

Exhibit No.:
Issue(s): Corporate Support Services
and MAWC Payroll
Witness: Sherrye Lesmes
Sponsoring Party: MoPSC Staff
Type of Exhibit: Cross Rebuttal-Surrebuttal
Testimony
Case No.: WR-2024-0320
Date Testimony Prepared: January 10, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

CROSS REBUTTAL-SURREBUTTAL TESTIMONY

OF

SHERRYE LESMES

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2024-0320

Jefferson City, Missouri
January 2025

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SHERRYE LESMES
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1 **CROSS REBUTTAL-SURREBUTTAL TESTIMONY**

2 **OF**

3 **SHERRYE LESMES**

4 **MISSOURI-AMERICAN WATER COMPANY**

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

6 Q. Please state your name and business address.

7 A. My name is Sherrye Lesmes and my business address is 200 Madison Street,
8 Suite 440, PO Box 360, Jefferson City, MO 65102.

9 Q. Are you the same Sherrye Lesmes who previously filed direct/rebuttal testimony
10 filed on December 6, 2024, in this case?

11 A. Yes, I am.

12 Q. What is the purpose of your Cross Rebuttal-Surrebuttal testimony?

13 A. To respond to the Office of the Public Counsel (“OPC”) witness Angela
14 Schaben’s direct / rebuttal testimony on corporate support services exclusion of payroll
15 expense. Also to explain changes and additions made to Staff’s payroll expense and changes
16 to Contributions in Aid of Construction (“CIAC”) and miscellaneous expense.

17 **CORPORATE SUPPORT SERVICES**

18 Q. With respect to OPC witness Angela Schaben’s direct/rebuttal testimony on
19 corporate support services, specifically her recommended removal of payroll costs related to
20 business development, external affairs and public policy, and investor relations,¹ do you agree
21 with Ms. Schaben’s recommendation?

¹ WR-2024-0320 Angela Schaben direct/rebuttal testimony page 19, lines 13-23

Cross Rebuttal-Surrebuttal Testimony of
Sherrye Lesmes

1 A. Not entirely. Staff removed all of the business development employees and all
2 cost related to lobbying activities.² As stated in my direct/rebuttal testimony, Staff removed
3 job positions that did not directly relate to providing safe and adequate utility service to
4 ratepayers based on job descriptions.³ While Staff agrees with removing the costs of some
5 external affairs and public policy job positions since they encompass many different purposes
6 that are not necessarily beneficial to customers of Missouri American Water Company
7 (“MAWC”), Staff sees a need for the opportunity to attract investors to provide needed capital
8 for investment in utility infrastructure. Therefore, Staff does not agree to disallow investor
9 relations wages and expenses.

10 Q. Did Staff remove lobbying cost?

11 A. Yes. As stated in my direct/rebuttal testimony,⁴ Staff removed all of the
12 lobbying cost for payroll and expense.

13 Q. Did Staff remove business development costs?

14 A. Staff removed all of the business development cost related to payroll. Also,
15 Staff witness Ashley Sarver removed the business development costs other than payroll. Please
16 refer to her Cross Rebuttal-Surrebuttal testimony in this case.

17 **PAYROLL EXPENSE**

18 Q. What corrections did Staff make to the payroll expense?

19 A. Staff made three corrections relating to payroll expense. First, a job position
20 was removed by mistake. Therefore, it was added back in to payroll for this filing. The second

² Case No. WR-2024-0320 Sherrye Lesmes direct/rebuttal testimony page 7, lines 22-23

³ Case No. WR-2024-0320 Sherrye Lesmes direct/rebuttal testimony page 8, lines 1-4

⁴ Case No. WR-2024-0320 Sherrye Lesmes direct/rebuttal testimony page 7, lines 22-23

1 correction was to remove all of the business development positions that were erroneously not
2 removed in the direct/rebuttal filing. Staff removed four more job positions classified as
3 business development. As stated in my direct/rebuttal testimony,⁵ Staff removed job positions
4 based on the descriptions provided by MAWC. Business Development involves growing the
5 business which does not affect the utility's ability to provide safe and adequate service at a
6 reasonable rate. Thus, ratepayers should not bear the cost of this expense. The overall
7 difference of these corrections is a total adjustment of (\$326,603) for MAWC and (\$3,264,848)
8 for American Water Works Service Company ("AWWSC" also known as "Service Company").
9 Also, the shift premium amount for district 2 (All Other Water) was corrected to \$8,927. Staff
10 added the costs for Service Company employee participants in the Defined Contribution Plan
11 ("DCP") benefit, and Voluntary Employee Benefits Association ("VEBA") retired
12 medical benefit.

13 **CIAC**

14 Q. Did Staff make changes to CIAC?

15 A. Yes. There were formula errors in Staff's direct/rebuttal accounting schedules
16 in calculating the CIAC balance included in rate base. The new CIAC balance is \$457,128,578.

17 Q. Has Staff changed their position for associated amortization of CIAC?

18 A. No. Staff found no formula errors related to the CIAC amortization.

19 **MISCELLANEOUS EXPENSE**

20 Q. Did Staff make changes to miscellaneous expense?

⁵ WR-2024-0320 Sherrye Lesmes direct/rebuttal testimony page 8, lines 1-4

Cross Rebuttal-Surrebuttal Testimony of
Sherrye Lesmes

1 A. Yes. Staff has received additional data for the miscellaneous expense to
2 calculate the three-year average of the three year period ending June 30, 2024.

3 Q. Has Staff changed their position for miscellaneous expense?

4 A. No, Staff is still using a three-year average of the three year period ending
5 June 30, 2024.

6 Q. What is Staff's normalized miscellaneous expense?

7 A. Staff's normalized miscellaneous expense is \$2,489,855 which is a decrease of
8 \$420,038 from Staff's direct/rebuttal filing.

9 Q. Does this conclude your Cross Rebuttal-Surrebuttal testimony?

10 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 SHERRYE LESMES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW SHERRYE LESMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Cross-Rebuttal / Surrebuttal Testimony of Sherrye Lesmes*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.




SHERRYE LESMES

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 9th day of January 2025.

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