

Exhibit No.:  
Issues: Rate Base, Depreciation Expense,  
Amortization Expense, Uncollectible  
Expense, Customer Accounting,  
Building Maintenance and Services,  
Maintenance Supplies and Services,  
Telecommunications, Office Supply  
and Services, Employee Expense,  
Rents, Postage Printing and  
Stationery  
Witness: Jennifer M. B. Grisham  
Exhibit Type: Direct  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2024-0320  
SR-2024-0321  
Date: July 1, 2024

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. WR-2024-0320  
CASE NO. SR-2024-0321**

**DIRECT TESTIMONY**

**OF**


**JENNIFER M.B. GRISHAM**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

## AFFIDAVIT

I, Jennifer M.B. Grisham, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am a Senior Manager, Regulatory Services for American Water Works Service Company Inc., that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.

  
Jennifer M.B. Grisham

July 1, 2024  
Dated

**DIRECT TESTIMONY  
JENNIFER M.B. GRISHAM  
MISSOURI AMERICAN WATER COMPANY  
CASE NO.: WR-2024-0320  
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**DIRECT TESTIMONY**

**JENNIFER M.B. GRISHAM**

**I. INTRODUCTION**

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**Q. Please state your name and business address.**

A. My name is Jennifer M.B. Grisham, and my business address is 1 Water Street, Camden, NJ 08102.

**Q. By whom are you employed and in what capacity?**

A. I am employed by American Water Works Service Company, Inc. (“Service Company” or “AWWSC”) as a Senior Manager of Regulatory Services. The Service Company is a wholly owned subsidiary of American Water Works Company, Inc. (“American Water”) that provides services to Missouri-American Water Company (“MAWC”, “Missouri American” or “Company”).

**Q. Please summarize your educational background and business experience.**

A. I received a Bachelor of Science degree in Business Administration from University of Maryland, College Park, and a Master’s in Business Administration from George Washington University. I have been employed by Service Company since April 2021 in my current role. Prior to my employment with Service Company, I worked as an Associate for a global consulting firm, followed by Pepco Holdings, an electric utility under the parent company Exelon. I joined Pepco Holdings’ Regulatory Affairs department in 2008 as a Senior Analyst. Over the next 12 years, I held various principal and managerial positions within the Rates, Asset Management, and Strategic Initiatives departments.

**Q. What are your current employment responsibilities?**

1 A. My duties consist of preparing, assisting, and reviewing regulatory filings and related  
2 activities for regulated subsidiaries of American Water. My responsibilities and my team’s  
3 responsibilities include the preparation of written testimony, exhibits, and workpapers in  
4 support of rate applications and other regulatory filings as well as responses to data requests  
5 for Missouri-American.

6 **Q. Are you generally familiar with the operations, books, and records of MAWC?**

7 A. Yes.

8 **Q. Have you previously testified before the Missouri Public Service Commission**  
9 **(“Commission”)?**

10 A. Yes. I previously submitted testimony for the Missouri-American in Case No. WR-2022-  
11 0303.

12 **Q. What is the purpose of your Direct Testimony in this proceeding?**

13 A. The purpose of my Direct Testimony is to sponsor and testify in support of the Company’s  
14 rate base levels and certain expenses and proposed recovery of these investments in this  
15 proceeding. I will discuss the level of investments as well as the Company’s pro forma  
16 adjustments associated with depreciation and amortization expense.

17 **II. RATE BASE**

18 **a. Utility Plant in Service**

19 **Q. Please explain Schedule CAS-4 Utility Plant in Service.**

20 A. Schedule CAS-4 Utility Plant in Service (“UPIS”) shows the actual UPIS balance as of  
21 December 31, 2023 and the projected UPIS balances at December 31, 2024, and May 31,  
22 2026 by National Association of Regulatory Utility Commissioners (“NARUC”) account  
23 and by water tariff groups and sewer tariff groups. Historical information was taken from

1 the Company's fixed asset and Enterprise Resource Planning ("ERP") systems. Historical  
2 UPIS amounts that are recorded at the corporate district location were allocated to the tariff  
3 groups. Adjustments for projected capital spending, retirements, and transfers/adjustments  
4 were made through the future test year ending May 31, 2026 by account and by water tariff  
5 groups and sewer tariff groups. The pro forma UPIS balance is the summation of the  
6 historical UPIS balance, and the adjustments calculated by NARUC account and by water  
7 tariff groups and sewer tariff groups.

8 **Q. Please describe the MAWC corporate district asset allocation.**

9 A. Missouri-American corporate district asset balances as of December 31, 2023, with  
10 adjustments through the future test year ending May 31, 2026, were allocated to the two  
11 (2) water tariff groups and the two (2) sewer tariff groups by customer counts as of  
12 December 31, 2023. All corporate district assets were recorded in water and sewer utility  
13 accounts.

14 **Q. How were the adjustments calculated?**

15 A. Adjustments were computed by adding forecasted capital expenditures for assets placed  
16 into service minus retirements through May 31, 2026. The capital expenditures came from  
17 the Company's Strategic Capital Expenditure Plan ("SCEP") for the years 2024-2029,  
18 which is discussed in further detail by Company witness Derek Linam. The Company is  
19 forecasting asset retirements using a three (3) year average of retirements for the years  
20 2021-2023.

21 **b. Accumulated Depreciation Reserve**

22 **Q. Please explain Schedule CAS-5 Accumulated Depreciation Reserve.**

23 A. Schedule CAS-5 Accumulated Depreciation Reserve shows the actual reserve balances as

1 of December 31, 2023 and the projected reserve balance for December 31 2024 as well as  
2 May 31, 2026 by account and by water tariff groups and sewer tariff groups. Historical  
3 information was taken from the Company's fixed assets and ERP systems. Historical  
4 depreciation reserve amounts that are recorded at the corporate district are allocated to the  
5 operating districts. Adjustments for projected depreciation were made through the future  
6 test year ending May 31, 2026 by account and by water tariff groups and sewer tariff  
7 groups. The pro forma accumulated depreciation balance is the summation of the historical  
8 reserve balance and the adjustments calculated by account and district.

9 **Q. Please describe the MAWC corporate district reserve allocation.**

10 A. MAWC corporate district accumulated depreciation balances as of December 31, 2023  
11 were allocated to the two (2) water and the two (2) sewer tariff groups by customer count  
12 as of December 31, 2023. The corporate district assets reserve has been recorded using  
13 water utility accounts depreciation rates.

14 **Q. How were the adjustments calculated?**

15 A. Adjustments for the reserve were computed by adding monthly depreciation accruals, and  
16 any transfers through May 31, 2026, minus retirements and net cost of removal  
17 expenditures. Monthly depreciation accruals are calculated based on monthly UPIS  
18 balances projected from the Company's SCEP. Asset retirements, net salvage and cost of  
19 removal were forecasted using a three (3) year average of retirements, net salvage and cost  
20 of removal for the years 2021-2023. The depreciation accrual rates used are the rates  
21 approved by the Commission in Case No. WR-2020-0344.

22 **c. Customer Advances & CIAC**

23 **Q. Please explain Schedule CAS-6 Customer Advances and CIAC.**

1 A. Schedule CAS-6 Customer Advances and Contribution in Aid of Construction (“CIAC”)  
2 shows balances for the base year as of December 31, 2023, December 31, 2024, and the  
3 future test year ending May 31, 2026, for the water tariff groups and the sewer tariff groups.  
4 Historical information was taken from the Company’s fixed assets and ERP systems.

5 **Q. How were the adjustments calculated?**

6 A. Adjustments were projected to include additional CIAC for the period of January 1, 2024  
7 through May 31, 2026 as projected by the Company’s SCEP. The projection includes  
8 contributions for the stated period. The CIAC balances were amortized over the same  
9 period as the corresponding assets at the rates approved in MAWC’s last general rate case.

10 **d. Deferred Income Taxes**

11 **Q. Please explain deferred income taxes in Schedule CAS-3.**

12 A. Schedule CAS-3, line 16 shows the historical balances for Deferred Income Taxes as of  
13 December 31, 2023 by tariff group. Adjustments were made for the tax effect of plant  
14 related book/tax differences, including depreciation and tax repairs, through the future test  
15 year ending May 31, 2026. In addition, deferred taxes were adjusted for the tax effect of  
16 several non-plant related items, including balances related to pension assets, the pension  
17 and OPEB trackers, and regulatory asset deferrals, all of which are included in rate base.

18 **e. Working Capital**

19 **Q. Please explain Schedule CAS-7 and how it was completed.**

20 A. Schedule CAS-7 shows the calculation of cash working capital (“CWC”) for the  
21 consolidated water tariff group and the sewer tariff groups. CWC is included in a utility’s  
22 rate base to account for the lag between the time expenses are recorded for providing utility



1 service to the customer and the time it takes to collect the revenues associated with that  
2 service. Please see the Direct Testimony of MAWC witness Harold Walker, III for further  
3 discussion of this study.

4 **f. Pension Asset**

5 **Q. Please discuss the pension asset.**

6 A. The pension asset (Schedule CAS-3, line 26) measures the accumulated difference between  
7 the pension expense accrued to date and the actual cash contributions to the pension fund  
8 to date. Schedule CAS-3 shows the balance for the base year as of December 31, 2023 and  
9 the future test year balance through May 31, 2026. The value for this asset is forecasted  
10 by subtracting the expected accruals and adding the expected cash contributions, based on  
11 documents from the Company’s professional actuary, Willis Towers Watson (“WTW”).  
12 Please refer to the Direct Testimony of Company witness Manuel Cifuentes, Jr. for a  
13 discussion on the Company’s Pension and Other Post-Employment Benefits (“OPEB”)  
14 tracker.

15 **g. Materials and Supplies**

16 **Q. Please discuss materials and supplies.**

17 A. Materials and supplies (Schedule CAS-3, line 23) include inventory accounts related to  
18 plant materials, fuel, chemicals, and other materials, and are reflected for the consolidated  
19 water tariff group and each sewer tariff group. MAWC presents the base year using actuals  
20 as of December 31, 2023 and utilizes the 13-month average ending December 2023 for the  
21 future test year ending May 31, 2026. Any inventories recorded at the corporate district  
22 level are allocated to the consolidated water tariff group and the sewer groups using  
23 customer count.

1 **h. Regulatory Deferrals**

2 **Q. Please discuss regulatory deferrals.**

3 A. The Regulatory Deferrals entry on Schedule CAS-3, line 27 represents regulatory assets  
4 acquired by the Company in a sewer system acquisition, and a deferral for the property tax  
5 tracker passed by the Missouri General Assembly and signed into law by Governor Michael  
6 L. Parson on June 29, 2022.

7 **III. UNCOLLECTIBLE EXPENSE**

8 **Q. Please describe the operating expense for uncollectible (or bad debt) expense.**

9 A. Uncollectible expense is made up of net charge-offs associated with bad debt related to  
10 billed revenues. Each year a portion of revenues that were billed for collection is charged  
11 off due to non-payment. Net charge-offs comprise billed revenue written-off net of prior  
12 bad debt that was subsequently collected.

13 **Q. Please explain how the pro forma calculation for uncollectible expense was developed.**

14 A. To determine uncollectible expense, the Company computed a pro forma level of expense  
15 that is derived from the method that has historically been used for the calculation: a historic  
16 three (3) year average. The Company calculated an uncollectible rate for the years 2021,  
17 2022, and 2023 by taking actual net charge-offs over annual billed revenue. Any  
18 adjustments for the recording of an allowance for doubtful accounts have been removed  
19 from the calculation. This three (3) year average was then applied to present rate and  
20 proposed rate revenues to develop the on-going level of expense that will be applicable to  
21 the filed revenue requirement.

22 **Q. How much has the uncollectible expense incrementally increased over the applicable**  
23 **years of 2021, 2022, and 2023?**

1 A. The Company's actual net charge-offs for 2021 were \$3.54M, followed by \$2.31M for  
2 2022, and \$3.08M for 2023. From 2021 to 2023, actual net charge-offs have decreased  
3 about \$465K.

4 **IV. CUSTOMER ACCOUNTING**

5 **Q. Please describe the types of costs that are typically included for Customer Accounting.**

6 A. The Company incurs operating expenses for customer accounting that include costs related  
7 to lock box fees for payment collection and bank fees. To calculate the appropriate expense  
8 level, the Company started with the historic base period ended December 31, 2023, which  
9 was then adjusted for the removal of the one-time non-recurring items and the inclusion of  
10 credit card fees. The Company then applied an inflationary factor of 2.54%, as derived  
11 from the United States (U.S.) BLS on a three-year average annual change, to calculate the  
12 forecast expenses which can be found in the file entitled 2024 MAWC Rate Case  
13 Inflation\_Workpaper\_BLS. The schedule can be found in Schedule CAS-9 and sponsored  
14 by Company Witness LaGrand.

15 **III. RENT EXPENSE**

16 **Q. Please describe the types of costs in the operating expense for rent.**

17 A. MAWC incurs rent expense for three office locations:

18 (1) 727 Craig Road, St. Louis, Missouri,

19 (2) 1050 Fox Chase Industrial Court in Arnold, Missouri, and

20 (3) 25 Truitt Drive, Eureka Missouri.

21 MAWC also incurs rent expense for rental cars, copiers, and other miscellaneous items.

22 Rent expense for leased vehicles is reported in Transportation expense.

23 **Q. Please explain how the pro forma expense for rent was developed.**

1 A. To calculate rent expense, MAWC began with the actual expense from the 12 months  
2 ended December 31, 2023, then normalized and annualized activity to arrive at an expected  
3 12 months of expense. MAWC also made adjustments to reflect known rental rate changes  
4 where applicable through the future test year ending May 31, 2026. An inflationary factor  
5 of 5.94%, as derived from the U.S. BLS on a three (3) year average annual change, was  
6 applied to remaining rent expenses subject to inflation, to forecast through the future test  
7 year ending May 31, 2026. This adjustment is reflected on Schedule CAS-9.

8 **IV. OTHER OPERATING EXPENSES**

9 **a. Building Maintenance and Services**

10 **Q. Please describe the operating expenses related to building maintenance and services.**

11 A. The operating expenses associated with building maintenance and services are those  
12 expenses associated with groundskeeping, security, trash, janitorial expenses, building  
13 electricity, heating, and other related costs.

14 **Q. Please explain how pro forma expense for building maintenance and services was  
15 developed.**

16 A. To calculate building maintenance and services expense, MAWC began with the actual  
17 expense from the twelve months ended December 31, 2023, then normalized activity to  
18 arrive at an expected twelve months of expense. An inflation factor of 4.05 % as derived  
19 from the U.S. BLS was applied to project the costs beginning in 2024 through the future  
20 test year ending May 31, 2026. This adjustment is reflected on Schedule CAS-9.

21 **b. Maintenance Supplies and Services**

22 **Q. Please describe the operating expenses related to maintenance supplies and services.**

23 A. The operating expenses associated with maintenance supplies and services are those

1 expenses associated with maintenance cost for the general operation of the business,  
2 hydrant painting expense, main break expense, and Engineered Coatings expense.

3 **Q. Please explain how pro forma expense for maintenance supplies and services was**  
4 **developed.**

5 A. To calculate maintenance services and supplies expense, MAWC began with the actual  
6 expense from the twelve months ending December 31, 2023 as the basis for the going level  
7 of expense. MAWC normalized activity to exclude expense items that were accelerated to  
8 arrive at a normalized twelve months of expense. MAWC then adjusted expenses through  
9 the future test year ending May 31, 2026 based on the three year BLS average inflation rate  
10 of 4.05% as well as engineered coatings bids detailed in the Direct Testimony of Company  
11 witness Matthew A. Lueders. This adjustment is reflected on Schedule CAS-9.

12 **Q. Please describe potential adjustments to maintenance supplies and services related to**  
13 **engineered coatings expense.**

14 A. As described in the Direct Testimony of Company witness Lueders, MAWC is proposing  
15 capitalization treatment of investments related to engineered coatings starting the effective  
16 date of rates in this proceeding. If capital treatment is approved for engineered coatings,  
17 the Company will reduce its maintenance supplies and services expense by \$3,403,123 for  
18 the future test year.

19 **c. Telecommunications**

20 **Q. Please discuss the operating expense related to telecommunications.**

21 A. The operating expense for telecommunications expense includes those expenses associated  
22 with the office phone services, wireless services, and other data lines used by the Company.  
23 To calculate the appropriate expense level, the Company applied an inflation factor of  
24 5.77 %, as derived from the U.S. BLS, which was applied to project the costs beginning in

1 2024 through the future test year ending May 31, 2026. This adjustment is reflected on  
2 Schedule CAS-9.

3 **d. Office Supply and Services**

4 **Q. Please discuss the operating expense related to office supply and services.**

5 A. The operating expense for office supply and services are those expenses related to software  
6 licenses, subscription services, bank fees, and other various office supplies. In order to  
7 calculate the projected expense, the Company first removed any accrued expense. The  
8 Company then took the most recent monthly license fee amounts and annualized the  
9 expense through the end of the true-up period (December 31, 2024). An inflation factor of  
10 2.08 %, as derived from the U.S. BLS, was applied to project the costs beginning in 2024  
11 for all known contractual agreement periods through the future test year ending May 31,  
12 2026. For expenses with no contractual obligation, the inflation factor was applied from  
13 January 2024 through the future test year. The details of this adjustment can be found on  
14 Schedule CAS-13.

15 **e. Employee Expense**

16 **Q. Please discuss the operating expense related to employee expense.**

17 A. The operating expense related to employee expense includes those expenses associated  
18 with employee travel and relocation expense. To calculate employee expense, MAWC  
19 began with the actual expense from the 12 months ending December 31, 2023, then  
20 normalized and annualized activity to arrive at an expected 12 months of expense. An  
21 inflation factor of 5.77 %, as derived from the U.S. BLS was applied to project the costs  
22 beginning in 2024 through the future test year ending May 31, 2026. The details of this  
23 adjustment can be found on Schedule CAS-13.

1 **f. Postage, Printing and Stationery**

2 **Q. Please discuss the operating expense related to postage, printing and stationery**  
3 **(“PPS”).**

4 A. The operating expense related to PPS includes back-office postage, printing and shipping  
5 costs not included in Customer Accounting or Service Company expense. To calculate PPS  
6 expense, MAWC utilized a three (3) year average of actual PPS expense from 2021 through  
7 2023. An inflation factor of 4.02 %, as derived from the U.S. BLS, was applied to project  
8 the costs beginning in 2024 through the future test year ending May 31, 2026. The details  
9 of this adjustment can be found on Schedule CAS-13.

10 **III. DEPRECIATION EXPENSE**

11 **Q. Please describe the adjustments to operating expenses related to depreciation.**

12 A. Depreciation expense (Schedule CAS-9, line 32) is calculated based on the pro forma UPIS  
13 balance on Schedule CAS-4 by NARUC account and by water tariff groups and sewer tariff  
14 groups. This balance, as discussed above, includes adjustments through the future test year  
15 ending May 31, 2026. The depreciation rates used for the calculation are the depreciation  
16 rates authorized in Case. No. WR-2020-0344. This adjustment is reflected on Schedule  
17 CAS-9.

18 **Q. Did the Company capitalize any portion of depreciation expense?**

19 A. Yes. The Company capitalized a portion of the depreciation expense related to  
20 transportation equipment, using the same capitalization rate as used for labor expenses.

21 **IV. AMORTIZATION EXPENSE**

22 **Q. Please describe the adjustment to operating expenses related to amortization?**

23 A. The adjustments to amortization expense (Schedule CAS-9, line 33) are the annual

1 amortization expense on new items in addition to items from MAWC's previous rate case  
2 that are included in the current base year, such as customer owned lead service line  
3 replacements, Arnold sewer, the Hollister pipeline, the low-income program costs, Rogue  
4 Creek water and sewer, costs incurred to operate the City of Purcell's water and sewer  
5 system, tank painting tracker, and for the balance of the property tax tracker.

6 **Q. Is the Company including any new amortizations in this case?**

7 A. Yes. The Company is including amortizations for the balance of customer owned lead  
8 service line replacements and the property tax tracker.

9 **Q. Can you describe the nature of the costs related to the City of Purcell's Water &  
10 Sewer system?**

11 A. Yes. The City of Purcell's Water & Sewer systems are troubled, and the City had been  
12 unable to operate the systems. The Staff of the Commission and the Missouri Department  
13 of Natural Resources encouraged MAWC to assist and the Company began operating the  
14 system in early 2021. MAWC has since filed an Application with the Commission to  
15 acquire the Purcell Water & Sewer systems, and that case is currently pending. The costs  
16 deferred are the costs MAWC has incurred during the operation of the system, and will  
17 continue to incur until it closes on the acquisition, assuming approval from the  
18 Commission.

19 **Q. What amortization periods are the Company proposing in this case?**

20 A. For the customer owned lead service line replacements, the Company is proposing a ten  
21 (10) year amortization period and for the property tax tracker, the Company is proposing a  
22 five (5) year amortization period.



1 **Q. Has the Company included deferred costs related to the replacement of customer**  
2 **owned lead service lines?**

3 A. Yes. Consistent with the Commission Order in Case No. WR-2017-0285, the Company  
4 has deferred costs associated with the replacement of customer owned lead lines. Deferred  
5 costs that were addressed in Case Nos. WR-2017-0285, WR-2020-0344, and WR-2022-  
6 0303 are being amortized over 10 years. For deferred costs beginning in January 2023, the  
7 Company has been applying carrying costs at the long-term debt rate, and the Company is  
8 proposing a ten (10) year amortization of those costs, consistent with prior deferrals.

9 **Q. Is the Company including a return on the unamortized balance of the customer owned**  
10 **lead line deferrals?**

11 A. Yes. The Company is including a return at the long-term debt rate, applied to the entire  
12 deferred balance, and had included that in the total revenue requirement.

13 **Q. Does this conclude your Direct Testimony?**

14 A. Yes, it does.