for that expense from ratepayers, the utility's shareholders are the
20 source of the funds. This shareholder funding represents a portion of each shareholder's total
21 investment in the utility. The shareholders are compensated by including these funds in rate
22 base. By including these funds in rate base, the shareholders earn a return on the CWC-related
23 funding they have invested.

1 Ratepayers supply CWC when they pay for services received before the utility pays
2 expenses incurred in providing that service. Ratepayers are compensated for the CWC they
3 provide by a reduction to the utility's rate base. By removing these funds from rate base, the
4 utility earns no return on that funding which customers supplied as CWC.

5 To determine the amount of CWC provided by both the ratepayers and shareholders,
6 Staff performs a lead/lag study. The lead/lag study involves analysis of the timing of when
7 expenses are paid to suppliers, employees, etc., and when the utility receives revenues from
8 customers for the services it provides. A positive cash working capital requirement indicates
9 that the shareholders provided the working capital for the test year. This means, on average,
10 the utility paid the expenses incurred to provide the utility service to the ratepayers before the
11 ratepayers paid for the service. A negative CWC requirement indicates that the ratepayers
12 provided the working capital during the test year. This means, on average, the ratepayers paid
13 for their utility service before the utility paid the expenses incurred to provide that service.

14 Q. How did Confluence determine the amount of cash working capital to include in
15 their revenue requirement?

16 A. Confluence did not perform a lead/lag study to determine its working capital
17 requirements, but rather opted to use the 45-day convention, also known as the 1/8 convention
18 or the formula method. Confluence multiplied operating expenses (excluding depreciation,
19 overhead allocation and taxes) by 45/365 to produce the working capital amount included
20 in rate base.⁴ According to Confluence witness Brent Thies' direct testimony, the use of a

⁴ Brent Thies Direct, pg. 16, ll 2-4

1 45-day convention produces a reasonable cash working capital adjustment without needing to
2 conduct an expensive lead/lag study.⁵

3 Q. Is it necessary for companies to hire consultants to perform lead/lag studies?

4 A. It is not required that a utility obtain an outside consultant to perform a lead/lag
5 study as many Missouri utilities perform CWC studies in house for their rate cases.

6 Q. What has been the Commission's position regarding the 45-day convention
7 method to calculate a utility's cash working capital?

8 A. According to the Commission's Report and Order in Case No. ER-78-252
9 regarding the use of the formula method:

10 Accurately referred to as a rule of thumb, the method does no more than
11 provide a gross amount that has, in the past, been accepted as a workable
12 figure for want of anything better.

13 A lead-lag study, on the other hand, offers much greater precision by
14 specifically identifying the actual revenue and expense lags, which can
15 then be netted to find a much more precise cash working capital
16 requirement.⁶

17 The Commission further stated:

18 The Commission does not intend to say that a lead-lag study is
19 necessarily required in every case, but does hold that where such a study,
20 properly conducted by staff and supported by the evidence, is before it,
21 the Company does not sustain its burden of proof by simply presenting
22 a formulistic determination of working capital requirement.⁷

23 Q. Did Staff perform a lead/lag study in this case?

24 A. Yes. Staff performed a lead/lag study to arrive at the CWC amount included in
25 rate base.

26 Q. Did Staff encounter any issues while compiling its lead/lag study?

⁵ Brent Thies Direct, pg. 15, ll 19-23

⁶ ER-78-252 Report and Order, pg. 7.

⁷ ER-78-252 Report and Order, pg. 8.

Direct Testimony of
Jane C. Dhority

1 A. Yes.

2 Q. Please explain.

3 A. Staff believes it may be missing invoices. Additionally, Staff submitted Data
4 Request No. 0110, which requested the day to day report used by Confluence that reflects
5 actual cash collection patterns for customers' bills. Confluence's reply attached to my
6 testimony as Schedule JCD-d3 stated that no such report is available.

7 Q. How did Staff resolve these issues?

8 A. Staff used the billing and collection lags from Missouri American Water
9 Company's ("MAWC") revenue lags from its most recent rate case No. WR-2022-0303 as
10 surrogates in order to calculate Confluence's revenue lag.

11 Q. What was the result of Staff's lead/lag study?

12 A. All of Staff's recommended revenue and expense leads can be found in
13 Accounting Schedule 8. Staff's overall lead/lag study resulted in a positive CWC requirement
14 for Confluence. This means that shareholders are currently providing the working capital, in
15 the aggregate, to Confluence. Therefore, the shareholders will be compensated for the working
16 capital provided through inclusion in rate base.

17 Q. Does Staff have any recommendations regarding cash working capital?

18 A. Yes. Staff recommends the Commission order Confluence maintain a
19 day-to-day collection report by tariff rate district going forward for Staff to utilize in future
20 cash working capital lead/lag studies. Additionally, Staff recommends the Commission order
21 Confluence, going forward, to maintain all invoices supporting test year costs.

22 Q. Does Staff have any additional comments regarding this issue?

1 A. Yes. Staff has experienced great difficulty in obtaining accurate and reliable
2 data from Confluence with which to analyze and develop issues in this case. As a result of
3 this, Staff believes it may be missing some test year invoices on which the lead/lag study is
4 based. In order to ensure the accuracy of Staff’s lead/lag study, Staff plans to confirm that all
5 invoices have been included. Staff will address any updates, if needed, to the CWC study
6 calculations in rebuttal testimony.

7 **MISCELLANEOUS EXPENSE**

8 Q. Please explain this issue.

9 A. Confluence incurs costs related to various items such as easements,
10 homeowner’s association dues, trash removal and check printing.

11 Q. How did Staff approach this adjustment?

12 A. Staff reviewed invoices and Confluence’s general ledger for all miscellaneous
13 expenses not already being addressed as part of Staff’s audit. Staff proposed adjustments
14 to remove one-time costs and normalize levels of miscellaneous expenses in Confluence’s
15 revenue requirement.

16 **DNR PERMITTING FEES**

17 Q. Please explain this issue.

18 A. Confluence Rivers is required to obtain operating permits for its water and
19 wastewater systems.

20 Q. How did Staff approach this issue?

21 A. Staff reviewed all invoices provided by Confluence Rivers from the Missouri
22 Department of Natural Resources (“DNR”), the Company’s general ledger, the DNR website,
23 and various data request responses as part of its audit of this issue.