

*Exhibit No.:*  
*Issue(s):* *Material and  
Supplies, Customer  
Advances, Credit  
Card Fees, Property  
Taxes, and PSC  
Assessment*  
*Witness:* *Christopher L.  
Boronda*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct / Rebuttal  
Testimony*  
*Case No.:* *WR-2024-0320*  
*Date Testimony Prepared:* *December 6, 2024*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**DIRECT / REBUTTAL TESTIMONY**

**OF**

**CHRISTOPHER L. BORONDA**

**MISSOURI-AMERICAN WATER COMPANY**

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

*Jefferson City, Missouri  
December 6, 2024*



1           A.     I have reviewed the prior workpapers, prior cases and prior testimony for  
2 MAWC cases WR-2022-0303 and WR-2020-0344, and data presented by MAWC on the  
3 current case's issues. I have also worked closely with senior auditors and supervisors,  
4 who possess extensive regulatory knowledge.

5           **EXECUTIVE SUMMARY**

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

7           A.     The purpose of my direct / rebuttal testimony is to present Staff's  
8 recommendations concerning the PSC Assessment, Material and Supplies,  
9 Customer Advances, Property Taxes, and Credit Card Fees. I will be responding to the direct  
10 testimony of MAWC's witness Jennifer M.B. Grisham regarding the following issues:  
11 Material and Supplies, Customer Advances, and Credit Card Fees. I will also be responding to  
12 the direct testimony of MAWC's witness Brian W. LaGrand regarding the following issues:  
13 PSC Assessment and Property Taxes.

14           **MATERIALS AND SUPPLIES**

15           Q.     Please describe materials and supplies, which is included in rate base.

16           A.     MAWC maintains an inventory of materials and supplies that are used in the  
17 construction, operation, and maintenance of utility plant, but are not directly assignable to  
18 specific plant accounts. For the purpose of setting rates, these items should be included in the  
19 calculation of rate base because they are typically purchased with investors' funds.

20           Q.     What is MAWC's position in determining its balance of materials and supplies  
21 to include in rate base?

1           A.     In Ms. Grisham’s Direct Testimony, page 7, lines 19-23, she states MAWC  
2 utilized a 13-month average ending December 31, 2023, of materials and supplies.  
3 The corporate district inventory was allocated to the water tariff groups and sewer groups based  
4 on customer count.

5           Q.     Please describe Staff’s treatment of materials and supplies.

6           A.     Materials and supplies are represented in Staff’s rate base by using a 13- month  
7 average. Due to the cyclical nature of these two items, 13-month averages are developed to  
8 smooth out seasonal variations.

9           Q.     Did Staff review the materials and supplies inventory?

10          A.     Yes. Staff reviewed and analyzed historical monthly balances for the period of  
11 January 1, 2023, through June 30, 2024, for each of the materials and supplies accounts  
12 provided in MAWC’s response to Staff Data Request (“DR”) No. 0131. Staff’s analysis  
13 concluded there was not a significant discernible trend. Staff determined the 13-month average  
14 used by MAWC did not capture the most current data. Therefore, Staff used the most recent  
15 13-month average from June 2023 through June 2024 to normalize the month-end balances of  
16 the materials and supplies accounts. Staff included \$12,962,400 as an addition to rate base for  
17 materials and supplies.

18          Q.     Will Staff be addressing materials and supplies as part of its  
19 true-up calculations?

20          A.     Yes. Staff will review all material and supplies inventories through the  
21 true-up cutoff, December 31, 2024.

22           **CUSTOMER ADVANCES**

23          Q.     Please explain customer advances.

1           A.     Customer advances are funds provided by individual customers to assist in the  
2 construction and extension of mains, facilitating water and/or sewer service to them. No interest  
3 is paid to customers for the use of this money. Since these funds are an interest-free source of  
4 income to MAWC, they are included as a reduction to rate base.

5           Q.     What is MAWC’s proposed methodology for determining their  
6 customer advances?

7           A.     In Ms. Grisham’s Direct Testimony, page 6, line 4 she states,  
8 “historical information was taken from the Company’s fixed assets and ERP<sup>1</sup> systems.”  
9 With this information, MAWC utilized the test year ending balance as of December 31, 2023  
10 for customer advances for rate base.

11          Q.     What is Staff’s position regarding how to compute customer advances?

12          A.     Staff reviewed historical balances for customer advances from January 1, 2023,  
13 through June 30, 2024. After review, there was no discernable trend in customer advances so  
14 Staff recommends the ending balance June 30, 2024, is appropriate.

15          Q.     How do MAWC’s and Staff’s positions differ?

16          A.     The difference between MAWC’s and Staff’s position is that Staff utilized an  
17 ending balance date that is the most current.

18          Q.     Does Staff propose an offset to the rate base due to customer advances?

19          A.     Staff recommends \$1,930,945 as an offset to the rate base for  
20 customer advances.

21           **CREDIT CARD FEES**

22          Q.     Please explain credit card fees.

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<sup>1</sup> Enterprise Resource Planning (“ERP”) system.

1           A.     MAWC’s ratepayers currently have several options for paying their water and  
2 sewer bills. The payment options include: credit card, direct debit/auto pay, E-checks,  
3 authorized third-party/collection agency, pay in person, and drop box/mail. MAWC contracts  
4 with Paymentus, an electronic payment processing service, who charges MAWC a transaction  
5 fee when ratepayers use this service to make credit/debit card or E-check payments online.  
6 Transaction fees associated with Paymentus are not charged directly to the individual ratepayer  
7 using this service; instead, these fees are currently a recoverable expense in base rates.

8           Q.     What is MAWC’s position in determining their credit card fees expense?

9           A.     In Ms. Grisham’s Direct Testimony on page 9 lines 7 through 10, she states  
10 MAWC used expenses from the historic period ending December 31, 2023, for customer  
11 accounting expenses (credit card fees).

12          Q.     Did Staff review the manner in which MAWC processes customer payments  
13 made by credit card and E-check?

14          A.     Yes. Staff reviewed MAWC’s response to Staff DR No. 0135, which requested  
15 the number of customers paying by credit card and the number of customers paying by E-check  
16 from January 2023 through December 2023, and updated data through December 31, 2024.  
17 Staff also reviewed MAWC’s response to Staff DR No. 0234, which requested a copy of  
18 MAWC’s current contract with its third-party processor, Paymentus.

19          Q.     What is the nature of MAWC’s contract with Paymentus?

20          A.     Paymentus is responsible for MAWC’s payment processing and is contracted  
21 through March 1, 2025. Paymentus charges a fee of \$1.50 per credit card transaction, and \$0.45  
22 per E-check transaction. This has not changed from the previous rate case.

1 Q. How did Staff determine the amount of credit card fees to include  
2 in its recommendation?

3 A. Staff calculated its total credit card fees expense by multiplying the actual  
4 number of credit card payments and E-checks payments that occurred during the 12-months  
5 ending June 30, 2024 by their respective transaction fee of \$1.50 for credit card or \$0.45 for  
6 E-check, which resulted in a total of \$1,702,498. Staff recommends an annualized amount of  
7 \$1,702,498 for credit card processing fees in the cost of service to reflect the most current  
8 ongoing level of expense.

9 Q. Will Staff be addressing credit card fee expense as part of its  
10 true-up calculations?

11 A. Yes. Staff will review the credit card fee expenses through the true-up cutoff  
12 period, December 31, 2024.

13 **PROPERTY TAXES**

14 Q. Please describe property tax expense.

15 A. Property tax expense is the total of the taxes paid on property owned by  
16 individuals or businesses. MAWC's Missouri property taxes are based (assessed) on the  
17 property it owns on January 1 of each year. Taxing authorities send MAWC their assessed  
18 values in April for every category of MAWC's plant in service as of January 1. Later in the  
19 year, the taxing authorities issue a property tax rate. Toward the end of the calendar year,  
20 the taxing authorities issue a property tax bill to MAWC with a due date of December 31.

21 Q. What property tax documentation did Staff review relating to MAWC's  
22 property tax expense in this rate case?

1           A.     Staff reviewed all the 2023 property tax invoices and payments for the  
2 property taxes that MAWC provided in response to DR No. 0139.

3           Q.     What is MAWC's position in determining their property tax expense?

4           A.     In Mr. LaGrand's Direct Testimony, he explains MAWC's property tax expense  
5 in Schedule BWL-3 on page 97. Property taxes are paid in arrears in Missouri, and payment is  
6 made in December of each year based on the prior year end plant balances. MAWC included  
7 their calculations for property tax expenses for the test year, January 1, 2023 through  
8 December 31, 2023.

9           Q.     What is Staff's position regarding property tax expense in this case?

10          A.     Staff's position is to include known and measurable property tax expenses.  
11 Staff examined the actual amounts of property tax payments made by MAWC for tax year 2023.  
12 Staff then determined the level of property tax expense to include.

13          Q.     How did Staff determine the level of property tax expense to include  
14 in its recommendation?

15          A.     Staff reviewed MAWC's payments and Staff disallowed penalties (late fees).  
16 Staff then developed a relationship between actual property tax payments to the level of  
17 property values on January 1, 2023. Since property tax invoices are issued by county, Staff used  
18 the property values booked to each district to determine its allocation percentages and applied  
19 the allocation percentages to MAWC's total property taxes paid, less disallowed amounts,  
20 in 2023 to determine each district's property tax amount.

21          Q.     How do MAWC's and Staff's positions differ?



1           A.     The difference between MAWC's and Staff's positions is that Staff disallowed  
2 penalties paid on the actual 2023 property taxes to annualize the expense. Staff recommends  
3 disallowing these late payment penalties because they are not related to the provision of service.

4           Q.     What did Staff determine was the proper level of property tax expenses to  
5 include in its recommendation?

6           A.     Staff determined the level of property tax expense to be \$38,217,522.

7           Q.     Will Staff be addressing property tax expense as part of its true-up calculations?

8           A.     Yes. Staff will review all property tax invoices and payments through the  
9 true-up cutoff, December 31, 2024.

10    **PSC ASSESSMENT**

11          Q.     Please describe the annual PSC Assessment.

12          A.     The annual PSC assessment is an amount billed to utilities regulated by the  
13 Commission, which funds the Commission's operations. The Commission's total budget is  
14 allocated to all regulated utilities based on several factors that determine the amount to be paid  
15 by each utility. The required funding level from each utility is re-evaluated each year,  
16 and a new assessment is billed to each regulated utility on July 1. All of the assessments  
17 collected in total are used to meet the Commission's operating costs for  
18 regulating those utilities.

19          Q.     What is MAWC's position regarding PSC Assessment fees?

20          A.     MAWC proposes utilizing a multiple-year average of the PSC assessments to  
21 determine a reasonable, ongoing level of annual expense. MAWC states the purpose of the  
22 adjustment is to normalize the PSC Assessment fee based on the five-year average expense  
23 derived from years 2019-2023 actual expense paid.

Direct / Rebuttal Testimony of  
Christopher L. Boronda

1 Q. Please explain Staff's adjustment to the PSC Assessment expense.

2 A. Staff reviewed fiscal years ending June 30, 2025, 2024, 2023, 2022, and 2021 to  
3 normalize the PSC Assessment fee. The PSC Assessment expense amount for the period  
4 reviewed showed an increasing trend so Staff used the most current year expense,  
5 fiscal year 2025, as the PSC Assessment expense.

6 Q. How do MAWC's and Staff's positions differ?

7 A. The difference between MAWC's and Staff's positions is that MAWC  
8 performed a multi-year average, as described above, but Staff determined it is more appropriate  
9 to use the most current fiscal year.

10 Q. What is the appropriate overall amount of PSC Assessment to include in the cost  
11 of service for MAWC?

12 A. The appropriate overall normalized level to include is \$3,658,874.

13 Q. Does this conclude your direct / rebuttal testimony?

14 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 Implement a General Rate ) Case No. WR-2024-0320  
Increase for Water and Sewer Service Provided in )  
Missouri Service Areas )

**AFFIDAVIT OF CHRISTOPHER L. BORONDA**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW CHRISTOPHER L. BORONDA** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct / Rebuttal Testimony of Christopher L. Boronda*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
**CHRISTOPHER L. BORONDA**

**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 26<sup>th</sup> day of November 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

# Christopher Boronda

## Educational, Employment Background and Credentials

I am employed by the Missouri Public Service Commission (“Commission” or “PSC”) as a Utility Regulatory Auditor. I have been employed by the Commission since October 2024.

I graduated from Washington State University in 2021 with a Bachelor’s degree in Business Administration, majoring in Accounting. Prior to working for the PSC, I worked for the Missouri State Auditor’s Office from 2021 through 2024.

## Case Participation

Company Name	Case Number(s)	Testimony/Issues
Missouri-American Water Company	WR-2024-0320	Material and Supplies, Customer Advances, Credit Card Fees, Property Taxes, and PSC Assessment