

*Exhibit No.:*  
*Issue(s):* Revenue Requirement,  
Corrections, CIAC  
Normalization,  
Deferred Tank Painting  
Tracker  
*Witness:* Amanda C. McMellen  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* WR-2024-0104  
*Date Testimony Prepared:* October 24, 2024

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**AMANDA C. MCMELLEN**

**LIBERTY UTILITIES (Missouri Water), LLC,**

**d/b/a Liberty**

**CASE NO. WR-2024-0104**

*Jefferson City, Missouri*  
*October 2024*



1 **REVENUE REQUIREMENT**

2 Q. What was Staff's revenue requirement for Liberty Water's water and sewer  
3 operations in rebuttal testimony?

4 A. Staff's rebuttal revenue requirement increase was \$7,109,630 for water  
5 and \$542,910 for sewer for a total revenue requirement increase of \$7,652,540 for  
6 Liberty Water consolidated. Staff's surrebuttal accounting schedules now reflect a revenue  
7 requirement increase of \$6,679,225 for water and \$1,957 for sewer, for a total consolidated  
8 revenue requirement increase of \$6,681,182. Staff's surrebuttal revenue requirement  
9 represents an overall decrease of \$971,358 for Liberty Water Total Company from Staff's  
10 rebuttal position.

11 Q. Please summarize the error corrections and updates Staff has made to its rebuttal  
12 filed position.

13 A. Listed below are the corrections and updates to Staff's position that have been  
14 reflected in Staff's surrebuttal accounting schedules. The Staff witness and items listed below  
15 are explained further in the listed witness' surrebuttal testimony.

- 16 • CIAC Adjustments – Amanda C. McMellen
- 17 • Revenues - Angela Niemeier
- 18 • Outside Services – Sherrye Lesmes
- 19 • Accumulated Deferred Income Taxes - Angela Niemeier

20 **CIAC ADJUSTMENTS**

21 Q. Did Liberty Water witness Ms. Wilson address CIAC normalization  
22 adjustments?

1           A.     Yes. In Ms. Wilson’s rebuttal testimony on page 2 line 18 through page 3,  
2 line 2, she states that Liberty Water failed to update CIAC amounts (CIAC, CIAC reserve and  
3 CIAC amortization expense) through April 30, 2024, the update period in this case.

4           Q.     How does Staff respond?

5           A.     Staff agrees with Ms. Wilson and included this update in its current  
6 revenue requirement.

7           **DEFERRED TANK PAINTING AND TRACKER**

8           Q.     Did Liberty Water witness Ms. Wilson address the deferred tank painting  
9 regulatory asset and the related tracker?

10          A.     Yes. In Ms. Wilson’s rebuttal testimony starting on page 8, lines 5 through 16,  
11 she states that she disagrees with Staff regarding the disallowance of the deferred tank painting  
12 regulatory asset in rate base and the related tracker. She also states the regulatory asset should  
13 be included, because it reflects the cost incurred to paint water tanks.

14          Q.     How does Staff respond?

15          A.     Staff’s position is that these costs should continue to be treated as expense.

16          Q.     What does Staff rely on for treating these costs as an expense?

17          A.     The Missouri Code of State Regulations (CSR) prescribes the following:

18                   The uniform systems of accounts for Class A ... water  
19 companies, issued by the National Association of Regulatory Utility  
20 Commissioners in 1973, as revised July 1976, are adopted and prescribed  
21 for use by all water companies under the jurisdiction of the Public  
22 Service Commission.<sup>1</sup>

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<sup>1</sup> 20 CSR 4240-50.030 (1).

1 Liberty Water is categorized as a Class A water company as it has annual operating  
2 revenues of \$500,000 or more. Therefore, Staff relies on the instructions found in the  
3 National Association of Regulatory Utility Commissioners (“NARUC”) 1976 Revisions of  
4 Uniform System of Accounts (“USOA”) for Class A and B Water Utilities 1973, for guidance  
5 on the classification and treatment of Liberty Water’s expenses and revenues.

6 Q. What instructions does the USOA prescribe for tank painting expense?

7 A. The utility plant instructions for Structures and Improvements accounts lists  
8 “painting, first cost” as an item to be included in this account category.<sup>2</sup> Since utility plant  
9 costs are capitalized, this guidance requires water utilities to only capitalize the first tank  
10 painting (“first cost”) that occurs prior to the tanks being placed in-service. None of Liberty  
11 Water’s tank painting costs included in this case are associated with first-time tank painting.  
12 Therefore, it is Staff’s position to continue to include the entirety of tank painting  
13 costs as expenses.

14 Q. According to Liberty Water, what is the purpose of tank painting?

15 A. In her rebuttal testimony, Ms. Wilson states on page 8, lines 10 through 12:  
16 Regular painting of water storage tanks prolongs the life of any tank by helping to prevent  
17 corrosion and problems caused by weather, pollutants and other external elements.

18 Q. What is Staff’s position?

19 A. Staff agrees the purpose of tank painting is to prevent failure and maintain the  
20 life of the tank. However, Staff’s position is that any tank painting that occurs after the initial  
21 coating systems begin to fail should have the associated costs recorded as expense and not  
22 capitalized as plant.

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<sup>2</sup> NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 30, 8.H.29.

Surrebuttal Testimony of  
Amanda C. McMellen

1           Q.     Can you summarize how the explanation of the USOA details presented above  
2 support Staff's position?

3           A.     Yes. According to the utility plant instructions, the first tank painting should be  
4 included in plant to be capitalized. According to the operating expense instructions, any cost to  
5 maintain the life of plant should be recorded as a maintenance expense. Therefore, tank painting  
6 should be a maintenance expense and not capitalized as a plant item.

7           Q.     Does this conclude your surrebuttal testimony?

8           A.     Yes, it does.

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

In the Matter of the Request of Liberty Utilities )  
(Missouri Water) LLC d/b/a Liberty for )  
Authority to Implement a General Rate )  
Increase for Water and Wastewater Service )  
Provided in its Missouri Service Areas )

Case No. WR-2024-0104

**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 *Surrebuttal Testimony of Amanda C. McMellen*; and that the same is true and correct according to her best knowledge and belief.

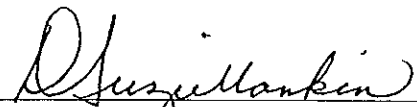
Further the Affiant sayeth not.

  
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 22<sup>nd</sup> day of October 2024.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
Notary Public