

Exhibit No. 203

Exhibit No.: _____
Issue(s): Deferral Mechanisms/Isolated
Adjustments/Line Extensions
Witness/Type of Exhibit: Robinett/Rebuttal
Sponsoring Party: Public Counsel
Case No.: WR-2022-0303

REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

January 18, 2023

TABLE OF CONTENTS

Testimony	Page
Deferral Mechanisms	1
Line Extensions	4
Discrete Adjustments	8

**REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
MISSOURI AMERICAN WATER COMPANY**

CASE No. WR-2022-0303

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

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

3 **Q. Are you the same John A. Robinett who filed direct testimony on behalf of the Missouri**
4 **Office of the Public Counsel (“OPC”) in this proceeding?**

5 A. Yes.

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

7 A. In this testimony, I will discuss Missouri American Water Company’s (“MAWC”) request
8 for deferral mechanisms. Additionally, I will discuss MAWC’s line extension policy.
9 Finally, I will discuss the isolated adjustments beyond the true-up date requested by
10 MAWC.

11 **Deferral Mechanisms**

12 **Q. What mechanisms has MAWC requested as part of this rate proceeding?**

13 A. MAWC has requested a depreciation deferral mechanism and a post-in-service carrying
14 cost capitalization mechanism. Both of these mechanisms are to be amortized over 25
15 years.

16 **Q. Did Staff address the deferral mechanisms being sought by MAWC?**

17 A. Not that I have been able to find in their direct testimony.

1 **Q. Do any other Missouri utilities utilize mechanisms similar to the depreciation deferral**
2 **mechanism or post-in-service carrying cost capitalization mechanism that MAWC has**
3 **requested in this case?**

4 A. Yes.

5 **Q. What utility type uses this similar mechanism and what mechanism do you think is**
6 **similar to MAWC's request?**

7 A. I believe that the plant in service accounting ("PISA") mechanism for electric utilities is
8 the most similar to MAWC's requested deferral mechanisms. In 2018, the Missouri State
9 Legislature passed SB564, which first implemented PISA. The PISA mechanism was later
10 amended by SB745 during the 2022 legislative session. Governor Parsons signed this bill
11 into law. The PISA Legislation, which appears in numerous statutes but is most
12 significantly found in § 393.1400 RSMo, allows for the deferral of 85% of the depreciation
13 expense and return on an asset once it is placed into service and until it is included in base
14 rates in a subsequent general rate proceeding. That 85%, which previously would have
15 been regulatory lag, is tracked in a special accounting mechanism and eventually amortized
16 over 20 years in the electric utility's next general rate proceeding. As of the date of this
17 testimony, PISA treatment is only authorized in Missouri for the electric utilities that elect
18 and notify the Commission of their desire to utilize PISA¹.

¹ § 393.1400 RSMo.

1 **Q. What was the purpose of the PISA bills?**

2 A. It is my understanding, that the bills were put into place to help facilitate the emergence of
3 renewable generating facilities² and to accelerate the replacement of aging transmission
4 and distribution infrastructure³.

5 **Q. Did this legislation discuss any other types of utilities?**

6 A. Not to my knowledge.

² § 393.1400 RSMo. 1.(3) "**Qualifying electric plant**", all rate-base additions, except rate-base additions for new coal-fired generating units, new nuclear generating units, new natural gas units, or rate-base additions that increase revenues by allowing service to new customer premises;

³ § 393.1400 RSMo. 4. ... At least twenty-five percent of the cost of each year's capital investment plan shall be comprised of grid modernization projects, including but not limited to:

(1) Increased use of digital information and controls technology to improve reliability, security, and efficiency of the electric grid;

(2) Dynamic optimization of grid operations and resources, with full cybersecurity;

(3) Deployment and integration of distributed resources and generation, including renewable resources;

(4) Development and incorporation of demand response, demand-side resources, and energy-efficiency resources;

(5) Deployment of smart technologies (real-time, automated, interactive technologies that optimize the physical operation of appliances and consumer devices) for metering, communications, concerning grid operations and status, and distribution automation;

(6) Integration of smart appliances and devices;

(7) Deployment and integration of advanced electricity storage and peak-shaving technologies, including plug-in electric and hybrid electric vehicles, and thermal storage air conditioning;

(8) Provision of timely information and control options to consumer;

(9) Development of standards for communication and interoperability of appliances and equipment connected to the electric grid, including the infrastructure serving the grid; and

(10) Identification and lowering of unreasonable or unnecessary barriers to adoption of smart grid technologies, practices, and services. § 393.1400 RSMo.

1 **Q. Does PISA have any consumer protections?**

2 A. In theory it does. As I understand the PISA statutes, they include an annual spend cap, a
3 limitation on eligible investments, a limitation on the amount of depreciation and return on
4 the assets that can be deferred (only 85%, not 100%, is allowed), and budget limits for
5 certain types of allowed investment.

6 **Q. How does this compare with what MAWC has requested?**

7 A. MAWC's request is different from the current PISA legislation in several key ways. First,
8 MAWC has requested authority to defer 100% of depreciation expense and return for all
9 non-WSIRA eligible investments where PISA only allows for 85%. Second, MAWC has
10 requested that its proposed mechanisms apply to all non-WSIRA assets while PISA only
11 applies to certain types of capital assets. Third, MAWC has requested no rate caps while
12 PISA imposes several different rate caps. Finally, MAWC has not requested a rate
13 moratorium as was required by the electric utilities who adopted the 2018 legislation PISA
14 treatment. Overall, MAWC has requested more than what the legislature has allowed for
15 Missouri's electric utilities, with none of the consumer protections.

16 **Q. Should the Commission grant MAWC's request for a depreciation deferral
17 mechanism and a post-in-service carrying cost capitalization mechanism?**

18 A. Absolutely not.

19 **Line Extensions**

20 **Q. What did MAWC request as a change to its line extension tariff rules?**

21 A. MAWC witness Mr. Jeffrey T. Kaiser discusses raising MAWC's contribution of the total
22 cost of infrastructure for line extensions to 35% for all of MAWC's service territory. In doing

1 so, Mr. Kaiser recommends that MAWC no longer offer a separate cost sharing mechanism
2 for the St. Louis Metro District and the rest of the State. Rather, Mr. Kaiser suggests
3 eliminating the distinction between the St. Louis Metro District and the rest of the State.

4 Additionally, Mr. Kaiser discusses how the 120 day connection window is not
5 appropriate as more connections occurred after the 120 day period than during it. Mr. Kaiser
6 suggests “remov[ing] . . . the option of a revenue refund for any service connection made
7 within 120 days of the in-service date on the main extension.”⁴

8 **Q. Do you agree with Mr. Kaiser’s statement that the changes will have no impact on**
9 **existing customers?**

10 A. No.

11 **Q. Why?**

12 A. Attached as Schedule JAR-R-1 is MAWC’s response to OPC data request number 8507 in
13 which I sought information from the last five years regarding how many of MAWC’s line
14 extensions have covered the cost to serve the additional customers. The answer I received was
15 that MAWC does not track cost of service for individual customers. I have interpreted this
16 response as MAWC saying it does not track individual cost of service. I infer that, if MAWC
17 does not track individual cost of service, it likely does not track line extension cost of service
18 either. If MAWC is not currently tracking revenue produced by recent line extensions to prove
19 that those are cost effective and not being subsidized by other customers, then it cannot
20 conclude that increasing the amount of its upfront payment will have no effect on current
21 existing customers.

⁴ Kaiser Direct Testimony 22.

1 **Q. Do you have any other concerns related to the current line extension policy?**

2 A. Yes. Attached as Schedule JAR-R-2 is MAWC's response to OPC data request number 8505.
3 This data request sought the percentage of funding per line extension by MAWC for each of
4 the last 10 years. What the response showed was numerous instances of MAWC exceeding
5 the 95%/5% cost sharing mechanism (5% MAWC funded and 95% applicant funded) for the
6 St. Louis Metro District, which includes St. Charles, and numerous instances of it exceeding
7 the 86%/14% cost sharing mechanism (14% MAWC funded and 86% applicant funded) for
8 the rest of the State.

9 **Q. Did you have a discussion with MAWC related to your concerns about this data request**
10 **response?**

11 A. Yes, I did. However, this discussion raised additional concerns.

12 **Q. What additional concerns did you have and what additional recommendations on the**
13 **line extensions would you make based on your review and discussions with MAWC?**

14 A. Based on my review and discussion with MAWC, it is my opinion that an additional step may
15 be needed when reviewing the line extensions. That additional step would be a designation of
16 which portion of the line extension policy is driving the contribution level of a particular
17 project. Such a designation may help to resolve the confusion created by the Company's
18 response to the OPC's data request 8505. For example, the contributions being shown may be
19 part of the free one hundred feet of main extension or they could relate to an extension that is
20 estimated to yield revenue four times the cost of the extension, both of which are allowed
21 under the existing tariff. Conversely, the projects found in data request number 8505 that
22 exceed the sharing percentages may result from timing concerns related to when MAWC
23 books overheads to a project. Regardless of what may be causing the apparent discrepancy,

1 the current information provided by the Company is not sufficient to verify compliance with
2 the tariff. Instead, current review of the line extensions for the last ten years suggests, at face
3 value, that MAWC may be violating its tariff.

4 **Q. Mr. Kaiser at page 23 lines 7-10 discusses maintaining data similar to what is presented**
5 **in Schedule JTK-1 to allow for reviews from time to time. Do you propose additional**
6 **reporting?**

7 A. I recommend that the Commission order monthly reports for the service line extension in
8 Excel format. This report should include a brief description of the extension; area/location
9 name; total cost of extension; cost covered by MAWC (as a total and percentage); number of
10 connections made during the preceding month; revenue collected from the new customers
11 who started taking service during the month and, separately, revenues from the customers
12 who were already taking service on that extension; and finally usage data of the line extension.
13 This information would allow parties to review whether the line extensions are cost effective
14 and whether they are being subsidized by existing customers.

15 **Q. Is there any other reporting items related to line extensions that you would request?**

16 A. Going forward, for all line extensions, MAWC should retain any requests for proposals or bid
17 information so that parties may determine the prudence of line extensions in the next general
18 rate proceeding.

19 **Q. What is your recommendation regarding the line extension tariff?**

20 A. Until such time, that it is determined that the current line extension policy is cost effective,
21 I continue to support the current in place mechanisms under the line extension tariff/Rule
22 23.

1 In order to determine whether the current line extension policy is cost effective, I
2 recommend that the Commission order the reporting requirements discussed above and
3 revisit the issue during MAWC's next general rate proceeding. This reporting mechanism
4 will provide data to help determine if the line extension program is cost effective for all
5 customers. It will also help determine the average length of connection times, which will
6 allow MAWC to determine the appropriate time to offer refunds for connections made,
7 whether that be the current authorized tariff provision of 120 days or some longer period
8 of time.

9 **Q. What is your recommendation regarding MAWC's specific requests made in this case?**

10 A. The Commission should deny MAWC's request to change the line extension tariffs as part
11 of this case until such time as it is determined whether the current tariff and policies are
12 cost effective for line extensions. In order to achieve this, the Commission should order the
13 reporting as detailed above.

14 **Discrete Adjustments**

15 **Q. What is Staff's position on the isolated adjustments or discrete adjustments?**

16 A. Staff witness Kimberly K. Bolin proposes to update a list of issues that can be found at
17 page 5 and continuing onto page 6 of her direct testimony through the end of 2022.
18 However, Ms. Bolin discusses at page 7 her concern that the discrete adjustments requested
19 by MAWC violate the known and measurable standard. She raises this concern because
20 MAWC's request contains budgeted, projected or forecasted items. Ms. Bolin additionally
21 discusses how Staff will be unable to audit the plant-in-service.

1 Additionally Ms. Bolin discusses the fully operational and used for service standard
2 that is present in the statutes for electric utilities, § 393.135 RSMO.⁵ Specifically, that
3 plant-in-service cannot be included in rates until it is deemed fully operational and used for
4 service.

5 **Q. Do you agree with Ms. Bolin’s concerns regarding MAWC’s proposed discrete**
6 **adjustments?**

7 A. Yes. I agree that the Commission should not allow for the discrete adjustments beyond the
8 test year and true-up period as the costs are not known and measurable. I also agree that
9 the Commission should not allow plant additions that are projected as they are not fully
10 operational and used for service.

11 **Q. Are you familiar with another instance where the Commission denied discrete**
12 **adjustments?**

13 A. Yes. I made recommendations related to the retirement of the Sibley and Asbury generating
14 facilities for Evergy Missouri West and Liberty Utilities, respectively, in recent electric
15 general rate proceedings (ER-2018-0146 and ER-2019-0374). Those adjustments would
16 have greatly affected the revenue requirement of each of those cases. In those instances, I
17 recommended that customers no longer pay for depreciation expense and maintenance
18 expense for units that were to retire by the effective date of rates or in one instance just 2
19 days beyond the date of new rates.

⁵ “Any charge made or demanded by an electrical corporation for service, or in connection therewith, which is based on the costs of construction in progress upon any existing or new facility of the electrical corporation, or any other cost associated with owning, operating, maintaining, or financing any property before it is fully operational and used for service, is unjust and unreasonable, and is prohibited.” § 393.135 RSMo.

1 In both of those instances the Commission rejected my recommendation, stating
2 that the adjustments were not known and measurable. The Commission allowed the utilities
3 to continue to collect these amounts in rates, as if the generating units were still providing
4 service to customers.

5 **Q. How does the Commission's prior decisions affect how the Commission should treat**
6 **MAWC's request for discrete adjustments outside of the test year and true-up date in**
7 **this case?**

8 A. The Commission should remain consistent with its treatment of the proposed discrete
9 adjustments for Sibley and Asbury and deny MAWC's requested discrete adjustments. The
10 Commission should deny MAWC's requested discrete adjustments because they are not
11 known and measurable nor will the Commission's audit Staff have sufficient time to review
12 the data before the end of this rate case.

13 **Q. Notwithstanding your previous response, do you agree with Ms. Bolin's**
14 **recommendations if the Commission authorizes the discrete adjustments?**

15 A. Yes. If the Commission allows for projected plant-in-service to be included in rates then I
16 support Staff's recommendation to include a reconciliation. However, the details of the
17 needed reconciliation would be significant. The Commission would need to track the
18 depreciation expense and return on the items that are included in rates but not yet in service,
19 so that it could determine what amount could be refunded to customers for the time that
20 the items are not in service. Additionally the Commission would need to perform a
21 calculation of the amount recovered for plant-in-service projections that did not get
22 expended. These amounts should be returned to ratepayers by either of two methods, an
23 amortization of the over collection set up in the next general rate proceeding to reduce

1 revenue requirement or as a permanent reduction of rate base for another MAWC asset or
2 account.

3 **Q. If the Commission allows MAWC's proposed discrete adjustments beyond the test year**
4 **and true-up period, do you have any other issues that should be considered?**

5 A. Yes. The Commission, as Staff recommends, should use the matching principle and update
6 expected revenue additions that may be outside of the test year but are expected to occur
7 in addition to MAWC's suggested discrete adjustments.

8 **Q. If the Commission allows for discrete adjustments beyond the true-up period but before**
9 **the effective date of new rates, are you aware of any new sources of revenue that should**
10 **be considered?**

11 A. Yes. I am aware of Case Number WO-2023-0193 in which the City of O'Fallon and
12 MAWC request that the Commission allow MAWC to sell water to the City of O'Fallon
13 for resale to its citizens. If the Commission approves MAWC's request for discrete
14 adjustments, then I recommend the Commission recognize at least a potential increase in
15 revenue from this sale. These revenues could offset the increases in costs that MAWC is
16 seeking to update. There may be additional items that need to be updated as well.

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

18 A. Yes, it does.

