

Exhibit No.:
Issue(s): *Revenue Requirement;*
 Tax Gross-Up;
 Tank Painting
Witness: *Amanda C. McMellen*
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

AMANDA C. MCMELLEN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2024-0320

Jefferson City, Missouri
January 2025

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AMANDA C. MCMELLEN
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CROSS REBUTTAL-SURREBUTTAL TESTIMONY
OF
AMANDA C. MCMELLEN
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2024-0320

Q. Please state your name and business address.

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

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

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

Q. Are you the same Amanda C. McMellen who filed revenue requirement direct/rebuttal testimony filed December 6, 2024, in this case?

A. Yes, I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your cross rebuttal-surrebuttal testimony?

A. My cross rebuttal-surrebuttal testimony will update the Commission regarding a change in Staff’s revenue requirement position from direct/rebuttal after inclusion of some error corrections. Staff’s cross rebuttal-surrebuttal Accounting Schedules are being filed concurrently with this testimony. I will also be responding to the direct/rebuttal testimony of the Office of Public Counsel (“OPC”) witnesses John S. Riley and Angela Schaben regarding the tax gross-up on overall revenue requirement and tank painting maintenance expense, respectively.

REVENUE REQUIREMENT

Q. What was Staff's revenue requirement for Missouri-American Water Company ("MAWC") water and sewer operations in direct/rebuttal testimony?

A. Staff's revenue requirement was \$68,825,560 for water and \$5,316,504 for sewer for a total revenue requirement of \$74,142,064 for MAWC consolidated. Staff's cross rebuttal-surrebuttal accounting schedules now reflect a revenue requirement of \$65,721,166 for water and \$4,789,373 for sewer district, for a total consolidated revenue requirement increase of \$70,510,539. Staff's rebuttal revenue requirement represents an overall decrease of \$3,631,525 for MAWC from Staff's direct/rebuttal position.

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

A. Listed below are the corrections and updates to Staff's position that have been reflected in Staff's cross rebuttal-surrebuttal accounting schedules. The Staff witness and items listed below are explained further in the listed witness' cross rebuttal-surrebuttal testimony. The exceptions to this are the first two items listed below. Alexis Branson will not file cross rebuttal-surrebuttal testimony regarding plant in service and maintenance supplies and services, as the error was simply Staff not using the most accurate data provided by MAWC.

- Plant in Service – Alexis Branson
- Maintenance Supplies and Services – Alexis Branson
- Contribution in Aid of Construction – Sherrye Lesmes
- Amortization of Regulatory Assets – Angela Niemeier
- Payroll – Sherrye Lesmes
- Miscellaneous Expenses – Sherrye Lesmes
- Commercial, Industrial, and Other Public Authority Revenues – Ashley Sarver

- Residential Usage - Revenues – Ashley Sarver
- Other Post-Employment Benefits – Angela Niemeier
- Incentive Compensation – Angela Niemeier
- Business Development Expenses – Ashley Sarver

TAX GROSS-UP ON REVENUE REQUIREMENT

Q. What is OPC witness Mr. Riley’s position regarding a tax gross-up on overall revenue requirement?

A. As stated in his direct/rebuttal testimony on page 14 lines 21 through 24:

Due to the Company’s NOL position, the Company is not in a situation where additional income taxes need to be calculated to sustain the Commission’s established return on equity. In simple terms, the tax gross up does not need to be applied to the income tax calculations when determining the revenue requirement that should be ordered by the Commission.

Q. Does Staff agree with Mr. Riley’s calculation for the tax gross-up factor?

A. Yes. Staff agrees with Mr. Riley’s tax gross-up factor of 1.313 as shown in his direct/rebuttal testimony on page 16, lines 1 through 6 and this factor should be applied to the overall revenue requirement.

Q. What is the purpose of the tax gross-up factor?

A. The tax gross-up factor is used to calculate additional taxes needed on the overall revenue requirement (incremental increase in rates calculated in this case).

Q. What is Staff’s position regarding a tax gross-up on overall revenue requirement?

A. Staff’s position is that MAWC is not in a Net Operating Loss (“NOL”) position, which is explained in the cross rebuttal-surrebuttal testimony of Staff witness Ashley Sarver. Therefore, a tax gross-up on the overall revenue requirement is appropriate.

1 Q. Would Staff's position change if MAWC was in an NOL position?

2 A. No. Even Mr. Riley, starting on page 16 line 23 through page 17 line 3, admits
3 that there should be taxes included but only at the tax composite rate of 23.84%. This is an
4 illogical position. If taxes are to be included in rates, there should be a tax gross-up applied to
5 the overall revenue requirement.

6 **TANK PAINTING MAINTENANCE EXPENSE**

7 Q. Do you agree with OPC witness Ms. Schaben that MAWC is currently
8 amortizing tank painting maintenance expense?¹

9 A. No. MAWC is currently expensing tank painting maintenance expense,
10 however, in this current rate case MAWC has proposed to capitalize future tank painting
11 expense. If these expenses are not capitalized as proposed by MAWC, MAWC is
12 recommending to include a normalized ongoing level in this rate case based on an adjusted test
13 year with an inflation factor added.²

14 Q. What is Staff's position regarding tank painting maintenance expense?

15 A. Staff used a five-year average ending December 31, 2023, for tank painting
16 maintenance expense.³

17 Q. Does this conclude your Cross-Surrebuttal testimony?

18 A. Yes it does.

¹ Direct/Rebuttal testimony of OPC witness Angela Schaben on page 17 lines 11 through 12.

² Direct testimony of MAWC witness Jennifer M.B. Grisham on page 11 lines 5 through 11.

³ Direct/Rebuttal testimony of Staff witness Alexis Branson on page 11 lines 17 through 22.

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

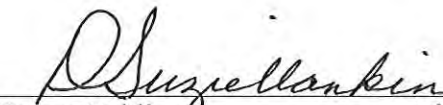
Further the Affiant sayeth not.


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 9th day of January 2025.




Notary Public