

Exhibit No. 120

Exhibit No.:
Issue(s): *Lead Service Line
Replacements*
Witness: *Amanda C. McMellen*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *WR-2022-0303*
Date Testimony Prepared: *January 18, 2023*

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY
OF
AMANDA C. MCMELLEN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

Jefferson City, Missouri
January 2023

1 **REBUTTAL TESTIMONY OF**

2 **AMANDA C. MCMELLEN**

3 **MISSOURI-AMERICAN WATER COMPANY**

4 **CASE NO. WR-2022-0303**

5 Q. Please state your name and business address.

6 A. My name is Amanda C. McMellen. My business address is 200 Madison Street,
7 Suite 440, Jefferson City, MO 65101.

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

9 A. I am employed by the Missouri Public Service Commission (“Commission”) as
10 a Utility Regulatory Audit Unit Supervisor in the Auditing Department.

11 Q. Are you the same Amanda C. McMellen who filed direct testimony on
12 November 22, 2022, in this case?

13 A. Yes. I am.

14 **EXECUTIVE SUMMARY**

15 Q. Please summarize your rebuttal testimony in this proceeding.

16 A. In this testimony, I will address the Direct Testimony of Missouri-American
17 Water Company (“MAWC”) witness Jennifer M. Grisham regarding treatment of the deferral
18 for the customer owned lead service line replacements (“LSLR”).

19 **Customer Owned Lead Service Line Replacements (“LSLR”) Program**

20 Q. Please explain MAWC’s LSLR Program.

21 A. In Case No. WU-2017-0296, MAWC requested, and the Commission granted
22 special accounting treatment in the form of an Accounting Authority Order (“AAO”) to defer
23 costs related to replacing customer owned lead service lines. It is not a normal utility policy or

1 practice to replace or repair property that is not owned by the utility and, therefore, this MAWC
2 action was considered extraordinary. In that case, the Commission granted MAWC the
3 authority to defer and book the costs for its LSLR Program with carrying costs calculated using
4 a short-term borrowing rate.¹

5 Q. In Case No. WU-2017-0296, did the Commission determine the future
6 ratemaking treatment to be provided to the AAO deferrals?

7 A. No. While the Commission identified the Uniform System of Accounts
8 (“USOA”) Account 186 as the appropriate account to which MAWC should book the AAO
9 in that case, an AAO is not a ratemaking decision; an AAO simply authorizes a utility to
10 book certain costs in separate accounts for future consideration. However, the Commission
11 did address ratemaking treatment of the LSLR Program deferral in MAWC’s rate case,
12 Case No. WR-2017-0285, which was pending at the time the Commission issued its order in
13 Case No. WU-2017-0296.

14 Q. Did the Commission grant ratemaking treatment of the LSLR Program AAO in
15 Case No. WR-2017-0285?

16 A. Yes. The Commission stated the following in its Report and Order for Case
17 No. WR-2017-0285:

18 [T]he Commission will permit MAWC to amortize over ten years the
19 \$1,668,796 incurred for the LSLR Program from January 1, 2017,
20 through December 31, 2017. MAWC’s long-term debt rate as calculated
21 in Staff’s Cost of Service Report shall also be applied to the LSLR
22 Program amount to be amortized.²
23

¹ *Report and Order*, Case No. WU-2017-0296, P. 10 (Nov 30, 2017).

² *Report and Order*, Case No. WR-2017-0285, P. 23 (May 2, 2018).

1 Q. How was the LSLR Program AAO balance treated in MAWC’s last rate case,
2 Case No. WR-2020-0344?

3 A. Accounting treatment for LSLRs was included in the parties’ *Stipulation and*
4 *Agreement* for Case No. WR-2020-0344, which the Commission approved effective
5 May 7, 2021:

6 14. Lead Service Line Replacement (“LSLR”): MAWC will continue to
7 defer and book to USOA Account 186 the costs of customer-owned LSL
8 [Lead Service Line] replacements applying its long-term borrowing rate
9 as to the carrying costs. MAWC will amortize over ten (10) years the
10 amounts deferred. MAWC’s long-term debt rate shall be applied to the
11 unamortized balance.³
12

13 Q. What is MAWC’s position regarding the balance of the LSLR Program AAO in
14 this case?

15 A. Ms. Grisham states in her direct testimony, on page 10, line 15 through page 11,
16 line 4, that MAWC has continued deferring costs associated with the customer owned
17 LSLRs as ordered, including carrying costs at the long-term debt rate with a 10-year
18 amortization. Ms. Grisham is also proposing to include the return on the total unamortized
19 deferred balance in the overall revenue requirement.

20 Q. What is Staff’s position regarding the treatment of the LSLR Program
21 AAO balance?

22 A. Staff disagrees with MAWC’s proposed change, and continues to recommend
23 including carrying costs at the long-term debt rate in the AAO balance, but not to include any
24 return on the total unamortized balance in the revenue requirement. Including the carrying costs
25 in the unamortized deferral balance at MAWC’s long-term debt rate provides MAWC sufficient

³ *Stipulation and Agreement*, Case No. WR-2022-0344, P. 4

Rebuttal Testimony of
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1 recovery of the costs to replace the customer owned LSLRs. Under MAWC's proposal,
2 MAWC would earn a return on the LSLR Program regulatory asset balance as if that balance
3 reflected a piece of property owned by MAWC and used in providing service to customers.
4 The service lines between the meter or property line and the customer's residence will not
5 become property of MAWC; allowing MAWC to earn a return on the lines would be
6 unreasonable.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company's Request for Authority to) Case No. WR-2022-0303
Implement General Rate Increase for Water)
and Sewer Service Provided in Missouri)
Service Areas)

AFFIDAVIT OF AMANDA C. McMELLEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA C. McMELLEN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Amanda C. McMellen*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


AMANDA C. McMELLEN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 13th day of January 2023.




Notary Public