

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

EVIDENTIARY HEARING

In the Matter of)
Missouri-American Water)
Company's Request for) File No. WR-2024-0320
Authority to Implement a)
General Rate Increase for)
Water and Sewer Service)
Provided in Missouri Service)
Areas)

FRIDAY, MARCH 7, 2025

9:00 a.m. - 4:22 p.m.

Governor Office Building
200 Madison Street
Jefferson City, Missouri 65101

VOLUME 11

KEN SEYER, Presiding
REGULATORY LAW JUDGE

KAYLA HAHN, Chair
MAIDA J. COLEMAN,
GLEN KOLKMEYER,
JOHN MITCHELL,
COMMISSIONERS

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1 Proceedings began at 9:00 a.m.

2 JUDGE SEYER: Let's go back on the
3 record. All right. We are back on the record. It
4 is Friday, March 7th, nine o'clock a.m. This is the
5 third day of the evidentiary hearing in Missouri-
6 American Water Company's Request for a General Rate
7 Increase for Water and Sewer Service in its Missouri
8 Service Areas. It's Commission File WR-2024-0230.

9 So I think the -- excuse me. The first
10 order of business today is the parties will present
11 opening statements and then we will move on to the
12 issue of Regulatory Policy. So, Mr. Cooper, is that
13 going to be you on behalf of the Company?

14 MR. COOPER: It will be. And because
15 I've been feeling left out, I've got some handouts.

16 Good morning. Dean Cooper on behalf of
17 Missouri-American Water Company. We're going to try
18 to make it through an opening statement that some of
19 which we would have provided on the first day in a
20 different sort of procedural schedule, but we really
21 haven't had the opportunity yet to kind of set out
22 the whole of the Company's case. And since opening
23 statements got moved today, that's what we're going
24 to do, but it will be a little shorter I guess is the
25 good news, than it would have been on the first day

1 because we've tried several issues already in this
2 case.

3 As you're aware, we've had hearings
4 already on the Cost of Money issues, the Return on
5 Equity, Capital Structure, Cost of Debt, the Revenue
6 Stabilization Mechanism, Rate Design, Universal
7 Affordability Tariff as it has been proposed by most
8 of the parties, and the Production Cost Tracker.
9 Also the Company's request for the inclusion of
10 requested employee -- certain employees and the
11 Company's total market compensation plan, including
12 annual performance pay and long-term performance pay
13 have also been addressed. As I go through, I may
14 mention those. I will indeed mention those to some
15 extent, but will not go into any great detail.

16 As an additional sort of heads-up as we
17 move forward, I know that, as the judge said, we have
18 Policy and we have Regulatory Mechanisms essentially
19 that's going to be tried first today when we get to
20 the evidentiary portion of the hearing. And I'll hit
21 those at a little greater detail in this opening and
22 spare you from any further openings on those issues.

23 As has been somewhat mentioned throughout
24 the hearing, Missouri-American has a significant
25 presence in Missouri. It provides water service to

1 approximately 484,000 customers in more than 30
2 counties across the state with the largest
3 concentration in St. Louis County, Jefferson City,
4 Mexico, Parkville, St. Joseph, Warrensburg, Joplin,
5 and Branson. It also provides wastewater service to
6 approximately 24,000 customer connections through
7 nearly 90 wastewater systems across the state.

8 The Commission approved Missouri-
9 American's current base rates by its Report and Order
10 issued on May 3rd of 2023 in Case No. WR-2022-0303.
11 Rates in that case were based on cost that reflected
12 a test year of 12 months ending June 2022 with a
13 true-up through December 31st of 2022.

14 This filing is primary driven by the
15 significant capital investments that the Company
16 has made in Missouri's infrastructure. Missouri-
17 American will have invested since its last rate case
18 and by the operation of law date in this case
19 approximately \$1.2 billion of capital. This
20 includes, and although it's not exhaustive,
21 significant projects in Warrensburg, Jefferson City,
22 St. Louis County, Joplin, Branson, and St. Joseph
23 areas amongst other locations.

24 The investments include improving the
25 resiliency of the Company's distribution system and

1 treatment plants, treatment changes to maintain
2 regulatory compliance, technology, investments that
3 will integrate with and enhance existing systems to
4 enhance service to customers in management of source
5 of supply and system demands, and maintain the
6 health, welfare, and economic well-being of
7 communities Missouri-American serves. The Company
8 has and continues to manage its business responsibly
9 and effectively, especially in the rising
10 inflation -- inflationary environment and continues
11 to provide safe and adequate service to its
12 customers. Making these investments in its systems
13 is necessary to improve and strengthen the
14 infrastructure of the systems today and for the
15 future.

16 The Company's originally -- the Company
17 originally requested \$651.6 million total revenue
18 requirement or cost of service which included a
19 request for a future year through May 31st of 2026.
20 The Commission's decision to utilize a historic test
21 year with discrete adjustments reduces the Company's
22 initial request by 27.3 million to \$624.3 million.
23 This is in accordance with Mr. LaGrand's supplemental
24 direct and subject to true-up as we move forward.
25 However, Mr. LaGrand calculates that to be about a 23

1 percent increase when you take into account both the
2 base rates and the WSIRA rates that are being paid
3 today.

4 For Missouri-American this case is really
5 about whether it should be encouraged to continue its
6 investments or whether the State seeks to discourage
7 these investments and the benefits that come from
8 strengthening infrastructure and investment in the
9 state of Missouri. Without appropriate rate relief
10 in this proceeding, Missouri-American will not have a
11 meaningful opportunity to earn a reasonable return on
12 its investments which will negatively impact the
13 Company's ability to attract capital at reasonable
14 rates and, in turn, negatively impact customers.

15 Missouri-American faces significant
16 revenue recovery lag under its current ratemaking
17 structure. Regulatory lag occurs primarily for two
18 reasons. The first reason is as a result of utility
19 investments placed in service and providing benefits
20 to customers. When plant is declared in service and
21 is transferred to plant in service, the deferred
22 carrying charge known as allowance for funds used
23 during construction or AFUDC ceases and the Company's
24 required to start making monthly charges to
25 depreciation expense. However, customer rates do not

1 reflect the cost of service of those investments
2 immediately.

3 The second reason for regulatory lag is
4 when the Company incurs expenses that are different
5 than what is included in customer rates. These
6 factors are not accounted for in base rates set by
7 the Commission. For these reasons, despite other
8 parties' assertions to the contrary, Missouri-
9 American historically has not provided with realistic
10 opportunity to collect a reasonable return.

11 Mr. LaGrand has provided analysis of the Company's
12 annual returns over the last decade. That analysis
13 shows that Missouri-American has consistently
14 underearned a reasonable ROE for at least a decade.
15 During that time earned and annual returns of
16 equity have ranged from a low of 7.64 percent to a
17 high of 8.86 percent.

18 Now, this is in spite of the fact that
19 the Company's operating expenses have grown more
20 slowly than CPI. Had the Company O&M expense simply
21 grown at CPI from 2014 through 2023 and the
22 three-year average CPI through the last test year in
23 this case, the Company's revenue requirement in this
24 case would have been more than \$12.8 million higher.
25 And this calculation and description of this analysis

1 is provided in Mr. Carlson's testimony.

2 The opportunity to earn a reasonable
3 return on the Company's investments and to recover
4 prudently-incurred costs is critical to continue to
5 attract the necessary capital to support ongoing
6 investments that will enable it to provide safe and
7 reliable service to customers for years to come.

8 Missouri-American's ratemaking proposals
9 in this case are designed to at least partially
10 address the constraints with the existing ratemaking
11 structure. Missouri-American is requesting approval
12 of a revenue stabilization mechanism, a production
13 cost tracker, deferral mechanisms related to capital
14 investments, as well as certain discrete adjustments
15 beyond its historical test year period. These
16 mechanisms would mitigate some of the impacts that a
17 historical test year has on the Company's opportunity
18 to collect its authorized return and properly
19 recognize that plant expense levels that are -- that
20 will be serving Missouri-American's customers at the
21 time new rates take effect.

22 As was mentioned previously, the RSM
23 issue has been tried and explain -- as explained
24 further by Company Witness Rea this mechanism
25 stabilizes changes in revenues resulting from the

1 fact that a big part of Missouri-American's costs are
2 fixed while a large portion -- portion of its
3 revenues are assumed to be variable coming through
4 the commodity chart. Thus, if Missouri-American's
5 rates are designed assuming it will sell a million
6 gallons for example and it instead sells 900,000
7 gallons, its actual revenue will be less than the
8 revenue requirement the Commission found to be just
9 and reasonable. That difference in revenue will be
10 greater than any difference in the cost it will
11 experience from the lower volume sold.

12 The production cost tracker was discussed
13 yesterday. And as I mentioned yesterday, if the
14 Commission does not approve an RSM that includes a
15 production cost tracker, the Company believes that it
16 should separately approve a tracker mechanism for
17 these costs. The track, it would -- tracker would
18 allow any differences in production costs incurred
19 and production costs in customer rates to be deferred
20 to a regulatory asset or liability.

21 One of the issues that will soon be
22 before you this morning are the deferral mechanisms
23 that have been proposed by the Company. The Company
24 is proposing, too, to reduce regulatory lag
25 experienced when utility investments are placed in

1 service to provide benefits to customers. The first
2 is deferred depreciation and the second is the
3 capitalization of post in-service carrying costs.
4 Such investments immediately result in depreciation,
5 property tax, and other expenses being incurred
6 without being reflected in customer rates.

7 To counter this impact the Company
8 proposes to begin depreciating the plant investments
9 when they are placed in service, but rather than
10 immediately recognizing this depreciation expense,
11 the cost net of retirements would be recorded in a
12 regulatory asset. Similarly the Company proposes to
13 capitalize the post in-service carrying costs also to
14 a regulatory asset. At the time of the Company's
15 next rate case any deferred amounts would be
16 amortized over a reasonable period as would be
17 determined by the Commission.

18 I will mention, because there's been a
19 lot of discussion about the electric plant and
20 service accounting statute and relationship to that,
21 but before that statute was ever enacted, these types
22 of deferrals were at one time called by the
23 Commission construct accounting and used by the
24 Commission in regard to significant construction
25 projects. I would say that while Missouri-American's

1 proposal is not linked to a single construction
2 project at this time, the amounts of investment that
3 are being made in Missouri and the regulatory lag
4 that results from that investment would call for
5 similar treatment.

6 The other mechanism that we'll be
7 discussing soon is discrete adjustments. The
8 Company's proposed discrete adjustments through the
9 effective date of rates in this case will help
10 support the Company's obligation to provide safe and
11 reliable service at just and reasonable rates. The
12 Commission is allowing parties to propose these
13 discrete adjustments beyond the December 31, 2024
14 revenue requirement calculation. Discrete
15 adjustments should be made for the following matters
16 that will be known and measurable prior to the
17 operation of law date in the case as proposed by
18 Missouri-American: Utility plant in service which is
19 additions net of retirements. And that would be
20 those investments that plant that would be used and
21 useful prior to the operation of law in this case
22 including annualized depreciation and property taxes
23 related thereto. We also propose changes to the
24 Company's capital structure as they may result
25 through the operation of law date and selected known

1 and measurable operating expense adjustments that
2 would be in effect prior to the operation of law day.

3 The historical test year the Commission
4 has traditionally used for water utilities has left
5 Missouri-American chasing its tail with regard to
6 rates. This is primarily because of regulatory lag
7 as we've talked about and as associated with the
8 delay in recovering costs associated with new
9 investments. The impact is as simple as -- as
10 this: If Missouri-American's rate base on which it
11 will earn a return in this case is set as of
12 December 31st of 2024, the true-up date, Missouri-
13 American is already behind as we stand here today
14 and will be further behind on the date new rates go
15 into effect. That's because it has continued to
16 invest and place projects in service since
17 January 1st of 2025.

18 We will -- we will also acknowledge, and
19 it's been mentioned by other parties as it should be,
20 that WSIRA is a very valuable tool that has certainly
21 helped this situation. However, it has limits as it
22 only addresses certain types of plant. We would --
23 the Company takes the position that of the 1.2
24 billion in investments since the last rate case that
25 I mentioned earlier, only 57.7 of percent of those

1 are currently a part of WSIRA or a WSIRA rate. And
2 even those that are have experienced some level of
3 regulatory lag.

4 The bottom line is still that rate base
5 will be significantly greater after new rates have
6 been collected for a year and yet if discrete
7 adjustments are not made for that increase in
8 plant, the base rates will still be based on
9 December 31st, 2024 plant in service levels.

10 Briefly, we've talked about labor and
11 labor related costs. We certainly believe that it's
12 important that the Company offers compensation that
13 allows it to attract and retain customer-committed,
14 dedicated, highly-qualified employees. The Company's
15 overall compensation philosophy is to provide
16 employees with a total compensation package that is
17 market based and competitive with those of comparable
18 organizations with jobs of similar responsibility.
19 Recruitment of skilled workers as well as a retention
20 of existing trained workers is critical to Missouri-
21 American's ability to continue to provide safe and
22 reliable water and wastewater service for the benefit
23 of all Missouri-American customers.

24 I would like now just to touch briefly on
25 a couple of class cost of service and rate design

1 matters that are important to the Company. The meter
2 charges for Missouri-American Rate A have been
3 identical for both St. Louis county and outside
4 St. Louis County districts and are today. Missouri-
5 American believes that whether or not those districts
6 are consolidated for purposes of volumetric charges,
7 the common meter charges should remain.

8 In terms of single-tariff pricing, and
9 this was mentioned previously, the Commission has
10 moved towards that single-tariff pricing for water
11 services at -- services at a gradual pace over the
12 last many years. In this case Missouri-American has
13 proposed to equalize the volumetric rates for Rate A
14 between St. Louis County and non-St. Louis County
15 customers. And I think it's noteworthy that the
16 volumetric rates for these groups to include the
17 WSIRA, when including the WSIRA, are nearly identical
18 today. Thus, moving these rates to a single
19 statewide volumetric rate would not, should not
20 impose significant additional rate increases or rate
21 shock for either of those groups of customers.

22 Missouri-American knows how important it
23 is to balance the need for system improvements while
24 maintaining affordable water services. Missouri-
25 American Witness Rea conducted a detailed analysis of

1 the affordability of the Company's historical and
2 proposed rates and relates the median household
3 income for customers in its service territory to its
4 utility bills over time. This involved two different
5 types of affordability analysis for the Company's
6 water and wastewater service.

7 The first analysis is an enterprise-level
8 analysis of affordability which considers
9 affordability of service at a high level over a
10 multi-year period. The second analysis is a
11 community-level analysis of affordability which takes
12 a deep dive into the affordability of service at the
13 community level under current or proposed rates and
14 current economic conditions. That analysis as
15 conducted by Witness Rea demonstrates that Missouri-
16 American's water and wastewater services overall has
17 been, is, and is expected to continue to be
18 affordable for the majority of its residential
19 customers, including under the initial rates proposed
20 in this case that included the future test year
21 amounts. This trend in affordability is a result of
22 the long-term investment and management practices of
23 the Company and is a positive reflection of the fact
24 that the investment strategies the Company's
25 undertaken over time and the way the Company has

1 proactively managed the system is in the long-term
2 best interest of its customers.

3 One of the things that flows from -- from
4 that affordability analysis, however, is that the
5 Company still recognizes that customers face
6 challenging economic circumstances. Thus, the
7 Company, along with other parties, reached agreement
8 on a proposed universal affordability pilot program
9 and tariff for water services that you heard about
10 yesterday.

11 Missouri-American also supports its low
12 income customers through its H2O Help to Others
13 program. This is a shareholder -- shareholder-funded
14 program which offers direct financial assistance of
15 up to \$250 per year to customers that are struggling
16 to pay their water/wastewater bill and meet
17 low-income guidelines established by the local
18 community action agency. In addition, the Company
19 offers both residential and nonresidential customers
20 flexible payment arrangements through enhanced
21 installment plans if they are financially unable to
22 pay a water and/or wastewater service bill when due.
23 And the Company also offers residential customers the
24 option of paying bills under its budget billing plan.

25 Lastly, Missouri-American has been an

1 involved corporate citizen. On average Missouri-
2 American contributes roughly \$500,000 per year to
3 communities and organizations to support programs and
4 events that improve the health and safety, quality of
5 life and education of its customers. Many of its
6 employees also serve their communities by being
7 active member of organizations, often holding
8 leadership positions including boards of directors of
9 committees for state and local Chambers of Commerce,
10 economic development organizations, rotary clubs,
11 United Ways, hospitals, the arts, and environmental
12 organizations.

13 In conclusion we believe the Commission's
14 charge is to balance the interest of both the Company
15 and the customer and put in place rates and
16 ratemaking practices that will ensure that Missouri-
17 American may continue to meet its obligations and
18 provide safe and reliable service while also
19 providing Missouri-American with a reasonable
20 opportunity to earn a reasonable return on its
21 investment. Doing so will allow Missouri-American to
22 continue to provide high-quality water and wastewater
23 services in the most cost-effective way through the
24 replacement, operation, and maintenance and
25 rehabilitation of assets for present and future

1 customers. That's all I have, your Honor.

2 JUDGE SEYER: Thank you. Are there any
3 questions from the commissioners? All right. Thank
4 you, Mr. Cooper. Ms. Aslin.

5 MS. ASLIN: Good morning. May it please
6 the Commission. After two full days of hearing, I
7 will attempt -- I will attempt to keep this opening
8 statement brief.

9 At this point Missouri-American's
10 approach to this rate case is clear. Ask for the
11 most. ROE, capital structure, the RSM, the
12 production cost tracker, Missouri-American is
13 requesting excess at every turn to the benefit of its
14 shareholders and the detriment of its customers.
15 These requests are reflected in the different
16 revenue requirements currently proposed by Staff who
17 is at 538 million as of June 30th, 2024 and Missouri-
18 American who is currently at 641 million as of
19 May 31st, 2025. Over \$20 million of this difference
20 is due do discrete adjustments.

21 This morning we'll be discussing two more
22 examples of excess: Missouri-American's proposal on
23 discrete adjustments and depreciation and carrying
24 cost deferrals. Staff witness Kim Bolin will be
25 appearing today and I encourage you to ask her about

1 Staff's position on these issues, but I will first do
2 my best to summarize them.

3 Missouri-American requested a future test
4 year in this case, but the Commission denied this
5 and set a historic test year of the 12 months
6 ending December 31st, 2023 with a true-up through
7 December 31st, 2024. The Commission Order
8 establishing the test year did allow parties to
9 propose discrete adjustments. Discrete adjustments,
10 also referred to as isolated adjustments, are
11 adjustments made to the test year or true-up period
12 for known and measurable changes or events that
13 occurred after the test year or true-up period.

14 After the Commission denying Missouri-
15 American's motion to establish future test year,
16 Missouri-American filed supplemental direct testimony
17 of Brian LaGrand. Mr. LaGrand proposed a number of
18 adjustments for changes purported to be known and
19 measurable through May 31, 2025, the operation of law
20 date in this case. Missouri-American proposes making
21 discrete adjustments for plant in service,
22 accumulated depreciation reserve, payroll, support
23 services, and regulatory deferrals. This is just a
24 sample of the list of nearly 30 adjustments that
25 Missouri-American is proposing. A full list of these

1 discrete adjustments can be found in Kim Bolin's
2 direct testimony.

3 Staff does not view this lengthy list of
4 adjustments as discrete or isolated. Instead,
5 Staff views this list of proposed adjustments as
6 a makeshift future test year. Many of these
7 adjustments will not truly be known and
8 measurable as the operation of law date which again,
9 May 31st, 2025.

10 Mr. LaGrand has pointed out in his
11 testimony that Staff does not use known and
12 measurable data in their own audit but frequently
13 uses averages when developing its case. Staff does
14 not agree with this assessment. Using an average of
15 actual numbers that are indeed known and measurable
16 is not the same as the projections that must be used
17 to make these proposed adjustments.

18 Staff is not wholly opposed to discrete
19 or isolated adjustments occurring past the true-up
20 period, but these adjustments must be known and
21 measurable and the timing of the event should not
22 view the matching principle in relation to other cost
23 of service items.

24 Turning to the issue of depreciation and
25 carrying cost deferrals frequently referred to in

1 this case as the water PISA, Staff is completely
2 opposed to Missouri-American's proposal and deems it
3 unnecessary. With regards to depreciation deferral,
4 Missouri-American proposes to begin deferring
5 depreciation expense as soon as the plant investment
6 is placed in service placing it into a regulatory
7 asset until the Company's next rate case. Missouri-
8 American also proposes capitalization of post-in
9 service carrying cost deferring the return on the
10 plant as soon as it's placed in service until the
11 plant is included in rate base in the next rate case.

12 These proposals, Missouri-American
13 argues, are a way to combat regulatory lag or a lapse
14 in time between when a utility experiences a
15 financial change and when that change is reflected in
16 its rates. This is contrary to the principles of
17 traditional ratemaking and is yet another attempt by
18 Missouri-American to shift any and all risk from
19 shareholders to ratepayers.

20 But Missouri-American is eligible to and
21 currently utilizes WSIRA. WSIRA allows Missouri-
22 American to collect a surcharge that can be changed
23 up to two times per year. Staff has reviewed
24 Missouri-American's recent WSIRA projects and found
25 the projects completed between October 2023 and

1 April 2024 experienced a lag of approximately three
2 months, not the one-year lag cited by Mr. LaGrand.

3 Again, the theme of this hearing has been
4 and will continue to be unnecessary requests and
5 proposals from a company that has not demonstrated
6 need. Staff encourages the Commission to deny
7 Missouri-American's request for discrete adjust --
8 discrete adjustments and depreciation and carrying
9 cost deferrals. Thank you.

10 JUDGE SEYER: Are there any questions
11 from the commissioners? All right. Thank you.
12 Mr. Coffman, do you have an opening?

13 MR. COFFMAN: Yes. Good morning. May it
14 please the Commission. John Coffman on behalf of
15 Consumers Council and AARP.

16 I'll just speak at a general level about
17 water affordability. My clients believe that
18 affordable and reliable water service is a human
19 right. And even if you don't believe that, I would
20 urge you to think about this case in moral terms, not
21 just financial terms, but in moral terms. There
22 are people who can hardly pay their utility bills
23 today. And if you look at say the lowest 20 percent
24 of the public as far as income goes, they earn less
25 than \$20,000 a year. That's probably not enough to

1 pay for the water rates that Missouri-American Water
2 is asking for. And yes, there will always be poverty
3 with us, but as these rates exceed inflation, as
4 these utility rates continue to rise, more and more
5 of people are going to be included in that group of
6 people who cannot afford. The next quortile, say
7 which -- or quintile would be 40 percent of the
8 public, they earn 31,000 or less. And so I want you
9 to think about these people.

10 We -- we sit in this room and we have
11 stacks of Excel spreadsheets and we are just
12 overwhelmed with data. And that's a great thing that
13 we can look under the hood and talk about this
14 utility. But the Public Service Commission's core
15 mission, at least as far as I understand it, is to
16 balance the utility shareholders, the monopolies and
17 their shareholders against the general public. And
18 if we only look at one side of the equation, we're
19 going to be setting rates that are too high.

20 So I urge you to keep in your mind the
21 faces and the stories of the people that you heard at
22 the local public hearings, which by the way we are
23 very grateful that the Public Service Commission has
24 virtual and in-person public hearings and that you do
25 make an effort. Every one of you have gone out and

1 listened to the public. I know it's not fun to do,
2 but I think it's very important so that you get a
3 sense of the consequences of the votes that you make
4 in these cases.

5 At the public hearings in this case you
6 heard about a retired couple who were surprised that
7 they can't -- they can't meet the budget on their
8 retirement fixed income that they have and they
9 talked about the impact on their sewer bill. You
10 heard from a single mother who is trying to raise a
11 seven year old in talking about how she can't pay for
12 everything that her child needs and that raising
13 utility rates makes that even harder. You heard from
14 a gentleman who was living on a blind pension, a
15 pension for the blind of \$782 a month. He said that
16 the proposed rate increase in this case would cause
17 him to cut his medications.

18 And so you should keep in mind there are
19 human decisions. Maybe, you know, family -- these
20 families won't become homeless, but they'll make
21 decisions that will have negative impacts on -- on
22 education and on health and on other parts of their
23 lives. And so we're not saying don't approve any
24 rate increase. We're saying mitigate it, balance it,
25 and consider affordability in every one of these

1 decisions that we have.

2 And again, we would like to urge you to
3 look at the fixed charge. Please don't raise the
4 fixed charge by 113 percent. I think that -- we
5 think that it can be raised a dollar or some small
6 amount, and I think that would be appropriate given
7 the cost there, but the residential fixed charge is
8 an unavoidable charge if you have water service. And
9 so water conservation and so forth will not help
10 someone deal with that particular rate design.

11 And also because we haven't spoke yet
12 about the single-tariff pricing incident, I am
13 certainly sympathetic to Jim Fischer's clients and to
14 others who have had increases, but single-tariff
15 pricing is bad in general because of the way that it
16 encourages excessive investment. And it makes it too
17 easy to spread to other folks.

18 And so I want to emphasize that with
19 water rates, we have very distinct territories not
20 interconnected. And so St. Louis County is not
21 interconnected with St. Joseph or Joplin or
22 Parkville. And the St. Louis County area would have,
23 we believe would have rate shock if you went with
24 Rate A all the way to single-tariff pricing. So we
25 think that St. Louis deserves to have a somewhat

1 lower rate because the costs are lower there. And
2 we do, you know, when you're -- when you're proposing
3 a 38 percent increase, single-tariff pricing would be
4 greater than that for those in St. Louis County. So
5 not just because it's bad for St. Louis County, but
6 because we think it's bad policy.

7 With electric and gas, yes, you should
8 have a territory and average the cost because that's
9 a connected network. With water you have significant
10 cost differences between river-treated systems, well
11 systems, different customer bases. And so we think
12 it is appropriate that you maintain the -- just
13 because there's been an excoriable attempt to lobby
14 for this single-tariff pricing over many years
15 doesn't mean you should go all the way there. It has
16 been opposed by most of the parties over most of that
17 time.

18 And so I think that covers everything
19 that I wanted to say. And please consider the public
20 side of this. The Courts have said that protecting
21 the ratepaying public is the public's -- is the
22 guiding star of the Public Service Commission Act and
23 so please don't forget your first name which is
24 public.

25 JUDGE SEYER: Do the commissioners have

1 any questions for Mr. Coffman?

2 COMMISSIONER MITCHELL: If I may, Judge,
3 it's Commissioner Mitchell.

4 JUDGE SEYER: Hello, Commissioner.

5 QUESTIONS

6 BY COMMISSIONER MITCHELL:

7 Q. Thank you for your testimony. You know,
8 affordability is a, you know, a key that's top of
9 mind I think for all of the commissioners. And I'm
10 curious from your perspective, how do you define
11 affordability?

12 A. Well, it's I guess different for every
13 customer. And, you know, as the rate -- you know,
14 there's more and more folks that fall into that
15 unaffordability category as rates go up. You know,
16 there will be some who could never afford their bill
17 and some who could always afford their bill, but the
18 higher the rates go and the higher the rates go in,
19 you know, at a faster rate than other expenses, it's
20 going to make more folks struggle.

21 And so, you know, you know, even Missouri-
22 American in this case has acknowledged that that is
23 something that needs to be addressed. And we
24 appreciate the -- the UAT tariff idea, and we support
25 it. I mean, partly because the Company is owning it

1 and proposing it and so we -- we hope that you -- you
2 adopt that and that will be helpful to some of these
3 folks that I talked about and would look forward to
4 working on that, you know, to make sure that those on
5 the lowest end, you know, have a chance.

6 I don't know if that answered your
7 question but the depth -- you know, I think, you
8 know, the affordability is a customer-specific idea.
9 So the way I look at it is, you know, if the rates
10 are going up too high, you are creating
11 unaffordability for more and more ratepayers.

12 COMMISSIONER MITCHELL: Yeah. I can
13 definitely see that perspective, and I appreciate
14 your testimony. I appreciated your testimony on the
15 single-tariff pricing as well. So thank you.

16 MR. COFFMAN: Thank you.

17 COMMISSIONER MITCHELL: That's all the
18 questions I have.

19 MR. COFFMAN: Anyone else?

20 JUDGE SEYER: Doesn't appear to be.
21 Thank you. Mr. Opitz.

22 MR. OPITZ: Good morning, and may it
23 please the Commission. Tim Opitz on behalf of MCEG.

24 Commission, you've got a difficult job in
25 this case. You will decide what people pay for a

1 necessary service. There's no getting around the
2 fact that people, businesses, manufacturers, everyone
3 needs this water that Missouri-American is providing.
4 You go to the public hearings and hear directly how
5 these increases will impact people in their lives,
6 how it will impact businesses, how it will impact
7 communities. And, you know, if you're like me, it's
8 going to stick with you what you hear and it will
9 weigh on you.

10 There will be an increase in this case,
11 you know. A 40 percent increase will cause people,
12 businesses, manufacturers, communities to struggle.
13 It is haunting to hear the stories that Mr. Coffman
14 just mentioned, that some people will be unable to
15 pay no matter what the increase in this case will be.

16 On top of that your job is additionally
17 difficult because utilities are complicated. Within
18 just a few hours yesterday you heard about the base
19 extra capacity studies and linear regression studies
20 and legal questions on top of all that. That is a
21 full day.

22 The ultimate question here or in any rate
23 case is how do you determine what amount people
24 should pay. The statutes say just and reasonable,
25 but what does that mean. How do we get to just and

1 reasonable. For me that's cost of service. How do
2 we do that. Basically we look at all the costs to
3 provide service in a discrete period of time plus a
4 return on that plant that's serving customers.
5 That's the revenue requirement. Then we divide that
6 amount among the customers based on the cost that
7 those customers cause to the system.

8 I don't want to give you any additional
9 moral dilemmas here in your decision making. That's
10 not helpful. So here are a few decision points you
11 can make that will help customers.

12 First, we should look at cost to provide
13 service in a discrete period of time. We use a test
14 year. Annualized, normalized, and known costs in
15 that time period should be put into rates. I don't
16 think anybody disputes that. Costs outside of that
17 test period should not be included in rates. A few
18 issues that impacts in this case are the discrete
19 adjustments outside of the test year. You heard
20 Staff counsel say this morning that's about \$20
21 million. That's an easy decision you can make to
22 reduce this rate increase to customers. Those costs
23 should be rejected.

24 The production cost tracker. Yesterday,
25 I I can't remember who, a counsel or perhaps a

1 commissioner asked one of my -- my witness about the
2 regulatory asset in that and how that, in their mind,
3 it would actually be recovered in a future rate case,
4 so don't worry about it here, right. I mean, that's
5 the impression I got from the line of questioning.
6 Well, look, I reject that. One, for a production
7 cost tracker, it's not necessary under traditional
8 ratemaking. They already have a reasonable
9 opportunity to recover those costs. We have a true-
10 up, we have a -- we have a test year, we have a true-
11 up, we have annualizations, normalizations. We build
12 in a return on equity for them to earn those -- to
13 earn a return on that plant. They can recover those
14 costs, have the opportunity to do so under our
15 traditional methods.

16 Second, a regulatory asset, all it does
17 is pull costs incurred in one period and puts them
18 into a next time period for consideration. So what
19 happens with the regulatory asset is you may not be
20 causing a direct increase in this case, but the next
21 case, if those costs are included, it's going to be
22 the cost of service plus whatever those costs and
23 that regulatory asset would be. I don't support
24 those deviations from cost of service. Customers
25 should pay what the cost of service is. The

1 production cost tracker should be rejected.

2 The deferred depreciation. People talk
3 about it as water PISA. There's two components to
4 that. Again, that just creates another regulatory
5 asset. Same issue with production cost tracker.
6 Please reject it.

7 Revenue stabilization mechanism. I heard
8 this morning -- well, yesterday we talked about
9 revenues. This case isn't about declining revenues.
10 That's what the revenue stabilization mechanism is in
11 theory supposed to account for. Revenues are stable.
12 You heard from counsel for Missouri-American this
13 morning, this case is driven by capital spend. It's
14 not declining revenues. Revenue stabilization
15 mechanism is not going to address their declining
16 spend or their capital spend rather. The RSM takes
17 isolated factors and moves consideration to another
18 time frame. We're departing from cost of service
19 when we're looking at a revenue stabilization
20 mechanism. I urge you to reject it.

21 The second component of my cost of
22 service formula is the return on plant serving
23 customers. That's the ROE. That's the capital
24 structure. Company is asking for a 10.75 percent
25 ROE. That would be the highest in the state. I'll

1 have to check the transcript; I thought it would be
2 the highest in the country based on examination of
3 the witnesses. Anyone that says a 10.75 ROE is
4 required to provide safe and adequate service or
5 attract capital to make investments to provide
6 service on an ongoing fashion is just not credible.
7 They're not. I urge you to reject their ROE request.

8 For capital structure, in looking at the
9 testimony, I'd urge you to look at OPC's Dave
10 Murray's testimony. I think his recommendations
11 convincingly show that the American Water capital
12 structure as adjusted by him is the appropriate
13 ratemaking capital structure for this case. That
14 issue will have a big impact on the overall revenue
15 requirement. It will have an impact on what
16 customers ultimately pay after this case.

17 Third, how customer classes pay for the
18 revenue requirement. Now, this is where I depart
19 from OPC or the Commission Staff. I understand their
20 perspective. This is a big increase. But to me just
21 and reasonable rates, as I said, are based on cost of
22 service. And, you know, in this case we've got a
23 couple cost of service studies. Traditionally that
24 is the way we look at how costs should be recovered
25 and allocated to customers. We try and determine

1 what cost a customer class causes and try and
2 allocate that much of the revenue requirement to that
3 class. Here the Company used a base extra capacity
4 method. That's widely accepted in the industry.

5 MECG's witness Ms. York looked at that
6 and offered some modifications that -- that get to
7 cost of service: Water treatment costs for the
8 fire -- fire protection districts that they are
9 actually incurring; purchase power costs to show how
10 purchase power is incurred; distribution costs for
11 Rate J because Rate J uses different distribution
12 line lengths so they're not using as much as of the
13 distribution system; and then class load
14 characteristics, how the system was built, who it was
15 built to serve, who's using the system length. Each
16 of those recommendations by Ms. York gets us closer
17 to cost of service, in my mind gets us closer to just
18 and reasonable rates. The OPC didn't do a study.
19 The Commission Staff didn't do a study. I urge you
20 to allocate the revenue request in this case based on
21 Ms. York's class cost of service recommendations.

22 You've got an awesome responsibility in
23 this or any rate case to set reasonable rates. It's
24 going to have an impact on people. It is cruel for
25 the Company to talk about affordability when they are

1 asking for a 10.75 return on equity. It is cruel.
2 They are wanting a tariff of questionable legality,
3 rather than addressing it through the normal
4 processes, they're asking for a tariff of
5 questionable legality. Because their rates will be
6 unaffordable to 16 percent of their customers. It's
7 astonishing.

8 Instead I urge the Commission to look at
9 the testimony from the other noncompany parties in
10 this case. Taken together in various components the
11 recommended -- recommended testimony of OPC, of
12 Staff, of MEEG, of MIEC, of Consumers Council, of
13 other parties, taken together those recommendations
14 get us closer to cost of service, get us closer to
15 just and reasonable rates. The Company has seen our
16 testimony. The Company has seen OPC's testimony, the
17 Staff's testimony, everybody else's testimony, and it
18 hasn't been persuasive to them. They're not going to
19 listen to us. I urge you, Commission, to make them
20 listen to you. I'm happy to answer any questions.

21 JUDGE SEYER: Are there any questions
22 from the commissioners?

23 MR. OPITZ: Thank you.

24 JUDGE SEYER: Mr. Clizer.

25 MR. CLIZER: I was going to say I believe

1 Mr. Harden has the privilege if he wants to go first.

2 JUDGE SEYER: Oh, I'm sorry. I didn't
3 realize you were here in person.

4 MR. HARDEN: I wouldn't miss by big
5 opportunity. Thank you. Good morning,
6 Commissioners. My name is Joshua Harden, and I'm
7 here today on behalf of Triumph Foods, LLC to discuss
8 the continued recognition and approval of Triumph
9 Foods special service contract with Missouri-American
10 Water Company. The issue of Triumph's special
11 service contract is contained in the first
12 stipulation agreement that was filed in this case.
13 And I'm happy to tell you that it is without
14 opposition in this case. I'm mostly up here to
15 introduce my client and this issue to the Commission.
16 We're obviously supportive of the stipulation and
17 agreement that was filed, and we urge the Commission
18 for its approval.

19 Triumph Foods is a major economic driver
20 in the St. Joseph -- in St. Joseph, Missouri and
21 across its region. It's the largest industrial water
22 consumer in Missouri-American Water Company's service
23 territory. We employ over 2,800 people, making us
24 one of the largest employers in the area. Our
25 operations contribute significant to the local

1 economy with ongoing investments in infrastructure,
2 expansion projects, and workforce development. Since
3 coming to Missouri, since our inception Triumph Foods
4 has invested tens of millions of dollars in our
5 St. Joseph facility ensuring that we continue to grow
6 and innovate and provide stable and well-paying jobs.

7 The special service contract that Triumph
8 Foods operates under has been repeatedly reviewed and
9 approved by this commission, like I said, since 2003.
10 The term of the contract expires in 2028. This
11 agreement ensures that Triumph Foods contributes to
12 both the variable and fixed costs associated with our
13 water usage while allowing our facility to remain
14 competitive in a highly cost-sensitive industry. The
15 special contract is not only fair, it is also
16 beneficial to other Missouri-American Water customers
17 as Triumph Foods' contribution help reduce the
18 overall revenue requirement.

19 The Commission has previously recognized
20 the importance of Triumph Foods' presence in
21 St. Joseph, particularly as an anchor for economic
22 development in a historically significant industrial
23 area. The availability of a competitive water rate
24 was a decisive factor in Triumph's decision to
25 establish operations there, and it continues to play

1 a critical role in our ability to sustain and expand
2 our business. The contract ensures that Triumph
3 Foods remains a stable and growing part of this
4 community and we urge the Commission to maintain its
5 long-standing recognition of this agreement in its
6 final decision in this case.

7 In conclusion, Triumph Foods supports
8 reasonable and fair utility rates, but we also
9 emphasize the importance of economic development
10 riders and special service contracts for large
11 industrial consumers like us. We appreciate the
12 opportunity to present our position, to introduce
13 ourselves, and thank the Commission for its time and
14 consideration.

15 JUDGE SEYER: All right. Yes,
16 Commissioner Kolkmeyer.

17 COMMISSIONER KOLKMEYER: Thank you,
18 Judge.

19 QUESTIONS

20 BY COMMISSIONER KOLKMEYER:

21 Q. Just inquiring, what are some of the foods
22 and/or some of the brands that Triumph processes in
23 St. Joe?

24 A. Primarily -- I think it's a hundred
25 percent pork-related products, and Seaboard is one

1 of our major holders. If you look at the attachment
2 on Brian Collins' testimony, you'll find a list of
3 our -- the various food brands and labels that we
4 have.

5 COMMISSIONER KOLKMEYER: Thank you.

6 JUDGE SEYER: Commissioner Mitchell.
7 Sorry.

8 COMMISSIONER MITCHELL: Sure.

9 QUESTIONS

10 BY COMMISSIONER MITCHELL:

11 Q. And since you bought it -- brought it up,
12 I just want to make sure to confirm that your client's
13 special service contract does indeed reimburse the
14 Company fully for all of the cost of services that
15 are triggered by Triumph Foods' operation.

16 A. And then some I believe, yes.

17 COMMISSIONER MITCHELL: Thank you.

18 JUDGE SEYER: All right. Mr. Clizer.

19 COMMISSIONER KOLKMEYER: I'm not laughing
20 at you, I'm laughing with you.

21 MR. CLIZER: That's okay. No, that's
22 fine. I deserve to be laughed at too for what it's
23 worth.

24 May it please the Commission. Once
25 again, good morning, John Clizer on behalf of the

1 OPC. As has sort of been touched on by other
2 witnesses -- oh, sorry -- other counsel, there was a
3 bit of a gentlemen's agreement that we would sort of
4 hopefully try to avoid the mini openings to the
5 first issue since we're doing general openings. So
6 for this one, I'm going to do basically three parts.
7 I'm going to do a short general overview and then I'm
8 going to touch on the two issues that are going to be
9 first up afterwards, so I don't have to come up a
10 second time and give a mini opening. And I should be
11 moving ahead to show you those three parts.

12 But, so again, we're going to have a
13 general opening statements and then I'm going to talk
14 about the discrete adjustments and then I'm going to
15 talk about the water PISA issue.

16 So general overview. Personally, you
17 know, I always like to start off on at least a
18 positive note when I can. So the first thing I want
19 to mention is that we have had some settlements in
20 this case. We had two settlements, in fact. The
21 first one was able to settle some I think 34 issues;
22 it's a bit hard to count, depends on how you kind of
23 shake things out. And that one's unanimous, no
24 objections. And the second one of course is the UAT
25 and miscellaneous fees for which there is an

1 objection. And I just want to say with respect to
2 Mr. Opitz on behalf of MECG, I do thank all of the --
3 the Intervenor and the parties who are willing to
4 come together and work on those, both of those
5 settlements, it is important for us to recognize that
6 even when there is significant disagreement, there's
7 still opportunities for us to reach some agreements
8 on issues. So again, I thank the parties for being
9 willing to work on those settlements.

10 So with those settlements, what do we
11 still have in front of us. Well, again, by dollar
12 amount the three biggest issues in front of you are,
13 in order, the Rate of Return, the Discrete
14 Adjustments which we're about to hear, and the
15 Support Services which we've already heard. There's
16 also quite a few what I qualify as non-dollar issues
17 that include class cost of service, billing
18 determinants, the RSM, and water PISA. Now, I want
19 to say when I say non-dollar, keep in mind that what
20 I mean by that is it doesn't have a revenue
21 requirement impact or really shouldn't, but they
22 still have potential dollar impacts. I kind of
23 explained yesterday with the billing determinants.
24 If the billing determinant is set wrong, the Company
25 will either over or under recover. So just keep it

1 in mind when you think non-dollar; it's not doesn't
2 have an impact; it's just not supposed to impact the
3 revenue requirement, at least not in this case.

4 So what I'd really like to kind of do is
5 more actually than anything focus on the health of
6 the Company. Because what you heard from Mr. Cooper
7 on behalf of Missouri-American Water was a dire
8 picture, you know, a concern with the ability of this
9 company to attract capital, to maintain its
10 operations. And I don't think that that's really
11 justified.

12 The figure you see here is taken from a
13 February 2024 investor relations report put out by
14 American Water Company, the parent of Missouri-
15 American Water Company. And what you can see is that
16 American Water Company was touting to its investors
17 that it succeeded in achieving its 8 percent compound
18 annual growth rate of its earnings per share. It is,
19 and it has been for a while now, achieving its
20 preferred growth rates. It also discussed how
21 American Water Company as a whole had added over
22 90,000 customers and had made, oh, about \$3.3 billion
23 in overall investments. I'm going to ask you to keep
24 that 3.3 billion in mind for just a second when I
25 start talking about Missouri in particular.

1 But I want to take a moment because
2 obviously there was discussion of earned ROEs and
3 sort of the concerns, right, into that. Two things.
4 First of all, you know, this company doesn't have to
5 attract capital the way that it's being described.
6 This company is a wholly-owned subsidiary. It gets
7 all its capital needs through its parent. So I just
8 want to kind of like don't -- don't fall into the
9 mistake of thinking, oh, we have to go find investors
10 for us. Remember, all the money's coming through
11 American Water Company. And American Water Company
12 as you can see is doing very, very well. They have
13 no problem attracting investors.

14 The other thing I just want to briefly
15 touch on is the concept of earned ROE or return on
16 equity. Your return on equity is equal to your total
17 net income divided by your equity balances. The
18 important thing to remember there is that it's net
19 income which means it's your total revenues less your
20 expenses. In between rate cases the Company begins
21 to incur expenses with continued construction costs.
22 That's what's dragging down your earned ROE. It's
23 not about, you know, do we need a revenue
24 stabilization mechanism or anything like that.

25 You're always going to see a decrease to

1 the earned ROE if the construct -- if the utility
2 continues construction in between rate cases because
3 that is going to encourage or rather create
4 additional expenses that aren't yet reflected in
5 rates. But the Commission has systems in place to
6 acknowledge those expenses, like AFUDC which we'll
7 also kind of discuss today, as well as the WSIRA. So
8 the whole concept of not being an earned ROE is a bit
9 of a -- it's a misstatement.

10 But moving on. So we talk about the \$3.3
11 billion in total investment. How much has been
12 spent in Missouri. And as you can see, again, that
13 same 2024 investor analyst report touted \$1.1
14 billion, billion with a B, in spend here in Missouri.
15 And even Mr. Cooper himself acknowledged 1.2 billion
16 in his opening.

17 This is a good point to remind everybody
18 that this case doesn't involve significant plant
19 disallowances, so it's not like we're up here arguing
20 whether or not that 1.1 billion was prudent. We're
21 letting them keep all of it. But it's also important
22 to remember again they're telling you, Oh, we need
23 this RSM to attract capital. I don't see that. If
24 it was really the case that, you know, we needed all
25 these mechanisms and RSM, water PISA or they're not

1 going to make investments, would they be making \$1.1
2 billion of investments now when they don't have an
3 RSM, when they don't have a water PISA. Clearly,
4 clearly this company does not have a problem
5 encouraging its parent to invest heavily in Missouri.

6 And you can also see why if you start to
7 look at how Missouri ranks among the other states
8 where it operates. Again, this same figure was taken
9 from an investor analyst report, and there's actually
10 a copy of this exact figure in the testimony of
11 Dr. Geoff Marke. And it sort of highlights the
12 various mechanisms that Missouri-American Water or
13 rather its parent, American Water Company, considers
14 important from an investor, from a regulatory
15 standpoint. And what you'll see is that Missouri
16 hits nearly every single one of these boxes. In
17 fact, the only one that Missouri isn't in is in the
18 future test year where instead a hybrid test year
19 according to American Water Company and even now
20 there's legislation moving down the street that would
21 push us into the future test year category.

22 Again, Dr. Marke compiled this chart
23 which you can find in his testimony that shows where
24 Missouri ranks in terms of these regulatory favorable
25 mechanisms. And Missouri is five and a half out of

1 six, about to potentially become six out of six.
2 This is a favorable state. American Water recognizes
3 that which is why the Company has already invested
4 \$1.1 billion without an RSM, without water PISA. You
5 do not need to keep giving new things to the Company
6 to encourage investment. It's already coming.

7 So this is a quick conclusion of the
8 general overview. Once again, we have already had an
9 enormous amount of capital invested in Missouri. And
10 this is because American Water Works Company, the
11 parent, clearly sees Missouri as a highly favorable
12 regulatory environment. What the Company now is
13 asking for is just icing on top of the cake. They
14 already have a WSIRA. They're about to have future
15 test year. Now they need the RSM. Now they need a
16 water PISA. If you grant them these things, the next
17 time they come back, it'll be even more. That is the
18 modus operandi of this company MAWC's customers
19 cannot sustain that kind of constant addition,
20 constant give. There has to be a limit.

21 All right. With that I'm now going to
22 move into the two specific topics that are going to
23 be addressed first today, starting with Discrete
24 Adjustments. What is a discrete adjustment. We
25 often refer to them as an isolated adjustment.

1 Effectively what it is is we have a test year and
2 then we have a true-up period, but sometimes there's
3 something that happens beyond the true-up period that
4 we know is going to happen and because we know it's
5 going to happen we're allowed to put it into the test
6 year or into the case.

7 I think one of the best examples of this
8 would be let's say you have a union contract. And
9 that union contract guarantees an increase to payroll
10 outside the test year. We know it's going to happen
11 because it's part of the contract. It's not like
12 we -- but it's outside the test year, so we can
13 include it. We call that standard known and
14 measurable. That's the standard the Commission staff
15 always employs. Do we know it's going to happen.
16 Can we measure it.

17 Now, the problem in this case starts with
18 what the Company's asking to discretely adjust. And
19 I'm not going to read all these items, but you can
20 see here. Missouri-American Water tried to sugarcoat
21 it by saying, Oh, it's four or five different things.
22 Really those are four or five big groups. If you
23 start looking at the number of things that they want
24 to increase, which I literally couldn't fit on one
25 page without making the text illegible because, as

1 you can see, it's actually just about every single
2 cost component that goes into a case. And again,
3 that list as was already identified in Ms. Bolin's
4 testimony.

5 The Company is not asking for discrete
6 isolated adjustments. The Company's asking to update
7 its entire case more or less through May 31st, the
8 effective date of rates in this case. And you all
9 cannot determine whether those adjustments are known
10 and measurable at that time. At this time. And the
11 reason for that is because there is actually no real
12 evidence before the Commission right now to support
13 these adjustments. The only thing right now in
14 testimony evidence is a supplemental testimony by
15 Mr. Brian LaGrand that has a sheet that shows you
16 the full total dollar amounts. The actual evidence
17 that was supposed to be supporting these,
18 according to Mr. LaGrand's surrebuttal testimony, was
19 to be provided in true-up information which was
20 January 31st, 2025.

21 And I want to point out to the
22 Commission, this actually creates an evidentiary
23 problem because the information, the evidence that
24 was supposed to support this true-up information, or
25 rather, sorry, the discrete adjustments, was actually

1 supplied 21 days after the last opportunity for
2 non-company parties to file testimony. This is a
3 serious concern to me because it means that the
4 non-company parties have not had an opportunity to
5 file testimony in this case regarding the discrete
6 adjustment evidence that was supplied as part of the
7 true-up information.

8 Despite all that, the OPC does have one
9 minor adjustment to this. At the beginning of this
10 case we sent DRs to the Company that basically asked
11 for proforma estimates regarding their discrete
12 adjustments. And based on that information, the
13 OPC's witness, Mr. John Robinett was able to
14 determine that they thought there was an error in the
15 depreciation reserve balances. We believe that error
16 to be about \$5 million. And I just want to point out
17 really quick, that's five million of depreciation
18 reserve which means it's rate base. So it's not five
19 million of revenue requirement. You'd multiply that
20 five million by the rate of return which if we say
21 is -- let's say roughly, I don't know, 6 percent for
22 example, you're actually only talking about \$400,000
23 or less in revenue requirement. So it's not a large
24 amount by any stretch, but it is something that we
25 identified.

1 So, and we also, again, we're struggling
2 to find it. We don't think the Company actually
3 responded to Mr. Robinett's disallowance. So our
4 position first and foremost is that you should not be
5 allowing these discrete adjustments because they're
6 not really discrete adjustments. These aren't
7 specific known and measurable changes. This is an
8 attempt to update the entire case. And there really
9 isn't any evidence in front of the Commission because
10 it was all just provided as part of the true-up
11 information well after testimony had closed.

12 However, if you do decide to allow the
13 discrete adjustments, we would encourage you to make
14 Mr. Robinett's \$5 million adjustment to reserve
15 balances.

16 The very last issue that I want to bring
17 up or discuss is the water PISA. I use the term
18 "water PISA." The Company prefers the term
19 "deferrals." But the reality is it is PISA. So
20 let's really quick, what is PISA. PISA stands for
21 plant in service accounting. And the short version
22 is that it's a mechanism that allows you to defer
23 part of the return of and return on a plant after it
24 has been put into service but before it goes into
25 rates. And this is exactly what the Company is

1 asking for. They want to defer part of the return of
2 and the return on plant after it goes into service
3 but before it is put into rates.

4 The problem is that there's only one
5 statute in Missouri right now that allows PISA, and
6 it's section 393.1400. This is the electric PISA
7 statute. It only applies to electric utilities. It
8 only allows 85 percent of the deferrals to be put
9 into the accounts. It has a specific list of
10 qualifying electric plant. And I want to point out
11 the first thing you think of when you think of that
12 is it prevents you from putting in gas fire and I
13 believe nuclear, I'm not sure on that, but it also
14 includes a prohibition of including plant to add new
15 customers. That's actually a -- it's a minor point,
16 but that's a prohibition in the electric statute.
17 You can't have PISA on plant to add new customers.
18 There's also a couple other restrictions and
19 protections.

20 What is Missouri-American Water asking
21 for. Well, to start off with they're not an electric
22 corporation. They're requesting more than the 85
23 percent deferral allowed for electric corporations.
24 They're asking for no restrictions whatsoever. And
25 they've eliminated all of the other protections and

1 restrictions that would apply under the statutory
2 PISA for electric.

3 There is a phrase that is used in the
4 law, and this is where, you know, lawyers love to be
5 fancy and throw around their Latin. Expressio unius
6 est exclusiois alterius which just really means the
7 expression of one thing is the exclusion of the
8 other. And I'm not going to read that big quote to
9 you. That's just showing that this Commission has
10 identified and used that legal standard in the past.

11 What the legal standard means in simple
12 terms is that if you have a statute that says X,
13 you're supposed to interpret that to mean not not X
14 or rather everything that is in it excludes
15 everything that's out of it. What that means in this
16 case is that if you have a statute that says you can
17 do this for electric, that should be interpreted to
18 mean you can't do it for anybody who isn't an
19 electric corporation.

20 And to really kind of drive this point
21 home, I'd like you all to engage in just a simple
22 thought experiment for me. Imagine for a second that
23 you all agree to give Missouri-American Water its
24 deferrals today. Tomorrow Ameren Missouri comes in
25 here and says, We saw what you just gave MAWC. We

1 want the exact same thing. Let's say tomorrow Ameren
2 Missouri says, We want a hundred percent deferral of
3 all return of and on all of our investments without
4 restrictions. What's going to happen. Staff, the
5 OPC, MCEG, we're all going to jump up and say, You
6 can't do that. There's a statute that limits what
7 you can put in PISA.

8 If you all reach the conclusion that you
9 couldn't give Ameren what the Company's requesting
10 because Ameren has a statute that allows them to do
11 PISA, why on earth would you reach the conclusion
12 that Missouri-American Water should be able to do it
13 without a statute. Do you see how backwards that is.
14 Ameren had to go get the blessing of the legislature.
15 And I should say Evergy, Liberty, all the electric
16 corporations had to go get the blessing of the
17 legislature to be able to do these deferrals. And
18 the legislature put restrictions on them and that was
19 part of the negotiated agreement that occurred there.
20 Missouri-American Water wants you to all sidestep the
21 legislature and give them something that they have
22 not gotten the blessing for and which they have no
23 legal right for.

24 All right. That concludes my arguments
25 on all those issues. Are there any questions?

1 COMMISSIONER KOLKMEYER: I'm good.

2 MR. CLIZER: I'm not seeing any, so I'm
3 going to step down.

4 JUDGE SEYER: All right. Let's take
5 about a ten-minute break. We'll be back on the
6 record at 10:25. So we are off the record.

7 (Off the record.)

8 JUDGE SEYER: All right. Let's go back
9 on the record. Mr. Cooper, call your first witness.

10 MR. COOPER: Thank you, your Honor. We
11 would call Richard Svindland.

12 JUDGE SEYER: Would you raise your right
13 hand.

14 (Witness sworn).

15 RICHARD SVINDLAND,
16 the witness, having been first duly sworn,
17 testified as follows:

18 JUDGE SEYER: Thank you.

19 DIRECT EXAMINATION

20 BY MR. COOPER:

21 Q. Please state your name.

22 A. **Richard Svindland.**

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

25 A. **Missouri-American Water Company as its**

1 **president.**

2 Q. Have you caused to be prepared for the
3 purposes of this proceeding certain direct testimony
4 and certain rebuttal/surrebuttal and sur-surrebuttal
5 testimony in question-and-answer form?

6 **A. I have.**

7 Q. Is it your understanding that that
8 testimony has been marked as Exhibits 25 and 26 for
9 identification?

10 **A. Yes.**

11 Q. If I were -- well, let me start with this.
12 Do you have any changes that you would like to make
13 to that testimony at this time?

14 **A. No changes.**

15 Q. If I were to ask you the questions which
16 are contained in Exhibits 25 and 26 today, would your
17 answers be the same?

18 **A. They would.**

19 Q. Are those answers true and correct to the
20 best of your information, knowledge, and belief?

21 **A. They are.**

22 MR. COOPER: Your Honor, I would offer
23 Exhibits 25 and 26 into evidence and tender
24 Mr. Svindland for cross-examination.

25 JUDGE SEYER: Are there any objections?

1 All right. Then I will admit Exhibits 25 and 26.

2 (Company Exhibits 25 and 26 were admitted
3 and made a part of the record.)

4 JUDGE SEYER: Ms. Aslin, do you have any
5 cross?

6 MS. ASLIN: No questions.

7 JUDGE SEYER: Mr. Clizer?

8 MR. CLIZER: No questions, thank you,
9 your Honor.

10 JUDGE SEYER: Mr. Coffman?

11 MR. COFFMAN: No questions, your Honor.

12 JUDGE SEYER: Mr. Opitz?

13 MR. OPITZ: No, thank you, your Honor.

14 JUDGE SEYER: Are there any questions
15 from the commissioners?

16 COMMISSIONER KOLKMEYER: No.

17 JUDGE SEYER: All right. I have no
18 questions myself. So thank you. You're free to step
19 down.

20 **THE WITNESS: That was interesting.**

21 COMMISSIONER KOLKMEYER: Sorry we were so
22 hard on you.

23 JUDGE SEYER: Mr. Cooper, who is your
24 next witness?

25 MR. COOPER: We would call Mr. Brian

1 LaGrand.

2 JUDGE SEYER: All right.

3 (Witness previously sworn).

4 BRIAN LAGRAND,

5 the witness, having been first duly sworn,

6 testified as follows:

7 JUDGE SEYER: Mr. LaGrand has previously
8 been sworn in, so, Mr. Cooper, go ahead.

9 MR. COOPER: I don't know that he has,
10 your Honor. I think I need to -- oh, I'm sorry, he
11 has. Given that, I will offer Mr. -- or tender
12 Mr. LaGrand for cross-examination.

13 JUDGE SEYER: Ms. Aslin?

14 MS. ASLIN: No questions, thank you.

15 JUDGE SEYER: Mr. Clizer?

16 MR. CLIZER: No questions, thank you.

17 JUDGE SEYER: Mr. Coffman?

18 MR. COFFMAN: No questions.

19 JUDGE SEYER: Mr. Opitz.

20 MR. OPITZ: No, thank you, your Honor.

21 JUDGE SEYER: Sorry, Mr. Harden, I
22 skipped over you last name. Any questions this time?

23 MR. HARDEN: No. And none for last time.

24 JUDGE SEYER: Any questions from the
25 commissioners for Mr. LaGrand?

1 COMMISSIONER MITCHELL: I do, your Honor.

2 JUDGE SEYER: Yes, Commissioner Mitchell.

3 QUESTIONS

4 BY COMMISSIONER MITCHELL:

5 Q. In your direct testimony you made a
6 statement that, and it was something to the effect
7 that the -- the regulatory environment in the state
8 of Missouri makes it virtually impossible for a
9 water/wastewater utility to earn its authorized
10 return. And could you elaborate on that just a bit?
11 What are your say two or three top concerns about the
12 regulatory environment in Missouri?

13 A. Sure. Thank you for the question,
14 Commissioner. I think the biggest driver of the
15 shortfall that the Company experiences between what
16 our actual return is and, you know, what is a
17 reasonable return is certainly the regulatory lag
18 that we -- that we experience. So that -- that is
19 certainly the big driver. And that's, you know, due
20 to the investment that we make and the time in which
21 we -- the delay from when we place assets into
22 service and when they're first recovered in rates
23 either through WSIRA which mitigates lag but does not
24 eliminate it or things that are not WSIRA eligible
25 when they're -- up until the next rate case.

1 Yeah. I think there are -- there are, you
2 know, challenges. You know, we've talked about
3 capital structure, how Missouri is relative to other
4 states. I think in -- in one of the data requests I
5 sponsored -- sponsored, data request 47, we show how
6 Missouri compares to our other states in that, so
7 that's certainly a challenge.

8 The -- so, you know, the lag is certainly
9 the biggest thing. You know, the -- the test year,
10 most of American Water affiliate states use a future
11 test year. We've talked that. And is -- I think
12 someone alluded to earlier, there is some legislation
13 in process that may, you know, may address that, that
14 concern. So I think it's really -- it's primarily
15 the lag driven by the investment, Commissioner.

16 Q. Okay. And is it true to say that the
17 WSIRA mechanism reduces that lag?

18 A. Yes, it absolutely does. And I think on
19 my -- in my direct testimony I think I showed that
20 our average return over the last ten years was 8.31
21 percent and that -- that does include the WSIRA. If
22 you did not have WSIRA in there, that 8.31 percent
23 would be lower. And while the -- while the Company
24 does not have a Commission ordered return, you know,
25 an ROE in the last several cases, you know, 8.31 is

1 **certainly lower than any other, you know,**
2 **significantly lower than any other party has proposed**
3 **in this case.**

4 COMMISSIONER MITCHELL: Thank you. That
5 answers my questions.

6 **THE WITNESS: Sure, you're welcome.**

7 CHAIR HAHN: Judge Seyer, Chair Hahn. I
8 do have a comment for Mr. LaGrand.

9 **THE WITNESS: Yes, ma'am.**

10 CHAIR HAHN: And this could have been also
11 equally said during Mr. Svindland's testimony, but
12 I've been weighing on it for a bit. And because
13 Commissioner Mitchell asked about the regulatory
14 environment in Missouri, how it may or may not
15 compare, I think it's important, I think the
16 Commission really wants to continue to have
17 constructive rate case outcomes. And in this case I
18 think that many of the positions that the Company has
19 put forth definitely make that significantly more
20 difficult.

21 So with that I would simply request that
22 the Company revisit its positions on issues. I mean,
23 we'll continue to hear the case, continue to evaluate
24 issue by issue, but I think we all want a
25 constructive outcome. And so I would just make that

1 request. Thank you.

2 JUDGE SEYER: All right.

3 QUESTIONS

4 BY JUDGE SEYER:

5 Q. Mr. LaGrand, I have several questions and
6 many of them are related to your supplemental direct
7 testimony that was filed in September, so.

8 A. Okay.

9 Q. If you can refer to that.

10 A. Sure. Okay, I'm there.

11 Q. On page 3 on the topic of discrete
12 adjustments on page -- or on line 19, 18 and 19, you
13 say that these are adjustments are detailed in
14 schedule BWL-1. I don't see a schedule BWL-1, so my
15 question is, is the table that's, I would say if it
16 was printed out, it would be two pages, is that --
17 should that be considered schedule BWL-1?

18 A. Yes, your Honor, that should be. It's
19 also not marked that way on my -- on my copy so that
20 appears to have been an oversight on our part.

21 Q. Okay. So that is right at the end of your
22 testimony. Correct?

23 A. Yes, that's correct. My apologies.

24 Q. Okay. If we look at that table, I'm
25 laughing -- I'm laughing at myself because I always

1 print these front and back and I kind of wish I
2 wouldn't have printed this one front and back. Is
3 it accurate for the Discrete Adjustments column in
4 that schedule every item that does not have zero in
5 that column would have an adjustment to the
6 December 31st, 2024 true-up amount for the period
7 January 1st, '25 through May 31st, '25?

8 **A. Yes.**

9 Q. Okay. How are the discrete adjustments
10 included in your supplemental direct testimony? How
11 are they calculated?

12 **A. Well, so the discrete adjustment amounts**
13 **included there are the amounts that were included in**
14 **our initial filing back in July of 2024. And so just**
15 **as an example, the plant in service, it shows \$150.8**
16 **million of discrete adjustment. And that is the**
17 **amount of the -- in the work papers all the rate base**
18 **expenses are all scheduled out by month. And so**
19 **that's the amount from January through May that was**
20 **in our initial filing.**

21 Q. Okay. And so are you saying that if I go
22 through -- through the entirety of these two pages
23 and down that column, the Discrete Adjustments
24 column, I should be able to find identical numbers --
25 well, I say identical numbers -- January through May

1 should add to up what's in this column in previously
2 filed testimony at the start of this case?

3 A. Yes. There were a couple exceptions that
4 I noted in the testimony.

5 Q. Okay.

6 A. Should I -- would you like me to go over
7 those?

8 Q. Sure. I mean, yeah.

9 A. Okay. So there was -- there was one --
10 there was a correction on some of the revenue items
11 that I explained. And they had to do with the amount
12 of revenue that was attributed to the industrials.
13 And there was a correction, income taxes. And there
14 was a sign that had been the wrong way initially on a
15 few of the smaller rate base items. And so those
16 were all corrected.

17 The other thing that was changed was
18 our -- later our cost of capital. And we wanted to
19 reflect the fact that we had -- that since the
20 initial filing, we had gotten approval to take on
21 some state revolving funds loans. And so we
22 reflected that in our -- the timing, the expected
23 timing of that was reflected in our -- in our
24 projected debt that we would have. So that was not
25 in our initial filing. We wanted to include that to

1 be more representative of what would actually take
2 place.

3 Q. Okay. Would you agree that at the
4 time you filed this in September, the amounts in
5 the column labeled Discrete Adjustments are not
6 actual 20 -- May 31st, 2025 amounts?

7 A. Yes, I would agree with that.

8 Q. Okay. If I can direct your attention to
9 the second page of that table, about three-quarters
10 of the way down, Present Rate Revenue. So that is
11 just under that --

12 A. Under the header?

13 Q. Yeah. There you go.

14 A. Uh-huh.

15 Q. What is the present rate revenue in the
16 true-up 12/31/24 column, that amount of \$460,643,091?

17 A. So that represents the -- the revenue that
18 we generated with the rates that are currently in
19 effect based on the billing determinants at that
20 point.

21 Q. Okay. And the figure just to the right,
22 that negative 7,030,141?

23 A. Right. So that -- so that's the
24 difference between -- so the May 31, '25 present
25 revenue is the revenue at today's rates based on the

1 **billing determinants through May. So it's just the**
2 **difference in the -- in the billing determinants.**
3 **It's the same rate in both of those.**

4 Q. Column A minus column B --

5 A. **Yes.**

6 Q. -- minus --

7 A. **Exactly.**

8 Q. -- column C?

9 A. **Yes.**

10 Q. Is it Missouri-American's intent to
11 provide any additional actual amounts for discrete
12 adjustments prior to the operation of law date in
13 this case? And if so, when will that information be
14 filed and what evidence will be included?

15 A. Well, we had -- we had -- in my, I believe
16 it was in my direct testimony, we had offered a
17 reconciliation at the end of it to show that any
18 amounts that were put in service in plants, you know,
19 were actually placed in service. So that we -- so
20 that way the customers aren't paying for plant that's
21 not actually in service. And we can certainly
22 provide -- you know, I know there's concerns about
23 having the amount of time to review it, and the
24 Company can currently provide, you know, periodic
25 updates to actuals if parties would find that

1 **helpful.**

2 Q. Public Counsel witness John Robinett in
3 his direct testimony on page 4 he states that the
4 Company seeks to defer assets related to new
5 customers whether by main and service line extensions
6 or through the purchase of other water/wastewater
7 systems.

8 Would you agree with that statement?

9 A. Well, so first I don't have his testimony
10 in front of me, but the -- so the discrete
11 adjustments include, you know, our expected spend.
12 That does not include -- those numbers do not include
13 any potential acquisitions. We had talked about some
14 very small acquisitions I think in my -- my rebuttal
15 testimony. And I guess those would include, to the
16 extent there was any customer growth, I suppose that
17 could -- that might be in there, but there's --
18 that's -- if there is, it's a very small piece of
19 the -- of the amount of investment.

20 Q. Okay. When it comes to that schedule, is
21 it okay if I refer to it as schedule BWL?

22 A. Sure, yes.

23 Q. When it comes to that schedule, in that
24 true-up column, has Missouri-American updated any of
25 those figures since you filed that in September?

1 A. Yes. So when we provided the true-up data
2 in -- on January 31st, the information provided
3 there, not in this exact same -- not this exact same
4 schedule, but all that information has been -- was
5 updated with, you know, with what was the actual
6 true-up at the time. This, of course, was an
7 estimate of the true-up since it was done in
8 September.

9 Q. Okay. And will these -- will these
10 amounts be updated in true-up testimony?

11 A. Yes. Those are my intention was to
12 include a schedule, you know, essentially identical
13 to this with, you know, when I file true-up
14 testimony, yes.

15 JUDGE SEYER: Okay. All right. Those
16 are -- those are my questions. And I'll ask
17 Ms. Aslin, do you have any recross?

18 MS. ASLIN: No questions.

19 JUDGE SEYER: All right. Mr. Clizer, any
20 recross?

21 MR. CLIZER: No questions, thank you.

22 JUDGE SEYER: Mr. Opitz is shaking his
23 head. I don't see Mr. Coffman. All right. Any
24 redirect by the Company?

25 MR. COOPER: Yes, your Honor. I have a

1 document that I want to mark for identification if we
2 could. Mr. LaGrand had mentioned DR 47 in his
3 response to Commissioner Mitchell. I'd like to mark
4 that DR 47 at this time, and at this time provide a
5 copy to the witness. Your Honor, I think I -- I
6 stopped before I actually moved on to the number. I
7 believe it's Exhibit 30. Would that be consistent
8 with your --

9 JUDGE SEYER: Correct.

10 MR. COOPER: -- list?

11 REDIRECT EXAMINATION

12 BY MR. COOPER:

13 Q. Mr. LaGrand, do you have before you what's
14 now been marked as Exhibit 30?

15 A. Yes, I do.

16 Q. I believe in your response to Commissioner
17 Mitchell you had mentioned DR 47. Is that correct?

18 A. That is correct.

19 Q. And is this that, the document you were
20 referencing?

21 A. Yes.

22 MR. COOPER: Okay. At this time I would
23 like to offer DR 47, your Honor.

24 MR. CLIZER: Can I have one moment?

25 JUDGE SEYER: Sure.

1 MR. CLIZER: Yes. I will object to this.
2 Just a couple of minor things up front. First of
3 all, I will note the Commission had -- sorry -- the
4 Company's attempting to admit a document that it is
5 providing its own response on for which it objected
6 to in the first case. I just find that kind of
7 ironic. But more to the point, numbers contained in
8 this document include, for example, Missouri-American
9 Water which has a return -- ROE that is not actually
10 authorized because that number is part of a black box
11 settlement. So the information being conveyed here
12 is already wrong on its face. Also because of the
13 mechanism by which the information is being
14 presented, we would not have an opportunity to cross
15 Mr. LaGrand to prove that point.

16 JUDGE SEYER: Mr. Cooper?

17 MR. COOPER: Yeah, your Honor. Your
18 Honor, I think that again it's being provide here for
19 Mr. -- it's further explanation or background of what
20 Mr. LaGrand referred to in his earlier testimony, so
21 I think it is appropriate at this point for him to --
22 or to admit this document. I do note that
23 Mr. LaGrand was the sponsor of this document and thus
24 he can -- it's his information I guess is the point.
25 It's unlike what we had talked about previously.

1 JUDGE SEYER: Would you allow cross-
2 examination on this document alone?

3 MR. COOPER: Well, I don't think it
4 would be -- first off it's not up to me to allow it I
5 suppose, but I don't think it's appropriate in this
6 situation. I mean, we're on redirect. I think it's
7 being offered in the order that it should have been.
8 And so I guess that would be my response, your Honor.

9 MR. CLIZER: May I respond to that point?

10 JUDGE SEYER: Was that you? Sorry. Yes.

11 MR. CLIZER: Again, I note that this is
12 information being provided by Missouri-American Water
13 and the date of which it was provided appears to
14 be -- well, it was requested July 3rd of 2024. It
15 seems very odd that this is the point at which they
16 want to introduce new testimony evidence into the
17 record considering that they had two rounds of
18 testimony in which they could have provided this
19 information if they so choose. To suggest now after
20 he's been examined or provided cross-examination to
21 supplement his testimony by adding new information
22 that could have been added in either two previous
23 rounds of written testimony, it seems to be a gross
24 injustice.

25 MR. OPITZ: Your Honor, this is Tim Opitz

1 from MECG. I'm considering in joining MECG's
2 objection, but can I have permission to voir dire the
3 witness on this exhibit before I make a decision on
4 that?

5 JUDGE SEYER: Yes.

6 VOIR DIRE EXAMINATION

7 BY MR. OPITZ:

8 Q. Mr. LaGrand, this exhibit, and I forget
9 the number --

10 JUDGE SEYER: It's Exhibit 30. It has
11 been marked.

12 BY MR. OPITZ:

13 Q. It includes a Missouri-American Water line
14 item on the second page that lists a 9.6 authorized
15 return on equity for the rate case WR-2022-0303. Is
16 that correct?

17 A. Did you say that includes a 9.6?

18 Q. I -- sorry, I'm lining up. No. It looks
19 like it's a 9.75. Is that right?

20 A. Yes. That is what it says, yes.

21 Q. And that is the -- that rate case is the
22 Company's most recent rate case. Is that right?

23 A. Yes. And I will note there's a footnote
24 that's important.

25 Q. You would -- so you agree that that case

1 was settled with a black box agreement that didn't
2 specify the ROE?

3 **A. Yes, that's correct.**

4 MR. OPITZ: Your Honor, I guess at this
5 time I would join in that objection by OPC. The
6 information requested in this data request was all
7 authorized returns. You know, this doesn't appear to
8 be an authorized return in that document, so I would
9 just join in OPC's objection.

10 MR. COOPER: Your Honor, to -- well,
11 actually Mr. LaGrand's testimony there as a part of
12 that exchange, the document is footnoted, and the
13 information that Mr. Opitz is worried about is
14 footnoted and explained in that document. So I don't
15 think there's any misrepresentation once one reviews
16 that -- that information.

17 I don't believe that the timing is an
18 appropriate objection. I mean, there was an
19 objection that the Company was supplementing the
20 record. I don't think it is in this situation
21 because of how it's played out, but I'd also note
22 that, you know, we had a couple of objections about
23 friendly cross previously which is essentially an
24 objection to supplementing the record and where the
25 Company also had no opportunity respond to that

1 because of the order of cross. So I don't know that
2 that is again a determining factor in the admission
3 of this document.

4 JUDGE SEYER: All right. I'm going to
5 sustain the objection and Exhibit 30 will not come
6 into evidence.

7 BY MR. COOPER:

8 Q. Mr. LaGrand -- Mr. LaGrand, you were -- as
9 a part of the answer that we referred to before, you
10 were explaining I think regulatory lag and its
11 impacts. Could you talk a little bit about the, I
12 guess particularly how that relates to the discrete
13 adjustments that have been proposed as to plant in
14 this case?

15 A. Sure. What the discrete adjustments do is
16 that without the discrete adjustments what will
17 happen is the investments that are made -- are placed
18 in service rather after December 31 of 2024, you
19 know, those investments will experience lag until
20 they're placed into rates. Now, some of those will
21 be picked up in a future WSIRA, but by including the
22 discrete -- the discrete adjustments, that addresses
23 the lag that would be experienced between January
24 of 2024 -- or 2025, excuse me, through May of '25.

25 Q. And you were here for my opening statement

1 I suppose. Right?

2 **A. Yes.**

3 Q. And I made the comment that some of the
4 those investments are in service today. Would that
5 be accurate?

6 **A. Yes, that's true.**

7 Q. Okay. And would you say that not only are
8 they in service, but that the information related to
9 their cost is also available?

10 **A. Yes.**

11 Q. The judge asked you some questions about
12 the present rate revenues line of your BWL-1. Do you
13 remember that?

14 **A. Yes.**

15 Q. And just so -- well, so I understand,
16 one, and then hopefully others, when you talked about
17 the \$460 million figure for present rate revenue as
18 of the true-up 12/31/2024, obviously your filing
19 predated that, so it wasn't actual revenue. But even
20 post the end of the true-up date will that number
21 necessarily be the actual revenue that was received
22 by the Company during that calendar year, or will it
23 be a normalized amount of revenue for purposes of
24 setting the rate?

25 **A. Yes. So it would be normalized. It would**

1 **not just be the actual 12/31/24 revenue.**

2 Q. And that's the significance of the billing
3 determinants that you referenced as well. Right?

4 **A. Correct.**

5 Q. And you may have touched on this a little
6 bit, but you were asked a question about your true-up
7 testimony that's coming up quicker than we would
8 like.

9 **A. Yes.**

10 Q. Okay. And as a part of that process there
11 will be an opportunity to respond to your testimony
12 as well. Correct?

13 **A. I believe so.**

14 MR. CLIZER: Actually I will -- that's
15 not really an object -- you know what, can I query
16 the judge if that's accurate, just because the
17 procedural schedule that I'm aware of doesn't include
18 a response to the direct testimony for true-up. And
19 if it is, in fact, the case, I want to make sure
20 that's cleared up on the schedule.

21 JUDGE SEYER: Are you referring to the
22 hearing schedule?

23 MR. CLIZER: The procedural schedule at
24 large.

25 JUDGE SEYER: All right. Can you make

1 that point again since I've got the procedural
2 schedule in front of me now.

3 MR. CLIZER: Does the procedural schedule
4 allow for a responsive round of true-up testimony?

5 MR. COOPER: Judge, I'm looking at the
6 schedule as well and I don't see it on there,
7 although it would have been my intent and I would
8 have thought the parties intent to have responsive
9 testimony, but.

10 MR. CLIZER: I'm going to -- I didn't
11 actually lodge an objection. I'm going to take up
12 a matter as soon as Mr. LaGrand leaves the stage
13 that -- stage -- leaves the stand with regard to that
14 point then if you won't mind. But I will -- I didn't
15 raise an objection, so I'll -- yeah.

16 JUDGE SEYER: Okay.

17 BY MR. COOPER:

18 Q. Let me -- let me back up then a little
19 bit. The information that you will provide in that
20 true-up testimony will largely be the information
21 that was provided to the parties at the end of
22 January of this year. Is that correct?

23 A. Yes.

24 MR. COOPER: I don't have any other
25 questions, your Honor.

1 JUDGE SEYER: All right. Thank you,
2 Mr. LaGrand. All right. So are we ready for Witness
3 Bolin? Good morning, Ms. Bolin.

4 MS. BOLIN: Good morning.

5 JUDGE SEYER: Please raise your right
6 hand.

7 (Witness sworn).

8 KIMBERLY BOLIN,
9 the witness, having been first duly sworn,
10 testified as follows:

11 Witness sworn.

12 JUDGE SEYER: Okay. Go ahead.

13 MS. ASLIN: Before I begin, yesterday
14 Staff filed corrected direct and rebuttal testimony
15 of Kim Bolin, and I would like to mark that. I
16 believe our next exhibit number is 229.

17 JUDGE SEYER: Yes, that's what I show.

18 MS. ASLIN: Okay. Thank you.

19 DIRECT EXAMINATION

20 BY MS. ASLIN:

21 Q. Ms. Bolin, could you please state and
22 spell your name for the court reporter.

23 A. My name is Kimberly Bolin, K-i-m-b-e-r-l-y
24 B-o-l-i-n.

25 Q. And how are you employed and in what

1 capacity?

2 **A. I'm employed by the Missouri Public**
3 **Service Commission. I am the director of the**
4 **financial and business analysis division.**

5 Q. And did you prepare corrected direct,
6 slash, rebuttal testimony that has now been marked as
7 Exhibit 229 and cross-surrebuttal testimony marked as
8 Exhibit 218?

9 **A. I did.**

10 Q. Do you have any corrections to your
11 testimony?

12 **A. I do not.**

13 Q. And if I were to ask you the same
14 questions contained in your testimony today would
15 your answers be the same or substantially similar?

16 **A. They would.**

17 Q. The information contained in your
18 testimony true and correct to the best of your
19 knowledge and belief?

20 **A. Yes.**

21 MS. ASLIN: I would offer Exhibits 218
22 and 229 into evidence and tender Ms. Bolin for cross.

23 JUDGE SEYER: Is there any objection to
24 the admission of those documents? Hearing none, 218
25 and 229 are admitted.

1 (Staff Exhibits 218 and 229 were admitted
2 and made a part of the record.)

3 JUDGE SEYER: All right. Any cross on
4 behalf of the Company.

5 MR. COOPER: Yes, your Honor.

6 CROSS-EXAMINATION

7 BY MR. COOPER:

8 Q. Ms. Bolin, it looked to me like your
9 corrected testimony maintained all pretty much the
10 same page numbers and line numbers for the spots that
11 were not changed. Would you agree with that?

12 A. I would.

13 Q. Good. Because I had highlighted your
14 other testimony before I got the new testimony.

15 In your direct, slash, rebuttal testimony,
16 you state that Staff is not generally opposed to
17 discrete adjustments that occur past the true-up
18 period if the adjustment is known and measurable and
19 if the timing of the event does not skew the matching
20 principle. Correct?

21 A. What page is that on?

22 Q. Page 12, lines 4 to 9 I believe.

23 A. That's what it says, yes.

24 Q. Now, if I understand your testimony
25 correctly, Staff believes that these conditions are

1 met for labor expense discrete adjustments for merit
2 increases for nonbargaining unit employees that were
3 anticipated in February of 2025. Is that correct?

4 **A. We would use the most updated payroll**
5 **information including the positions that are filled.**
6 **We would not apply these to the unfilled positions.**

7 Q. But you do plan to do that --

8 **A. We --**

9 Q. -- if there's some roll-out dollars
10 associated as well. Right?

11 **A. That is correct.**

12 Q. Now, other than labor and the employee
13 benefits expenses, has Staff identified any other
14 discrete adjustments that would fit your criteria?

15 **A. We have not had time to examine everything**
16 **with preparing for the hearing, but we will examine**
17 **other issues.**

18 Q. So that's still a possibility?

19 **A. It may be if it's known and measurable.**

20 Q. And, well, let me ask it this way. In
21 these discrete adjustments, the labor and employee
22 benefits expenses and then any other you might find
23 would then be included at what point in your numbers?

24 **A. In our true-up. If it is verifiable by**
25 **true-up, known and measured.**

1 Q. And when you say true-up, by the true-up
2 hearing?

3 A. I would assume the true-up direct
4 testimony.

5 Q. Or your response if there is one?

6 A. Excuse me?

7 Q. You also in your direct/rebuttal testimony
8 on page 10 state, Not all of the actual costs
9 incurred for all the plant that is to be placed in
10 service between the true-up date and the operation of
11 law date will be known or measurable at the time of
12 the Company's dec -- the Commission's decision in
13 this case, especially if any of the plant is placed
14 into service shortly before May 31st. Correct?

15 A. Correct.

16 Q. When do you expects the Commission's
17 decision in this case?

18 A. I'm not sure. I don't --

19 Q. Sometime --

20 A. -- have the procedural --

21 Q. Sometime before the operation of law date?

22 A. Yes. I don't have the procedural schedule
23 in front of me.

24 Q. Now, and you've heard me say this I
25 guess both in my opening and in questioning with

1 Mr. LaGrand on redirect. But you'd agree as
2 well, wouldn't you, that Missouri-American has and
3 will have plant that goes into service or even has
4 gone into service between December 31st of 2024 and
5 May 28th of 2025?

6 **A. They will have plant that goes into**
7 **service. However, the books will not be closed. It**
8 **takes a while to close the books and to get us the**
9 **information and review it is the issue.**

10 Q. Yeah. So you're not really talking about
11 necessarily whether it should be included; you're
12 talking about sort of the logistics --

13 **A. The logistics of the --**

14 Q. -- of --

15 **A. -- our review --**

16 Q. -- including --

17 **A. Yes.**

18 Q. In your mind if plant went into service by
19 January the 15th -- on January 15th of this year,
20 would you have that opportunity to review?

21 **A. I'm not sure we would have enough time to**
22 **review that.**

23 Q. So from your -- your sort of logistical
24 perspective, does that mean that you're thinking now
25 that none of that plant will fit your definition?

1 **A. It depends the size of the plant, the**
2 **cost. We'd have to review prudence. There's a lot of**
3 **issues involved there.**

4 Q. Now, that having been said, you'd agree
5 that that plant once placed into service, again, will
6 no longer be collecting AFUDC and the Company will
7 have started expensing or started its depreciation
8 expense. Correct?

9 **A. That is correct. But the plant, if you**
10 **retire -- if you replace that plant, that retired**
11 **plant will still be in the rates.**

12 Q. You talk about Section 393.1400 RSMo,
13 correct, in your testimony?

14 **A. Could you point me to the page I discuss**
15 **that?**

16 Q. Well, it's in your -- I think in your
17 cross-rebuttal, pretty much throughout your cross-
18 rebuttal I would say.

19 **A. Okay. I'm there.**

20 Q. And that's been referred to as the PISA
21 statute. Right?

22 **A. That is correct.**

23 Q. And it involves electric plant as has been
24 said several times today. Right?

25 **A. Yes.**

1 Q. Would you agree with me that historically
2 another name for what's being treated as plant in
3 service accounting was construction accounting?

4 A. We have used that term also.

5 Q. And would you agree that prior to the
6 enactment of Section 393.1400, the Commission ordered
7 the use of construction accounting in various cases?

8 A. We have used construction accounting in
9 other cases, but we have also had other parameters in
10 the construction accounting, such as a lower amount
11 of ROE to use to determine the carrying cost. And
12 we've also put parameters on the amount, the time
13 frame on which it could be collected.

14 Q. And so that's a yes. Right?

15 A. It's yes, but we have -- we've also put
16 other conditions around it.

17 Q. Did you propose any of those conditions in
18 this case?

19 A. No, I did not.

20 Q. Now, as to the deferral mechanism that is
21 being proposed by the Company, again, we're talking
22 about plant investment. Correct?

23 A. That is correct.

24 Q. And I believe previously you talked about
25 regulatory lag and that it serves as an important

1 incentive on the utility to be as cost conscious and
2 efficient over time as possible in order to maintain
3 its earnings level. And then it also allows the
4 utility to experience higher earnings if the utility
5 is able to reduce its cost of service. Is that a
6 correct statement?

7 **A. That is correct.**

8 Q. And again, because we're talking about
9 plant in regard to the deferral mechanism, if I think
10 about what incentive there is for the Company or what
11 ability it has to avoid regulatory lag in regard to
12 that plant investment, really the only reason to --
13 or the only way to keep the cost of service equal
14 between rate cases is to not invest in plant.
15 Correct?

16 **A. No. Currently you can invest in plant and**
17 **recover through the WSIRA.**

18 Q. Well, and that was going to be my next
19 question. First off, the WSIRA doesn't apply to all
20 plant. Correct?

21 **A. That is correct, and neither does PISA.**

22 Q. Yeah. And you do -- and even for that
23 WSIRA plant, the Company's going to experience some
24 regulatory lag. Correct?

25 **A. Some slight regulatory lag, but the plant**

1 **you replace will still be in the rates, in base rates**
2 **that the Company is recovering.**

3 Q. Well, and let's go back. You talked about
4 a slight bit of regulatory lag. I think in your
5 testimony you laid out a chart and identified
6 regulatory lag associated with one of the WSIRAs that
7 lasted from three months to up to a year, didn't you?

8 A. **I don't know if it was up to a year. I'll**
9 **look at that. Yes, it was one -- one month it was up**
10 **to 12 months.**

11 MR. COOPER: Yeah. That's all the
12 questions I have, your Honor.

13 JUDGE SEYER: Mr. Clizer.

14 MR. CLIZER: Yes.

15 CROSS-EXAMINATION

16 BY MR. CLIZER:

17 Q. Good morning, Ms. Bolin.

18 A. **Good morning.**

19 Q. I'm going to cover a little bit of a range
20 of topics, so I'm going to start you off with one
21 that might be a little bit out of left field. You
22 are, I'm almost certain based on your testimony,
23 you're an accountant. Correct?

24 A. **That is correct.**

25 Q. Are you familiar -- you are familiar with

1 the term "AFUDC"?

2 **A. Yes, I am.**

3 Q. You would agree with me that that term
4 stands for Allowances for Funds Used During
5 Construction?

6 **A. Yes.**

7 Q. You would agree with me that construction
8 costs are generally funded through bridge financing.
9 Correct? Or utility, let me add. Let me repeat that
10 for the sake for the record, I'm sorry.

11 You would agree with me that for a
12 utility, construction is generally funded through
13 bridge financing?

14 **A. Generally. I'm not sure that is done all**
15 **the time.**

16 Q. But generally?

17 **A. Generally.**

18 Q. And in this case when we talk about bridge
19 financing, we're talking about short-term debt
20 issuances. Correct?

21 **A. That is correct.**

22 Q. You would agree with me that under the
23 matching principle, it would be important for the
24 Commission to match the short-term debt outlays to
25 the short-term debt costs?

1 **A. I'm confused by your question.**

2 Q. Very well.

3 **A. I don't think we included short-term debt**
4 **in the --**

5 Q. I'm aware. Let me try that a second time.
6 Well, let's start with, you would agree with me the
7 Commission employs the matching principle where
8 possible. Correct?

9 **A. We do.**

10 Q. And you would agree with me at a high
11 level the matching principle requires you to match
12 costs to causation?

13 **A. That's correct.**

14 Q. And you would agree with me that to the
15 extent that construction costs are being covered by
16 short-term debt, it would make sense for AFUDC that
17 is supporting those construction costs to also employ
18 short-term debt?

19 **A. If it is being covered solely by**
20 **short-term debt.**

21 Q. Correct.

22 Permission to mark an Exhibit and
23 permission to approach? I believe I should be
24 on 320.

25 JUDGE SEYER: Granted. That is

1 correct, 320.

2 BY MR. CLIZER:

3 Q. Now, Ms. Bolin, I could turn to your list
4 of prefiled testimony I'm sure is attached to your
5 exhibit, but before I have to do that, would you at
6 least agree with me that you filed testimony
7 previously in Missouri-American Water case number
8 WR-2020-0344?

9 A. Yes, I did.

10 MR. CLIZER: So I am not asking to mark
11 this one, but I'm going to hand this --

12 MR. COOPER: I've got an objection, your
13 Honor, I'd like to lodge at this time. This feels as
14 if we are trying the AFUDC issue that's coming up
15 later today. And I guess consistent with -- well,
16 let me back up. I don't believe Ms. Bolin has any
17 testimony on the AFUDC issue. And consistent with
18 the objection that was made to my DR 47 exhibit
19 earlier, it feels like it's an attempt to improperly
20 supplement the record.

21 MR. CLIZER: Response?

22 JUDGE SEYER: Uh-huh.

23 MR. CLIZER: On a couple of different
24 grounds. First, under Missouri law, Section 491.070,
25 cross-examination of a witness. Ms. Wit -- Ms. Bolin

1 has taken the stand and provided evidence. I am
2 statutorily authorized to question her on any matter
3 in the case. While she is not being put forward
4 directly by Staff with regard to the rate case
5 issues, since she's taken the stand, I am at liberty
6 to question her regarding it under statute.

7 Second of all, this is a cross-
8 examination. I am building my case, not attempting
9 to supplement her testimony.

10 Third, I would just point out that to the
11 extent that there's a concern regarding his ability
12 to cross, I am -- have no objection to Mr. Cooper or
13 any other party for that matter recrossing Ms. Bolin
14 following my cross-examination to the extent that
15 I've included information that they did not have
16 opportunity to cross before.

17 MR. COOPER: It's not really the
18 opportunity to cross that's the problem here. It's
19 the opportunity for the Company to respond to the
20 testimony that's just now being issued primarily in
21 its own testimony, its own prefiled testimony given
22 that it has the burden in this case and on these
23 issues.

24 MR. CLIZER: I am attempting to request
25 to understand what Ms. Bolin's position is as an

1 accountant on this issue.

2 JUDGE SEYER: Okay. I will overrule that
3 objection and allow you to continue.

4 BY MR. CLIZER:

5 Q. Ms. Bolin, before all that, did I hand
6 you -- I did not hand you this yet. All right. The
7 second thing I handed you should be a complete copy
8 of your testimony filed in Case WR-2022-0344. Can
9 you verify if that's accurate?

10 A. I believe so, yes.

11 Q. And --

12 JUDGE SEYER: Excuse me. Actually,
13 Mr. Clizer, you said 2022. It's actually 2020.
14 Correct?

15 MR. CLIZER: WR-2020-0344. Yes. Sorry
16 if I misspoke previously.

17 BY MR. CLIZER:

18 Q. Ms. Bolin, can you verify for me that the
19 document that was premarked or just marked which is
20 just three pages long faithfully recreates the 1st
21 and 23rd through 26th pages of your full testimony?

22 A. It does.

23 Q. Ms. Bolin, if I were to turn to page 24 of
24 your testimony in that case, let me be clear.

25 A. I'm there.

1 Q. You were posed a question: Does Staff
2 agree with the OPC witness Robert D. Schallenberg
3 that the AFUDC accrual approach currently being used
4 by MAWC is inappropriate.

5 Do you see that?

6 A. I see that.

7 JUDGE SEYER: Which line are you referring
8 to?

9 MR. CLIZER: I apologize, your Honor. I
10 am at lines 5 through 6.

11 BY MR. CLIZER:

12 Q. And you would agree with me, Ms. Bolin,
13 that beginning at line 7 you say or respond: Yes.
14 MAWC is using an AFUDC rate that is comparable to its
15 overall rate of return. Staff's position is that the
16 AFUDC rate should be calculated assuming the
17 short-term debt is used as the first source of
18 financing for all construction activities with any
19 excess of construction work in progress, CWIP, over
20 the short-term debt balance assumed to be financed by
21 MAWC's proportionate share of common equity,
22 preferred equity, and long-term debt included in its
23 current capital structure. In this case it appears
24 that for many years MAWC has not had average CWIP
25 balances that are large -- that are larger than its

1 average short-term debt balances. Thus, the
2 short-term debt balance should have been used in the
3 manner recommended by Staff to allow a customer
4 proportionate benefit from MAWC to use of this
5 low-cost source of capital.

6 Do you agree that that was your response
7 in that case?

8 **A. That was my response.**

9 Q. If I were to ask you that same question
10 today concerning MAWC's proposal regarding its
11 current attempt to change the AFUDC mechanism, would
12 your answer be the same or substantially similar
13 today?

14 **A. We would not be in support of it.**

15 Q. To be clear for the record, you would not
16 be in support of the request by the Company to change
17 its AFUDC method?

18 **A. That is correct.**

19 Q. Beginning at line 21 in an answer to a
20 question about whether you recommended the Commission
21 accept Mr. Schallenberg's adjustment, you state: No.
22 Staff recommends the Commission adjust the AFUDC that
23 has been booked to plant during the test year update
24 and true-up period in this case. As stated before
25 MAWC has been calculating AFUDC in its current manner

1 for some time without objection from other parties in
2 the general rate case. In addition the National
3 Association of Regulatory Utility Commissioners,
4 NARUC, uniform system of accounts, USOA, for Class A
5 water utilities does not provide a specific formula
6 or methodology to use in calculating AFUDC.

7 You're then asked a question: Does the
8 NARUC -- NARUC, USOA for electric utilities provide a
9 formula for calculation of the AFUDC rate.

10 And you respond: Yes. And this is what
11 Staff recommends MAWC should follow for the test year
12 going forward. The formula uses short-term debt for
13 the CWIP first, then applies a combination of other
14 financing debt and equity next to the remaining CWIP
15 balance. The rate is calculated on an annual basis.

16 Did I recite that correctly?

17 **A. You recited it correctly.**

18 Q. And may I ask again, if you were asked
19 today what Staff's recommendation -- or no. If you
20 were asked today what your recommendation regarding
21 the handling of AFUDC is, would your recommendation
22 today be the same?

23 **A. I would use the electric utility formula.**

24 Q. So your recommendation would be to use the
25 electric utility formula?

1 **A. That is correct.**

2 Q. Do you have a copy of the testimony of
3 Mr. LaGrand in front of you?

4 **A. Which testimony, direct or -- I have both**
5 **copies.**

6 Q. The direct testimony.

7 **A. Yes.**

8 Q. Can you turn to page 31 for me?

9 **A. I'm there.**

10 Q. Lines 16 through 20 of Mr. LaGrand's
11 testimony, he is asked a question: What does NARUC's
12 uniform system of accounts, USOA, issue -- issue 1973
13 as revised in 1976 say about AFUDC.

14 And he replies: In plant accounting
15 instruction 3, paren 17, it states, AFUDC includes
16 the net cost for the period of construction of
17 borrowed funds used for construction purposes and a
18 reasonable rate of other funds when so used.

19 Is that accurate?

20 **A. That is what his testimony says.**

21 Q. Do you disagree that that is the
22 instruction put into the USOA for water utilities?

23 **A. I have not reviewed that in a while, but**
24 **I'm assuming that is correct.**

25 Q. As that is written, would you agree with

1 me that it indicates that AFUDC should be using
2 borrowed funds for construction first before applying
3 a reasonable rate of -- for other funds?

4 **A. It reads that the net cost for the period**
5 **of construction of borrowed funds used for**
6 **construction purposes and a reasonable rate on other**
7 **funds when they use the other -- I'm assuming that's**
8 **when they're needed to use the other funds.**

9 Q. Would you agree with me that it's fairly
10 accurate to rephrase that as saying that the borrowed
11 funds, i.e., debt financing, should be used for
12 construction before applying a reasonable rate of
13 other funds if used?

14 **A. I would assume that the borrowed funds**
15 **would be used first.**

16 Q. You testified a moment ago concerning your
17 opinion on what AFUDC methods should be applied and
18 you referred to the electric USOA. Do you recall
19 that?

20 **A. Yes, I do.**

21 MR. CLIZER: Your Honor, request to mark
22 an Exhibit 321 and approach.

23 JUDGE SEYER: Granted.

24 BY MR. CLIZER:

25 Q. Now, given that it was your recommendation

1 to the Commission that the AFUDC methodology employed
2 for electric utilities should be applied in this case
3 for Missouri-American Water, is it safe for me to
4 assume, therefore, that you are familiar with the
5 USOA for electric utilities?

6 **A. I am familiar with it. I'm not sure what**
7 **version this is.**

8 Q. That's quite okay. If you would turn to
9 the -- it's labeled page 24 of 248 in the handout.
10 Would you agree with me that at the top of the page
11 in parenthesis 17, there is an allowance for funds
12 used during construction?

13 **A. Yes.**

14 Q. And you would agree with me that under sub
15 A, there is a formula listed and a comp -- the
16 elements for the computation allowance for funds used
17 during construction?

18 **A. Yes, there is.**

19 Q. Now, I assume, subject to check, your
20 previous testimony was that you would -- you would
21 recommend that the commission use the formula for
22 AFUDC as set forth in the electric utility. Again,
23 subject to check, would you agree that this is the
24 formula for AFUDC calculations for electric
25 utilities?

1 **A. Subject to check, I would agree with this.**

2 Q. All right. I'm going to now switch topics
3 on you. For a rate case we generally break it down
4 into a test year period, a true-up period, and a
5 true-up period. Correct?

6 **A. Test year, sometimes we do an update, and**
7 **then some -- and then a true-up period.**

8 Q. And the update occurs between the true-up
9 period and the test year period?

10 **A. Yes, it does. It's -- it's actually a**
11 **period that is known and measurable before we file**
12 **our direct testimony, Staff does.**

13 Q. In this case the true-up period I believe
14 ended December 31st, 2024. Is that correct?

15 **A. That is correct.**

16 Q. And the information that we refer to as
17 the true-up information is provided by the Company
18 after the end of the true-up period. Is that
19 correct?

20 **A. That is correct.**

21 Q. And in this case I believe it was
22 previous testimony that indicated it was provided on
23 January 31st, 2025. Is that accurate?

24 **A. Per the testimony.**

25 Q. So at the time you receive the true-up

1 information, the true-up period has closed and,
2 therefore, you would agree the information in the
3 true-up is known and measurable?

4 **A. That is correct.**

5 Q. However, the information that would occur
6 after the true-up would be -- is planted or expenses
7 that have not yet been incurred. Correct?

8 **A. After the true-up that -- they may have**
9 **been incurred, but they -- the books have not been**
10 **closed and data's not available to review.**

11 Q. So you would not be able to audit that
12 information?

13 **A. That is correct.**

14 Q. And you would have difficult verifying
15 that information as well. Correct?

16 **A. Yes.**

17 Q. What would happen if the Commission
18 allowed, as part of the discrete adjustment, a plant
19 investment that ultimately did not be put into
20 service as originally estimated? Let me rephrase
21 that as a closed question because I just realized
22 that I did not ask that as a closed question.

23 You would agree with me that if the
24 Commission were to authorize rates that included a
25 plant investment that occurred after the true-up

1 period but which did not ultimately go into service,
2 the utility company would collect costs for a plant
3 that does not exist?

4 **A. If it did not go into service, that is**
5 **correct.**

6 Q. Which would result in the Company
7 earning -- you would agree with me that would result
8 in the Company earning an additional profit?

9 **A. They would earn a return and depreciation**
10 **expense.**

11 Q. They would earn a return and depreciation
12 expense on a plant that didn't exist though.
13 Correct?

14 **A. That is correct.**

15 Q. Which would effectively just go straight
16 to the Company's bottom line. Correct?

17 **A. It would be in the Company's financials,**
18 **yes.**

19 Q. Can we therefore state -- can we therefore
20 agree that that would constitute profit for the
21 Company?

22 **A. They would earn a return on it. Yes, they**
23 **would have profit.**

24 Q. Let's talk about true-up of certain
25 expense items. Does the Company know -- let me ask

1 you. Sitting where you are right now, I assume that
2 you have an electric bill. Is that accurate?

3 **A. That is correct.**

4 Q. Do you know what your electric bill is
5 going to be for May of 2025?

6 **A. No, I do not.**

7 Q. You would agree that the Company cannot
8 tell you what their electric bill is going to be for
9 May of 2025 as of right now?

10 **A. That is correct.**

11 Q. You would agree with me that one of the
12 items being trued up includes fuel and purchase power
13 though. Correct?

14 **A. I believe we are truing that item up.**

15 Q. So you would agree that, in essence, the
16 Company is having to estimate what it thinks its fuel
17 and purchase power costs are going to be several
18 months down the line and there is no way of knowing
19 how accurate that estimation is going to be.
20 Correct?

21 **A. It is an estimation.**

22 Q. You cannot tell for sure right now whether
23 or not that estimation is going to be accurate?

24 **A. That is correct.**

25 Q. Now, I could go down the line and go

1 through each expense, but I think that would bore
2 everyone here to tears. So I guess I'll ask broadly,
3 would you agree with me that most of these expense
4 items that include estimated costs are not known and
5 measurable because you cannot tell what the costs are
6 going to be where you -- from where we are right now?

7 **A. I would say most costs, yes, we cannot**
8 **tell the exact amount that will be incurred in May.**

9 Q. Now let's talk about plant investments
10 just briefly. If the Company puts forward
11 information that suggests that it's going to have
12 increases to its distribution system plant in say
13 March, April, or May of 2025, what would you expect
14 to have in order to be able to determine that that
15 information was known and measurable?

16 **A. We would have to look at the books and**
17 **records, copies of invoices.**

18 Q. You would need copies of invoices to
19 determine whether or not the plant additions, for
20 example, were actually known and measurable?

21 **A. Yes. And then we would also need to**
22 **verify that the plant was actually in service.**

23 Q. And if the Company did not provide
24 information that demonstrated or provide those
25 invoices, did not provide information that shows that

1 the plant was in service, you would characterize that
2 plant as not known and measurable?

3 **A. That is correct.**

4 Q. Really briefly I want to touch on the
5 WSIRA interplay with discrete adjustments. And for
6 the record WSIRA, W-S-I-R-A, Water and Sewer
7 Infrastructure Replacement Act, I believe. Maybe
8 adjustment.

9 If the Commission orders discrete
10 adjustments, how -- when would the Company be able to
11 start accruing plant for inclusion in the WSIRA?

12 **A. It would have to be at the date that -- in**
13 **this case it would be May 31st, 2025 if the**
14 **Commission accepted Missouri-American's discrete**
15 **adjustment proposal.**

16 Q. Right.

17 **A. And it would start June 1st. That plant**
18 **would be -- then be eligible for WSIRA.**

19 Q. Okay. Inclusion of plant before that
20 point would potentially result in double dipping for
21 the Company. You would agree with that?

22 **A. I would agree.**

23 Q. You had mentioned earlier, and I wanted to
24 touch on this specifically, the matter of prudence.
25 When would -- you would agree with me that there

1 would not be an opportunity for Staff to examine the
2 prudence of investments made during the true-up
3 period as part of this case if they were made past
4 the point where testimony could be offered?

5 **A. That is true.**

6 Q. You would agree with me that Staff's
7 ability to examine the prudence of the investments
8 being put forward in general will be hampered due to
9 the time constraints of the proposed discrete
10 adjustment period?

11 **A. That is correct.**

12 Q. Have you examined any information provided
13 by the Company in part of the true-up concerning the
14 discrete adjustments?

15 **A. I personally have not.**

16 Q. Fair enough. Switching gears you on again
17 really quick. You would agree with me that
18 construction accounting that has been granted in
19 prior cases was granted on a per construction item
20 basis and not on an overar -- overarching basis?

21 **A. For the times that I can recall, it was**
22 **for a large investment like an electric generating**
23 **plant.**

24 Q. So to clarify, the times that construction
25 accounting has been issued, it has been done only

1 with regard to a single large investment. Is that
2 accurate?

3 **A. That is my recollection, yes.**

4 Q. The Commission has never authorized
5 construction accounting for all investments across
6 the board?

7 **A. Not to my knowledge.**

8 Q. There's been some discussion here today
9 regarding regulatory lag. I'm going to hopefully
10 keep this last bit brief. When a utility -- when the
11 Commission sets rates for a utility, you would agree
12 with me that they set rates by multiplying the net
13 rate base by the rate of return plus additions for
14 taxes. Correct?

15 **A. Yes.**

16 Q. That net rate base is as of a set point in
17 time during the rate case. Correct?

18 **A. That is correct.**

19 Q. You would agree with me that net rate base
20 is equal to net plant in service less depreciation
21 reserve. Correct?

22 **A. Net ret base also has other items included**
23 **in it, but yes, the major component is plant and**
24 **accumulated depreciation.**

25 Q. You would agree with me that the Company

1 continues to accumulate depreciation on an ongoing
2 basis after rates are set. Correct?

3 **A. Yes, they do.**

4 Q. The accumulation of depreciation on an
5 ongoing basis does not get reflected in a company's
6 established rates in the period in between rate
7 cases. Correct?

8 **A. That is correct.**

9 Q. If the Commission did acknowledge the
10 continued accumulation of depreciation reserve in
11 between rate cases, it would result in downward
12 pressure on the Company's rates, assuming no
13 additional additions. Correct?

14 **A. Assuming no additional additions, yes, it**
15 **would decrease the rate base.**

16 Q. But again, to verify, the Commission does
17 not recognize that decrease currently?

18 **A. We recognize it as a -- the cutoff date in**
19 **the rate case, the -- what is the rate case. There's**
20 **no updating of monthly rates.**

21 Q. Would you agree with me that that -- what
22 that updating of monthly depreciation rates would
23 be -- constitute what we could call a regulatory lag?

24 **A. It is something that is changing that has**
25 **changed since the rates were established. So**

1 **technically, yes, regulatory lag.**

2 Q. And you would agree me that that type of
3 regulatory lag because it would decrease the
4 Company's rates or would have a downward pressure on
5 Company rates would benefit ratepayers. Correct?

6 **A. If we changed the rates, yes.**

7 Q. If the rates were changed. Do ratepayers
8 receive any recognition of that regulatory lag in
9 between rate cases?

10 **A. No, they do not.**

11 Q. So to the extent that the Company wants to
12 eliminate regulatory lag, is it safe to say the
13 Company's only seeking to eliminate the regulatory
14 lag that benefits -- or rather that harms the Company
15 but does not seek to eliminate the regulatory lag
16 that benefits the Company?

17 **A. They are seeking to include additional
18 costs and investments. They are not proposing to
19 look at accumulating depreciation going forward.**

20 Q. Is it safe to say that if the Commission
21 was attempting to eliminate regulatory lag, they
22 should eliminate regulatory lag on both ends of the
23 spectrum?

24 **A. I don't know how you would do that.**

25 Q. But you would agree with me that there

1 will be regulatory lag that benefits the utility from
2 the point rates are set in as far as there will not
3 be a continued update to depreciation reserve between
4 rate cases --

5 **A. That --**

6 Q. -- reflected in rates?

7 **A. That is correct.**

8 MR. CLIZER: I have no further cross-
9 examination. I will move for the admission of 320
10 and 321.

11 JUDGE SEYER: All right. Mr. Cooper.

12 MR. COOPER: Yeah. I would renew my
13 objection to admission of both of those on the basis
14 of the improper supplementation of the record. I
15 note that this -- well, the proposal as to AFUDC was
16 contained in Mr. LaGrand's direct testimony. All
17 parties had the opportunity to respond to that in
18 their direct, slash, rebuttal testimony that was
19 filed. None chose to do so. Had they, we would have
20 been able to respond to that as a part of the case.
21 So that's my objection.

22 JUDGE SEYER: I'll note your objection
23 and overrule your objection. And Exhibits 320
24 and 321 are admitted.

25 (Staff Exhibits 320 and 321 were admitted

1 and made a part of the record.)

2 JUDGE SEYER: Mr. Opitz, do you have
3 cross-examination?

4 MR. OPITZ: No, thank you, your Honor.

5 JUDGE SEYER: Mr. Harden?

6 MR. HARDEN: No, thank you.

7 JUDGE SEYER: Okay. Are there questions
8 from the commissioners?

9 COMMISSIONER MITCHELL: Judge, if I may.

10 JUDGE SEYER: Yes, Commissioner Mitchell.

11 QUESTIONS

12 BY COMMISSIONER MITCHELL:

13 Q. I -- I just wanted to make sure I
14 understood Ms. Bolin's point on one thing. If -- I
15 think I understood and I'll paraphrase a little bit.
16 That if there were plant additions that came into
17 service after the true-up date but before the
18 operation of law date, you would necessarily be
19 opposed to an adjustment for those, provided that all
20 of the data was available for a proper audit and
21 verification of those costs before the operation of
22 law date?

23 A. We would have to make sure that everything
24 was available to review, it was known and measurable.
25 The companies usually take 10 to 20 days to close

1 their books. It would be a challenge for them to
2 close their books, get the data ready, and then have
3 us be able to verify everything. It would be a
4 challenge. I'm not sure that we could do it,
5 especially for any plant that is much past the test
6 year, the true-up date.

7 Q. Thank you. And are we aware of any, you
8 know, large capital projects that would -- would
9 potentially fall into that time period?

10 A. I am not aware of anything that is, any
11 large individual project is coming online in that
12 time period.

13 Q. And when we're talking about these
14 investments, do you know if they include acquisitions
15 or are we -- we just talking about capital projects?

16 A. I am not sure on that.

17 COMMISSIONER MITCHELL: Okay. Thank you.
18 That helps me. Thank you for your testimony. It was
19 very helpful.

20 JUDGE SEYER: All right. Ms. Bolin, I
21 have a few questions.

22 QUESTIONS

23 BY JUDGE SEYER:

24 Q. And you first mentioned in response to one
25 of Mr. Cooper's questions that you didn't have a

1 procedural schedule in front of you, so I'm going to
2 lay out a few of the dates in that procedural
3 schedule. True-up direct is due March 14th. Last
4 date of request for discovery, March 27th. Initial
5 briefs, March 31st. True-up hearing, April 4th.
6 And then reply briefs and true-up briefs are due on
7 April 14th.

8 **A. Okay.**

9 Q. So considering those dates, can you
10 estimate the latest date, and you talked about -- you
11 just mentioned 10 to 12 days that you would expect
12 for the Company to close their books. But what would
13 be your latest date that Staff could receive that
14 information from Missouri-American for plant
15 additions and still have time to accept or reject
16 those amounts for inclusion in the rate base?

17 **A. And it was 10 to actually 20 days to close**
18 **the books.**

19 Q. What did I say?

20 **A. Twelve. That's all right. I just want to**
21 **make sure.**

22 Q. I am getting, you know, as we -- as was in
23 evidence yesterday, I am getting old.

24 **A. Well, by the time they would close the**
25 **books, that would be mid February for any January**

1 additions. That would not give Staff much time. So
2 at the -- really the true-up is about the latest we
3 could go in this situation.

4 Q. And when you say the true-up you mean --

5 A. 12/31/2024.

6 Q. I see what you're saying.

7 A. If we went out much farther, you're
8 cutting in to a lot of time to evaluate the data.

9 Q. Okay. I'm going to refer to your
10 direct/rebuttal testimony on pages 14 and 15.

11 A. I'm there.

12 Q. In that testimony you refer to
13 Mr. LaGrand's direct testimony, page 21, table BLW-1
14 where he compares for years 2014 through 2023 the
15 alleged Missouri-American debt, income, and return on
16 equity. Wouldn't that income be the result of actual
17 revenues less actual expenses?

18 A. That would be the case, yes.

19 Q. Okay. Is there any way of knowing the
20 impact that the actual revenues or actual expenses
21 independently had on the resulting data under the
22 years provided?

23 A. From looking at his data on this table?
24 Like you're wanting to know what revenues in
25 particular or?

1 Q. Yes.

2 A. I could not tell you from what's in his
3 testimony.

4 Q. Okay.

5 A. And the data he puts in the testimony is
6 actuals; it's not what we may use for ratemaking
7 purposes. There may be costs that we would not allow
8 in those expenses.

9 Q. Okay. Yesterday afternoon there was a
10 point where Staff counsel indicated that the
11 difference in revenue requirement amounts between
12 Missouri-American and Staff on a number of issues
13 were entirely based on discrete adjustments made by
14 Missouri-American out to May 31st, 2025. Is that
15 correct?

16 A. That is correct.

17 Q. Can you identify the specific issues Staff
18 counsel addressed?

19 A. I maybe can do a few, but not all.
20 I've -- I -- no. I can't give you each individual
21 one.

22 Q. Okay.

23 A. But there are several issues that our only
24 differences is -- is the date differences.

25 Q. Gotcha. Mr. LaGrand earlier testified

1 about what I believe we all agreed was what we can
2 refer to as schedule BLW-1. That was included with
3 his supplemental direct testimony filed in September.
4 The true-up column, the true-up 12/31/24 column, is
5 it Staff's position today that those amounts are what
6 Staff supports as the actual 12/31/24 amounts for the
7 issues where the difference in amounts between
8 Missouri-American and Staff is based entirely on the
9 discrete adjustment projected out to May 31st?

10 **A. No. We have not completely completed our**
11 **true-up, but those numbers that were included in his**
12 **schedule were estimates out to 12/31/2024. I would**
13 **be surprised if they are the exact numbers that are**
14 **in our true-up.**

15 **Q. Okay. And I'm going to -- since you're**
16 **here, I'm going to ask you this questions even though**
17 **one of the -- or the last issue today is bad debt**
18 **expense and there's a Staff witness scheduled to**
19 **testify on that issue. But if you can answer, will**
20 **Staff true-up its three-year average bad debt**
21 **analysis for 12/31/24 so that an average is based on**
22 **calendar years 2022, 2023, 2024?**

23 **A. I believe that is one item that we are**
24 **updating, using three years calendar 2024. I am not**
25 **exactly for sure on that, but it is an item that we**

1 **have listed as an item that we will true-up.**

2 JUDGE SEYER: Okay. I appreciate that.
3 All right. Those are the only questions I had. Any
4 recross by the Company?

5 MR. COOPER: Yes, your Honor.

6 RE CROSS-EXAMINATION

7 BY MR. COOPER:

8 Q. Let's start with that last piece. Not the
9 very last piece. You were talking about BLW-1 from
10 Mr. LaGrand's supplemental direct testimony.
11 Correct?

12 A. **Correct.**

13 Q. And asked about whether those were going
14 to essentially match the Staff's true-up numbers.
15 Correct?

16 A. **Correct.**

17 Q. Would you also agree they're not likely to
18 match the Company's true-up numbers either. Correct?

19 A. **That is -- yeah, that is correct.**

20 Q. The Company also is truing up as of that
21 date. Correct?

22 A. **Yes.**

23 Q. In response to Commissioner Mitchell's
24 questions, you were talking again about timing and
25 closing dates. When you talk 15 to 20 days to close

1 the books, what dates are you talking about? I -- I
2 first thought you were answering that the end of
3 January books would be closed mid February.

4 **A. That is correct.**

5 **Q. Is that accurate?**

6 **A. Yes. Sometime around mid February.**

7 **Q. And so at least as of mid February then**
8 **you would have the opportunity to review what had**
9 **happened in the month of January. Correct?**

10 **A. We would have the opportunity, but it**
11 **would take some time to review it. That is if the**
12 **Company could get it to us in that time period.**

13 **Q. And, you know, it kind of continues some**
14 **things we talked about. It sounds like your**
15 **objection to the discrete adjustments is not so much**
16 **that you think they shouldn't be included in the**
17 **Company's rates that become effective at the end of**
18 **May of the year. It seems rooted in just the**
19 **practicality or the logistics of looking at those**
20 **along the way. Is that correct?**

21 **A. We still want to try to keep the matching**
22 **principle as closely as possible. Too far out**
23 **from 12/31/2024 is going to skew the matching**
24 **principle. And the problem's also going to be we**
25 **will not have time to review the data and audit it**

1 properly.

2 Q. But the matching principle too, that --
3 that is one of the things -- you know, there was
4 testimony discussion about the long list of items
5 that the Company had proposed to include in discrete
6 adjustments. Correct?

7 A. Yes.

8 Q. But by providing a longer list of discrete
9 adjustments, by providing both the opportunity for
10 financing, for customer numbers, for a variety of
11 things to be included, doesn't that go towards
12 helping ensure that the matching principle is still
13 being honored?

14 A. Well, I wouldn't consider what the
15 Company's list as discrete adjustments. I mean,
16 it's a long list. I've -- I've said in my
17 testimony it's more like another future test year out
18 to May 31st, 2025. To me discrete adjustments would
19 be a little more limited.

20 Q. Yeah. But in terms of your objection
21 about the matching principle, it does serve that,
22 doesn't it?

23 A. I don't know that it does because I'm not
24 sure your estimates would have been -- would skew the
25 matching principle or not.

1 Q. Now, there was, going back to sort of the
2 logistics of addressing plant that goes into service
3 between the -- between December 31st of 2024 and the
4 end of the -- or the operation of law day, there was
5 some test -- testimony about, you know, what if we
6 get it wrong, right. I mean, that's part of the
7 concern I think that you expressed earlier. Would
8 you agree that Mr. LaGrand's testimony provide -- or
9 recommended a reconciliation associated with that if
10 the discrete adjustments were -- were approved?

11 A. I don't remember on what page he proposed
12 that, and I don't remember the exact reconciliation
13 he proposed at the time.

14 Q. Well, let's get at it a different
15 direction. In your testimony, your direct, slash,
16 rebuttal testimony on page 13.

17 A. I'm there.

18 Q. You say, If the Commission would determine
19 it is appropriate to include discrete plant
20 additions, Staff recommends that any depreciation
21 expense return on plant that's not in place by
22 May 31st be refunded to customers either as a billed
23 credit or through a deferral in the next rate case.
24 Correct?

25 A. Yes, I did.

1 Q. Okay. And if I look at Mr. LaGrand's
2 testimony -- and I think you had that with you as
3 well. Right?

4 A. I do.

5 Q. His direct testimony?

6 A. Yes.

7 Q. Page 18 in line 5 he confronts the
8 situation that perhaps the Company's estimates could
9 provide more capital that is in service and then in
10 line 7 suggests a reconciliation. Correct?

11 A. What page was that again?

12 Q. Eighteen.

13 A. Of his direct?

14 Q. In his direct.

15 A. He said the customer -- he said the
16 reconciliation would work exactly the same way as the
17 one described in his testimony earlier.

18 Could you ask your question again?

19 Q. It's true, isn't it, that Mr. LaGrand
20 suggested a reconciliation?

21 A. He did suggest a reconciliation.

22 MR. COOPER: Okay. Thank you. That's
23 all I have at this time.

24 JUDGE SEYER: Mr. Clizer.

25 RECROSS-EXAMINATION

1 BY MR. CLIZER:

2 Q. With regard to questioning regarding the
3 length of time to close the books, that assumption --
4 that assumes, like you said earlier, that the Company
5 would provide the information in a timely manner.
6 Correct?

7 A. That is true.

8 Q. You would agree with me that the Staff has
9 already had delays in receiving certain true-up
10 information from the Company in the case at present.
11 Correct?

12 A. I'm aware of some delays, like -- yes.

13 Q. With regard to the question that was posed
14 to you by the Bench in the table, that of the -- the
15 earned ROEs, do you recall that line of questioning?

16 A. Yes.

17 Q. And the question was effectively posed I
18 think, can you break out the difference between the
19 revenues and the expenses that make up the net income
20 line. Do you recall that question?

21 A. Yes.

22 Q. And while we all know that it would be
23 difficult to do with the data right there, you would
24 agree with me that there are other witnesses in the
25 case who have provided information on revenues.

1 Correct?

2 **A. Yes. There are other witnesses.**

3 Q. Okay. So theoretically it might be
4 possible if other witnesses provided the revenue data
5 for those years to determine the net expense by
6 subtraction?

7 **A. I'm not sure that our witnesses have gone**
8 **back to 2014 in this case. Maybe somebody from**
9 **Missouri-American can provide that, but.**

10 Q. All right. Just to completely verify for
11 the sake of the record, the -- to make the
12 mathematical determination for the net income, you
13 would take net revenues and subtract net expenses?

14 **A. That's correct.**

15 Q. To determine net expenses, therefore, you
16 would start with net income and subtract the net
17 revenues?

18 **A. Repeat your question again.**

19 Q. Sorry. I might have just screwed up the
20 math there, but I'm just going to make sure that I
21 have it in the record. If one wanted to calculate
22 the net expenses for each year and one knew the net
23 revenues, you could start with net total income and
24 subtract the net revenues to yield net expenses?

25 **A. Yes.**

1 Q. All right. And one last thing, with
2 regard to the discussion on a potential mechanism
3 true-up reconciliation -- reconciliation I think was
4 the word, on page -- do you have Mr. LaGrand's
5 surrebuttal testimony in front of you?

6 A. Yes, I do.

7 Q. On page 12 he responds directly to your
8 suggestion regarding a reconciliation. Do you see
9 that?

10 A. Yes.

11 Q. Specifically at lines 8 through 10 he
12 effectively agrees that the Company could agree to
13 what you had proposed assuming that the refund would
14 need to be worked out. The specific mechanisms, I'm
15 sorry, would need to be worked out?

16 A. Yes. That's what he says.

17 Q. Now, given that we're in hearing, I don't
18 know how we will work out the specific mechanisms,
19 but do you explain what those specific mechanisms
20 that you would advise the Commission of in your
21 testimony?

22 A. We could do several different ways. We
23 could do a deferral of the differences. We could try
24 to do a bill credit. There's several different --

25 Q. You would agree with me that if a deferral

1 was done, it should include compensation for the
2 carrying costs associated?

3 **A. Yes.**

4 Q. In other words, the -- any deferral would
5 require the co -- inclusion of the weighted average
6 cost of capital?

7 **A. It would need to require some type of**
8 **carrying cost.**

9 Q. Fair enough. Do you recall being asked a
10 question by Commissioner Mitchell regarding
11 acquisition deferrals?

12 **A. Yes, I do.**

13 Q. Do you have Mr. LaGrand's direct testimony
14 in front of you?

15 **A. Yes.**

16 Q. Can you turn to page 24 for me?

17 **A. I'm there.**

18 Q. Lines 19 -- lines 19 through 24.

19 **A. I have through 22 in my version. Page 24?**

20 Q. Nineteen through 22. Yes. I'm sorry.

21 **A. Okay.**

22 Q. You would agree with me that that --
23 the -- the requested regulatory treatment would apply
24 to all capital investments, including regular
25 planned, unplanned capital needs for existing

1 facility's acquisitions of other water and sewer
2 utilities including post acquisition capital and new
3 capital spending requirements related to
4 environmental compliance, continuing on to the top of
5 the next page?

6 **A. That is what the testimony says.**

7 MR. CLIZER: All right. Thank you very
8 much. I have no further questions.

9 JUDGE SEYER: Is there any recross by the
10 other parties? All right. They're indicating no.
11 Any redirect?

12 MS. ASLIN: Yes, thank you.

13 REDIRECT EXAMINATION

14 BY MS. ASLIN:

15 Q. Ms. Bolin, I believe it's been established
16 that the issue with discrete adjustments is not just
17 whether they are known and measurable, but whether or
18 not Staff has time to sufficiently audit and verify
19 those adjustments. Is that right?

20 **A. That is correct.**

21 Q. And the closer to the operation of law
22 date that an adjustment occurs, the harder -- do you
23 believe that that would make it harder for Staff to
24 audit or verify --

25 **A. The --**

1 Q. A. -- information provided by the
2 Company?

3 A. The closer -- yes. If something happened
4 in May, for example, that would be virtually
5 impossible for the Staff to review, audit, and to
6 also verify in time for the Commission to put it in
7 an order.

8 Q. So you've gone to my next question. It
9 would logically follow that if Staff doesn't have
10 time to audit and verify, it would also be difficult
11 for the Commission to do so?

12 A. Yes.

13 Q. At this point in this -- in the case, will
14 Staff have time to audit or verify any plant that
15 goes into service between the end of true-up and the
16 operation of law date?

17 A. And to have it reviewed by what time? I
18 don't -- I -- I really think it would be very
19 difficult because we got the true-up information
20 January 31st and we're still reviewing it and still
21 writing our true-up direct testimony. And that's
22 almost -- that's a month, it's more than a month
23 since that happened.

24 Q. Are you aware of any other Missouri
25 utility that has proposed as many discrete or

1 isolated adjustments in a single case as Missouri-
2 American has in this case?

3 **A. Not to my knowledge.**

4 Q. Are you aware of any that have even come
5 close?

6 **A. No.**

7 MS. ASLIN: No further questions. Thank
8 you.

9 JUDGE SEYER: All right. Thank you,
10 Ms. Bolin. All right. It is my inclination to break
11 for lunch at this time. And if I'm reading the
12 hearing schedule correctly, it'll be Mr. Robinett up
13 next. All right. So let's reconvene at 1:05. Going
14 off the record.

15 (Off the record.)

16 JUDGE SEYER: Let's go back on the
17 record. All right. Mr. Robinett on behalf of Public
18 Counsel is already on the witness stand with his
19 right hand raised.

20 (Witness sworn).

21 JOHN ROBINETT,
22 the witness, having been first duly sworn,
23 testified as follows:

24 JUDGE SEYER: Thank you. Mr. Clizer.

25 DIRECT EXAMINATION

1 BY MR. CLIZER:

2 Q. Can you please state and spell your name
3 for the record.

4 A. Sure. My name is John A. Robinett,
5 J-o-h-n. And Robinett is R-o-b-i-n-e-t-t.

6 Q. And did you prepare or cause to be
7 prepared rebuttal testimony that has been premarked
8 as OPC 312 and cross-rebuttal testimony that's been
9 premarked as OPC Exhibit 313.

10 A. Yes.

11 Q. Do you have any corrections to make to
12 that testimony?

13 A. I have one correction. It's on page 5 of
14 my direct/rebuttal testimony. At line 20 I
15 misspelled discrete twice in there. It should be
16 d-i-s-c-r-e-t-e.

17 Q. The correction is just to the spelling,
18 not to the substance?

19 A. Right.

20 Q. Barring that correction, do you have --
21 you have no other corrections. Correct?

22 A. No other corrections.

23 Q. All right. And barring that correction,
24 if I were to ask you the same questions that were
25 posed in your testimony today, would your answers be

1 the same or substantially similar?

2 **A. Yes, they would.**

3 Q. Are those answers true and correct to the
4 best of your knowledge and belief?

5 **A. Yes.**

6 MR. CLIZER: I would move for the
7 admission of OPC's Exhibit 312, the direct/rebuttal
8 testimony of John A. Robinett and 313, the cross-
9 rebuttal testimony of John A. Robinett.

10 JUDGE SEYER: All right. Is there any
11 objection to the admission of Exhibits 312 and 313?
12 Hearing none, 312 and 313 are admitted into evidence.

13 (OPC Exhibits 312 and 313 were admitted
14 and made a part of the record.)

15 MR. CLIZER: As a very, very quick
16 procedural matter, Judge, I know that we've had
17 different kind of things regarding corrections. I'm
18 endeavoring to get your correction regarding
19 Mr. Murray. Is it safe to say that given the
20 simplicity of that correction, I don't need to file
21 an update?

22 JUDGE SEYER: Correct.

23 MR. CLIZER: Thank you. In that case I
24 tender the witness.

25 JUDGE SEYER: Does Staff have any cross-

1 examination?

2 MS. ASLIN: No questions.

3 JUDGE SEYER: Okay. Mr. Cooper?

4 MR. COOPER: No questions.

5 JUDGE SEYER: All right. Are there --
6 are there any questions from the commissioners? All
7 right. Mr. Robinett, I have a single question.

8 QUESTIONS

9 BY JUDGE SEYER:

10 Q. Let's see if I can find where this is. In
11 Mr. LaGrand's rebuttal testimony on page 30 he's
12 asked a question and it begins, Mr. Robinett notes
13 that the Company is requesting that the proposed
14 deferrals be amortized over a reasonable period --
15 and that phrase is in quotation marks, over a
16 reasonable period -- but does not define what period
17 it would find reasonable. What period would the
18 Company find reasonable.

19 And his answer is, I think it would be
20 reasonable to amortize the deferrals over 25 years.

21 First of all, do you -- do you agree with
22 that statement? Do you find -- is 25 years
23 reasonable in your opinion?

24 A. I think it could be. I just haven't
25 looked at it enough to look at what the average

1 depreciation rates are for the entirety of the
2 Company.

3 Q. Okay. Let me ask you this though. Would
4 the -- would the life of the plant used to calculate
5 the depreciation rates be a better period to
6 amortize -- amortize -- I can't say that word
7 today -- over the recovery period or the recovery
8 period?

9 A. So if you had a very specific one, I would
10 say yes. But this was looking at everything. So I
11 would probably be looking at the average depreciation
12 rate for the entirety of the Company.

13 Q. Okay.

14 A. And I'm guessing it's probably close to
15 what that number is.

16 Q. Okay. Are you -- do you mean the 25
17 years?

18 A. Yes.

19 JUDGE SEYER: Okay. All right. Those --
20 that was my only question. Any recross? Any
21 redirect?

22 MR. CLIZER: Very briefly.

23 REDIRECT EXAMINATION

24 BY MR. CLIZER:

25 Q. With regard to the question posed, you

1 said in response, you know, 25 years would be --
2 you're looking at everything. You kind of recall
3 that?

4 **A. Yes.**

5 Q. Just to clarify that for the record, is it
6 correct that it's because the proposal is to
7 aggregate all of the return of and on being deferred
8 into a single sort of lump sum and aggregate it? I'm
9 sorry, amor -- amortize it. I can't say it either.

10 **A. Yes. It would be an aggregation of all**
11 **the potential plant that -- the depreciation from**
12 **those and the return on.**

13 Q. So that's why you couldn't normally put it
14 for each individual plant's remaining life unless you
15 chose to break it out that way?

16 **A. Correct.**

17 MR. CLIZER: All right. Thank you. I
18 wanted to clarify that. No further redirect.

19 JUDGE SEYER: All right. Thank you,
20 Mr. Robinett. And it's my understanding that Mr. --
21 or I'm sorry, Dr. Marke is retaking the stand at this
22 time.

23 (Witness previously sworn).

24 DR. GEOFF MARKE,
25 the witness, having been first duly sworn,

1 testified as follows:

2 JUDGE SEYER: And, Mr. Clizer, you can go
3 ahead.

4 MR. CLIZER: Dr. Marke's testimony has
5 already been offered and admitted and I assume he is
6 still under oath, so I will tender the witness.

7 JUDGE SEYER: Does Staff have any cross-
8 examination?

9 MS. ASLIN: No, thank you.

10 JUDGE SEYER: All right. Mr. Cooper?

11 MR. COOPER: No, thank you.

12 JUDGE SEYER: All right. Questions from
13 the commissioners?

14 CHAIR HAHN: Yes, Judge.

15 JUDGE SEYER: Go ahead, Chair Hahn.

16 CHAIR HAHN: Thank you.

17 QUESTIONS

18 BY CHAIR HAHN:

19 Q. Good afternoon, Dr. Marke. I was hoping
20 that you could explain from your perspective the
21 overview of how you think the capital markets view
22 our regulatory environment in Missouri. It's my
23 understanding it may differ a little bit from the
24 Company's.

25 A. It's a great question. I -- generally

1 positive, and I think it's been on the upturn of late
2 quite frankly. You know, it -- and that's the --
3 that's as a whole, Missouri as a whole. You know,
4 individual utilities are going to vary, you know,
5 based off their circumstances, but in general I --
6 above average is how I would characterize it today.

7 CHAIR HAHN: Thank you. Appreciate that.

8 JUDGE SEYER: All right. Is there any
9 recross? All right. Redirect?

10 MR. CLIZER: Very briefly.

11 REDIRECT EXAMINATION

12 BY MR. CLIZER:

13 Q. With regard to the one question you were
14 posed by Chair Hahn, Dr. Marke, is there anything
15 you're aware of regarding how the Company views the
16 regulatory market in Missouri?

17 A. Based off of their investment patterns and
18 what they've, you know, projected to their investors
19 themselves, very positive. And that -- that should
20 be further enforced, you know, potentially pending
21 legislation that moves forward.

22 MR. CLIZER: Nothing further. Thank you.

23 JUDGE SEYER: All right. You may step
24 down. Thank you.

25 MR. CLIZER: Your Honor, as I discussed

1 before going on the record, I'd like to have
2 Dr. Marke excused since he has another engagement.

3 JUDGE SEYER: Yes. Unless there's some
4 objection, that -- you're excused.

5 MS. ASLIN: Before we move on to the next
6 issue, both the Company and Staff have discussed that
7 for both Insurance Other Than Group and Bad Debt
8 Expense and Uncollectibles, these are issues that we
9 both agree the only real issue at hand is related to
10 discrete adjustments. So if the Commission has no
11 questions, we would be okay with removing those from
12 the schedule.

13 JUDGE SEYER: Insurance and Bad Debt?
14 Okay. So we will not call witnesses today on those
15 issues.

16 MS. ASLIN: Correct.

17 JUDGE SEYER: Will their -- will those
18 witnesses' testimony --

19 MS. ASLIN: I believe both the witnesses
20 have already had their testimony admitted.

21 JUDGE SEYER: Okay.

22 MR. COOPER: I have a witness on --
23 Ms. Grisham has not yet, but she's going to be on a
24 couple other issues before we get there anyway, so.
25 She will have by the time we would have gotten to Bad

1 Debt.

2 JUDGE SEYER: Sounds good.

3 MS. ASLIN: And then just one other
4 thing. Since that makes our next issue Rate Base
5 Plan of Service, Mr. Clizer and I have noted a couple
6 of witnesses that no longer have live issues under
7 that heading.

8 JUDGE SEYER: All right.

9 MS. ASLIN: So we just want to remove
10 Angela Niemeier and John Riley. Correct?

11 MR. CLIZER: Yeah. John Riley's issue
12 was under the Cash Working Capital component that was
13 removed from the remainder of that issue.

14 JUDGE SEYER: Okay. Then that brings us,
15 correct, to Plant in Service. And --

16 MR. COOPER: Well, while we're having
17 this conversation, let's -- let's finish it. I think
18 plant in service was one of those issues that Casi
19 had suggested --

20 MR. CLIZER: Unfortunately I --

21 MR. COOPER: You still do?

22 MR. CLIZER: Uh-huh.

23 MR. COOPER: All right. You told me
24 different yesterday, but I -- I understand.

25 JUDGE SEYER: All right. The parties

1 would like to present mini opening statements I
2 assume.

3 MR. CLIZER: Short one.

4 JUDGE SEYER: All right. Would the
5 Company like to make an opening statement?

6 MR. COOPER: I would although I think
7 Staff's in the process of switching out.

8 MS. ASLIN: Could we take just a very
9 short break?

10 JUDGE SEYER: Sure. Let's go off the
11 record.

12 (Off the record.)

13 JUDGE SEYER: Let's go back on the
14 record. We are back on the record, and we are set to
15 begin on the issue of Plant in Service. The parties
16 have indicated that they would like to present an
17 opening statement on that issue. So on behalf of
18 Missouri-American Water, would someone like to make
19 an opening?

20 MR. COOPER: I would. I've got a little
21 bit of confusion to work out first. You mentioned
22 Plant in Service. We're doing both that combined set
23 of Rate Base and Plant in Service issues.

24 JUDGE SEYER: Gotcha. My mistake.

25 MR. COOPER: Yeah. As we've mentioned

1 off the record, the Rate Base issues I believe, Cash
2 Working Capital of course we're dealing with
3 separately. There is a series of -- or B and C are
4 issues that the parties have suggested are dependent
5 upon the decision on discrete adjustments and are
6 not -- and are essentially waiving cross on those
7 sort of issues.

8 So amongst Rate Base or in the Rate Base
9 issues, that leaves the AFUDC issue that we -- that
10 we touched upon this morning for a while. And our
11 opening statement on that just is to suggest that, as
12 does Mr. LaGrand's testimony, that AFUDC, that rate
13 should be calculated each month based upon the actual
14 balances during the prior month for short-term debt,
15 long-term debt, preferred stock, and equity.

16 Currently the balance of construction
17 work in progress first earns AFUDC on the short-term
18 debt rate. For any amount of CWIP that's higher than
19 the short-term debt balance, then CWIP will earn
20 AFUDC at the Company's long-term debt rate and only
21 to the extent the CWIP balance is greater than the
22 total of the Company's short and long-term debt
23 balances will CWIP earn the Company's full cost of
24 capital. We believe that calculating AFUDC in this
25 fashion does not fully capture the cost the Company

1 incurs to finance its business.

2 And that's all I have at this time, your
3 Honor.

4 JUDGE SEYER: All right. Any questions
5 from the commissioners? All right. Hearing none,
6 Ms. Klaus, would you like to present an opening?

7 MS. KLAUS: Yes, judge. May it please
8 the Commission. Good afternoon, Madam Chair,
9 Commissioners, Judge. My name is Alexandra Klaus.
10 I'm here today on behalf of Staff on the issue of
11 Rate Base and Plant in Service. This is an important
12 issue with several component parts and mathematical
13 calculations beginning with taking the value of plant
14 in service and subtracting accumulated depreciation
15 reserve to arrive at net plant in service.

16 From that plant in service, several items
17 will be added including cash working capital,
18 contributions and aid of construction amortization,
19 materials and supplies, prepayments, prepaid pension
20 asset, the Tax Cuts and Job Act of 2017, excess
21 accumulated deferred income tax tracker balance, and
22 regulatory deferrals. Several items will also be
23 subtracted from net plant in service including
24 federal, state, and city tax offsets; the interest
25 expense -- interest expense offset; and contributions

1 in aid of construction; customer advances;
2 accumulated deferred income taxes; OPEB tracker; and
3 pension tracker.

4 The result of this is total rate base.
5 More detailed figures are shown on Staff's corrected
6 accounting schedules filed on February 18th. I'll
7 approximate some larger numbers. Staff's total plant
8 in service dollar amount is approximately 4.38
9 billion. After subtracting Staff's accumulated
10 depreciation reserve, the net plant in service dollar
11 amount is approximately 3.74 billion.

12 As stated, the issues list in this case
13 contained seven topics relating to rate base: Cash
14 working capital, contributions in aid of
15 constructions and amortization of CIAC, materials and
16 supplies, customer advances, prepayments, prepaid
17 pension assets, and allowance for funds used during
18 construction or AFUDC.

19 As shown from Staff's filed position
20 statements, Staff does not have a position on
21 prepayments or AFUDC. And you will hear from Staff
22 witness Angela Niemeier next week regarding cash
23 working capital.

24 That leaves us with four topics on wish
25 I'd like to share Staff's position with you. The

1 appropriate amount of CIAC and amortization of CIAC
2 to include in Missouri-American's cost of service is
3 approximately 443 million and 124 million
4 respectively. The appropriate amount of materials
5 and supplies to include in Missouri-American's
6 cost of service is approximately 12.9 million, using
7 a 13-month average ending on June 2024. The
8 appropriate amount of customer advances in the cost
9 of service is approximately 1.9 million using the
10 account balance as of June 2024 as the annualized
11 amount. Finally, the appropriate amount of prepaid
12 pension asset to include in the cost of service is
13 approximately 26.5 million as of June 2024.

14 Staff witnesses are here and available to
15 answer more specific questions that you may have.
16 Staff witnesses include Angela Niemeier, Sherrye
17 Lesmes, Chris Boronda, and Alexis Branson. We
18 appreciate your consideration of Staff's positions on
19 these issues and I'll do my best to try and answer
20 any questions that you may have.

21 JUDGE SEYER: All right. Are there any
22 questions from the commissioners? It appears not.
23 Thank you.

24 MS. KLAUS: Thank you.

25 JUDGE SEYER: Mr. Opitz, would you like

1 to make an opening statement?

2 MR. OPITZ: No, thank you, your Honor.

3 JUDGE SEYER: Mr. Clizer.

4 MR. CLIZER: If it would please the
5 Commission. There are only two issues under this
6 heading that the OPC is concerned with at this
7 moment. And they're both -- well, the first issue
8 concerns a plant in service issue that is a very
9 small component of the larger plant in service cost.
10 And basically what it comes down to is the OPC
11 noticed when the Company filed its initial case,
12 a \$30 million increase to plant in service for
13 vehicles. Now, at the time we were very confused
14 with why that was the case. And you can see in the
15 testimony of Mr. John Robinett the explanation for
16 that confusion, which is that that amount far exceeds
17 what the Company had put into service in the past for
18 vehicles. It seemed to be a substantial, substantial
19 increase.

20 Now, of course the OPC sent data requests
21 to the Company asking, you know, for them to explain
22 to us where that massive increase in vehicle costs
23 were coming from. And the answer we got back
24 amounted to little more than we buy things when we
25 need them, without any real explanation for why we

1 were seeing that increase. This puts us in a
2 somewhat awkward position.

3 Traditionally the burden of proof in
4 cases such as this have always been that the Company
5 has to bear its burden, but it gets a presumption of
6 prudence that shifts the burden of production onto
7 other parties. So at this stage, effectively, the
8 OPC has to first establish that \$30 million of
9 vehicles with no supporting evidence explaining why
10 that increase is so large compared to past cases is
11 imprudent. We frankly believe that it's imprudent on
12 its face. That it makes no sense to have that much
13 of an increase, again, without explanation as to why.

14 At that stage it should have
15 theoretically turned back to the Company to have to
16 prove that it was, in fact, prudence, which would
17 normally require them to put forward evidence
18 explaining why that amount of money makes sense for
19 vehicles. In its responsive testimony to
20 Mr. Robinett's position all the Company actually laid
21 out was that it's not vehicles. It's light trucks
22 and I think heavy trucks. Which, okay. That doesn't
23 actually answer the kind of underlying problem
24 though, which even then you're still seeing a massive
25 increase in vehicle expenditures for plant, far above

1 what we would have seen in past years with still no
2 explanation for why we have such a sudden large
3 increase.

4 Therefore, the OPC's position is that the
5 Company cannot prove the prudence of these
6 expenditures and they should be excluded. I invite
7 you to ask Mr. Robinett questions regarding this
8 particular concern, but otherwise, it's fairly as
9 simple as that.

10 The only other issue I want to touch on
11 is allowance for funds used during construction or
12 what is known as AFUDC. I believe that Mr. Cooper
13 admirably explained the current methodology that the
14 Commission -- sorry -- the Company is using with
15 regard to this, so I won't belabor that point. The
16 short version is that allowance for funds used during
17 construction is intended to allow a company to
18 recover construction costs incurred between rate
19 cases. Those construction costs are generally funded
20 through bridge financing, meaning short-term debt.
21 As a result of that, it's traditionally accepted that
22 the short-term debt will be used to fund the AFUDC
23 when it is put into rates until the AFUDC exceeds the
24 short-term debt balance and then you would move
25 towards remaining debt and finally to rate base if it

1 exceeds both debt balances.

2 And as was discussed earlier on the stand
3 with Ms. Bolin, this is exactly what I believe the
4 uniform system of account instructions for water
5 states. Again, it's included in Mr. LaGrand's
6 testimony. It effectively states that a utility is
7 supposed to use debt balances first and then
8 remaining funds for anything left over. However, if
9 the Commission were not to go with that, the
10 Commission's second alternative would be to utilize
11 the formula directly contained in the electric USOA
12 which has been and currently is the stated opinion of
13 Staff witness Ms. Bolin per the testimony given
14 today.

15 So in summary I would argue that the
16 Commission should order the Company to maintain its
17 existing AFUDC methodology which is consistent with
18 the USOA requirements for water, or failing that,
19 order the Company to apply the USOA instructions that
20 are in place for electric utilities as recommended by
21 Ms. Bolin. They should not go to the Company's
22 request to utilize the actual balances because that
23 means they will be funding construction costs with
24 dollars that weren't used to actually fund
25 construction. They'll be treating construction costs

1 that were funded with short-term debt as it was
2 funded through equity issuances which is simply not
3 true and violates the matching principle.

4 Those are the two issues on which the OPC
5 has a stake on this particular issue and so if there
6 are no questions, I am done.

7 JUDGE SEYER: All right. Do the
8 commissioners have any questions for Mr. Clizer?
9 Okay. Thank you. Company may call its first
10 witness -- excuse me -- call its first witness on
11 this issue.

12 MR. COOPER: Your Honor, we'd call Brian
13 LaGrand.

14 (Witness previously sworn).

15 BRIAN LAGRANDE,
16 the witness, having been first duly sworn,
17 testified as follows:

18 MR. COOPER: Mr. LaGrand appeared earlier
19 today and has been sworn and is tendered for cross-
20 examination. Sorry. Did I not say tendered for
21 cross-examination?

22 JUDGE SEYER: Oh, you did not, unless --
23 unless like this morning. All right. Ms. Klaus, any
24 cross-examination?

25 MS. KLAUS: No questions, thank you,

1 Judge.

2 JUDGE SEYER: Mr. Clizer?

3 MR. CLIZER: No questions, thank you.

4 JUDGE SEYER: Mr. Opitz?

5 MR. OPITZ: No questions, thank you.

6 JUDGE SEYER: Any questions from the
7 commissioners? All right. Hearing none. I do have
8 some questions myself.

9 THE WITNESS: Okay.

10 QUESTIONS

11 BY JUDGE SEYER:

12 Q. I don't know if it was Mr. Clizer, I think
13 someone though in the opening statements touched on
14 it a bit, but I'm going to ask you. In general terms
15 can you explain what CIAC is and why it's deducted
16 from rate base?

17 A. So CIAC is contributions in aid of
18 construction. And that is -- like an example is
19 maybe a developer builds a subdivision. They put in
20 the -- the water mains, contribute those to the
21 company. They're the Company's assets, but the
22 Company didn't put forth their own funds to purchase
23 the assets, so we don't earn a return or collect that
24 from the customer.

25 Q. Can you explain in general terms why CIAC

1 is amortized and if that amortization impacts
2 Missouri-American's cost of service.

3 **A. Well, it's -- it is -- well, I think I can**
4 **answer, but I know I'm -- I'm not really the witness**
5 **on CIAC, so I probably should defer to a CIAC witness**
6 **on that. I apologize.**

7 **Q. That's fair. That's fair enough.**

8 I believe it was early this morning when
9 we were talking about your supplemental direct
10 testimony and I think we kind of agreed that the
11 table at the end of your testimony, your prefiled
12 testimony we've referred to as schedule BLW-1. Is
13 that correct?

14 **A. Yeah. BWL, yes.**

15 **Q. BWL. Can you -- do you have access to**
16 **that?**

17 **A. Yes. Just give me a moment.**

18 **Q. On the first page of that table, do you**
19 **see the line, Pension Asset?**

20 **A. I do.**

21 **Q. Okay. That's about halfway down. And in**
22 **the third column, the dollar figure is 29,455,158.**

23 **A. Yes.**

24 **Q. Do you know if -- do you know if the only**
25 **difference between your number, the Company's number,**

1 and Staff on that amount is because of the date used
2 to recognize that amount?

3 A. I believe that is the case, but may I make
4 a point of clarification --

5 Q. Sure.

6 A. -- that maybe is helpful?

7 So I know the Company has several
8 witnesses in this kind of section, and I'm only
9 testifying on the AFUDC issue.

10 Q. Okay.

11 A. So I think we have other witnesses that
12 would be in a better spot to provide more color on
13 some of the other rate base items.

14 Q. Okay.

15 A. I hope that was okay to --

16 Q. No, no.

17 A. -- clarify.

18 Q. I appreciate that. And I assume that you
19 don't -- can't tell me which of those witnesses?

20 A. You know, I don't even have the list. I
21 think maybe Mr. Cooper can help me out.

22 Q. Mr. Linam and Ms. Grisham are scheduled to
23 testify.

24 A. I think Mr. Linam is primarily talking
25 about the plant in service projects, and Ms. Grisham

1 **is talking about most of the other rate base items.**

2 Q. Okay. All right. And they would be
3 what -- would they be better witnesses also for
4 questions on depreciation reserve?

5 **A. Yes.**

6 MR. COOPER: Mr. LaGrand's, really the
7 only subject in his testimony I think that relates to
8 these issues other than his calculation of the
9 overall cost of service is the AFUDC issue.

10 JUDGE SEYER: Okay. All right. Then I
11 do not have any further questions. Any recross by
12 Staff?

13 MS. KLAUS: No, thank you, Judge.

14 JUDGE SEYER: OPC?

15 MR. CLIZER: No, thank you, your Honor.

16 JUDGE SEYER: MECG?

17 MR. OPITZ: No, thank you, your Honor.

18 JUDGE SEYER: All right. Any redirect?

19 MR. COOPER: No, your Honor.

20 JUDGE SEYER: All right. Thank you,
21 Mr. LaGrand.

22 **THE WITNESS: Thank you.**

23 JUDGE SEYER: Mr. Cooper, call your next
24 witness.

25 MR. COOPER: We would call Mr. Derek

1 Linam.

2 JUDGE SEYER: Good afternoon. You have
3 your right hand raised.

4 (Witness sworn).

5 DEREK LINAM,
6 the witness, having been first duly sworn,
7 testified as follows:

8 JUDGE SEYER: Thank you.

9 DIRECT EXAMINATION

10 BY MR. COOPER:

11 Q. Would you state your name please.

12 A. **Derek Linam.**

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

15 A. **Missouri-American Water Company as a**
16 **special projects engineer.**

17 Q. Have you caused to be prepared for the
18 purposes of this proceeding certain direct testimony
19 in both public and confidential form and
20 question-and-answer form?

21 A. **Yes, I did.**

22 Q. Is it your understanding that that
23 testimony has been marked as Exhibit 15P and 15C for
24 identification?

25 A. **Yes.**

1 Q. Do you have any changes you would like to
2 make to that testimony at this time?

3 A. Other than a title change I had back in
4 September, no changes.

5 Q. So what's listed in the current testimony?

6 A. Deputy director of engineering.

7 Q. Okay. And your current title is?

8 A. Special projects engineer.

9 Q. If I were to ask you the questions which
10 are contained in Exhibits 15P and 15C today, would
11 your answers with the correction of your title be the
12 same?

13 A. Yes.

14 Q. Are those answers true and correct to the
15 best of your information, knowledge, and belief?

16 A. Yes.

17 MR. COOPER: Your Honor, I would offer
18 Exhibit 15 into evidence and tender the witness for
19 cross-examination.

20 JUDGE SEYER: Any objection to the
21 admission of the Exhibit 15?

22 MS. KLAUS: No objection.

23 JUDGE SEYER: All right. Exhibit 15,
24 both public and confidential versions, is admitted.

25 (Company Exhibit 15 was admitted and made

1 a part of the record.)

2 JUDGE SEYER: Ms. Klaus, do you have
3 cross-examination?

4 MS. KLAUS: No questions.

5 JUDGE SEYER: Mr. Clizer?

6 MR. CLIZER: No, your Honor.

7 JUDGE SEYER: All right. Mr. Opitz?

8 MR. OPITZ: No, thank you, your Honor.

9 JUDGE SEYER: Are there any questions for
10 the witness by the commissioners?

11 CHAIR HAHN: Judge, I do have a question
12 but I'm not sure if this is the right witness. It
13 could have been Mr. LaGrand. Someone to speak to the
14 vehicle dollar amount that's been requested to be
15 recovered. Is this the correct witness or should I
16 have gone to Mr. LaGrand?

17 MR. COOPER: Chair, I don't -- Chair,
18 it's not -- I don't think it's going to be
19 Mr. LaGrand either. I think it's going to be
20 Ms. Grisham who's next on the list for us.

21 CHAIR HAHN: Perfect. Thank you.

22 JUDGE SEYER: All right. I have it on
23 good authority, Mr. Linam, that maybe you're the
24 person I need to ask questions that I just asked
25 Mr. LaGrand. Is that --

1 **THE WITNESS: Not if it's related to**
2 **depreciation.**

3 JUDGE SEYER: You can't blame me for
4 trying. All right. Then I don't have any questions
5 I believe. Is there -- well, there was no cross-
6 examination. Correct? All right. Then you're free
7 to go. All right. Mr. Cooper.

8 MR. COOPER: Your Honor, we would call
9 Ms. Jennifer Grisham.

10 JUDGE SEYER: Good afternoon.

11 MS. GRISHAM: Good afternoon.

12 JUDGE SEYER: Would you raise your right
13 hand please.

14 (Witness sworn).

15 JENNIFER GRISHAM,
16 the witness, having been first duly sworn,
17 testified as follows:

18 JUDGE SEYER: Thank you.

19 DIRECT EXAMINATION

20 BY MR. COOPER:

21 Q. Be seated. Would you state your name.

22 A. **Yes. It's Jennifer Grisham.**

23 Q. And by whom are you employed and in what
24 capacity?

25 A. **I am a senior manager of regulatory**

1 **services with American Water Service Company.**

2 Q. Have you caused to be prepared for the
3 purposes of this proceeding certain direct testimony
4 and rebuttal/surrebuttal/sur-surrebuttal testimony in
5 question-and-answer form?

6 **A. Yes.**

7 Q. Is it your understanding that that
8 testimony has been marked as Exhibits 10 and 11 for
9 identification?

10 **A. Yes.**

11 Q. Do you have any changes you'd like to make
12 to that testimony at this time?

13 **A. I do have one to my rebuttal testimony.**

14 **Page 11, line 5. We're talking about the -- the**
15 **number of years for the depreciation rate for meters**
16 **says 30 years. It should be approximately 42.**

17 Q. Is that the only change you have?

18 **A. Yes.**

19 Q. If I were to ask you the questions which
20 are contained in Exhibits 10 and 11 today, would your
21 answers as now amended be the same?

22 **A. Yes.**

23 Q. Are those answers true correct to the best
24 of your information, knowledge, and belief?

25 **A. They are.**

1 MR. COOPER: Your Honor, I would offer
2 Exhibits 10 and 11 into evidence and tender
3 Ms. Grisham for cross-examination.

4 JUDGE SEYER: Any objection?

5 MS. KLAUS: No objection.

6 JUDGE SEYER: All right. Exhibits 10
7 and 11 are admitted.

8 (Company Exhibits 10 and 11 were admitted
9 and made a part of the record.)

10 JUDGE SEYER: Ms. Klaus, do you have any
11 questions?

12 MS. KLAUS: No questions, thank you,
13 Judge.

14 JUDGE SEYER: Mr. Clizer?

15 MR. CLIZER: No questions at this time,
16 thank you.

17 JUDGE SEYER: Mr. Opitz?

18 MR. OPITZ: No, thank you, your Honor.

19 JUDGE SEYER: Are there questions from
20 the commissioners?

21 CHAIR HAHN: Yes, Judge.

22 JUDGE SEYER: Chair Hahn.

23 QUESTIONS

24 BY CHAIR HAHN:

25 Q. Ms. Grisham, I -- you might have heard my

1 inquiry. Can you please speak to the vehicle issue
2 that was described in Mr. Clizer's opening
3 statements?

4 A. I -- I will do so. As I believe
5 Mr. Clizer mentioned, there was some concern from OPC
6 regarding, I think it's about approximately \$30
7 million in additions from January 2024 through
8 May 2025 for vehicles. So I know that Mr. Robinett
9 in his direct testimony expressed some concern about,
10 I think all of them were -- all of the dollars were
11 in a light duty vehicle category. They should have
12 been spread out in our initial SKEP that we provided,
13 and we did do so in subsequent testimony.

14 So the -- the bottom line dollar did not
15 change, but we did accurately allocate those dollars
16 to, you know, cars, light duty vehicles, heavy duty
17 vehicles, and other vehicles.

18 As far as the increase, I do believe that
19 the Company did address why or what was the driving
20 force behind the increase in spending on vehicles in
21 a data request, OPC 8552 which describes that. It
22 was not sponsored by me, but it does go into depth
23 some of the reasoning behind the increase in vehicles
24 over the last ten years.

25 Q. Would you mind just high level providing a

1 summary of that response? Because from Mr. Clizer's
2 opening statements it was not satisfactory to OPC as
3 to the justification for the increase. So if you
4 could just try to explain to me the Company's
5 rationale for the increase, that would be helpful.

6 A. Okay. Again, just to clarify, it wasn't
7 sponsored by me; I'm reading from the DR itself. So
8 it says, in summary, 2018 to help reduce the number
9 of injuries and utility strikes, the Company started
10 purchasing and utilizing more hydroexcavation trucks.
11 These trucks are significantly more expensive than a
12 standard heavy duty truck in comparison to a dump
13 truck or crew truck. It also stated the Company
14 shifted to using more mini excavators rather than
15 backhoes because this equipment is less intrusive and
16 more mobile on a job site.

17 We also say to improve employee safety
18 around 2018 heavy trucks started to be outfit with
19 additional safety features such as 360 cameras and
20 additional lighting. We say that the heavy -- heavy
21 truck market continues to see stricter emissions
22 requirements which also drive up costs. And then
23 there is a discussion about the Consumer Price Index
24 since 2021 that has led to an increase in costs.

25 Q. Did that data request have any

1 calculations for previous number of vehicles bought
2 versus number of vehicles bought in this period just
3 to kind of ex -- and at what price points so we can
4 see the comparison? Is it more vehicles or is it
5 same number and just the cost because of the types of
6 vehicles you're buying were more expensive? I'm
7 still trying to understand, you know, is it more
8 vehicles, is it a combination of more expensive,
9 just?

10 A. Yeah. I -- I see what you're asking, and
11 I'm trying to see if there are any other discovery
12 questions that would lay that out more clearly. You
13 know, looking at some others, OPC 8556, shows over
14 the last five years the number of trucks that were
15 purchased annually. Specifically what you're asking
16 for, I -- I don't know right now if we have that
17 readily available. When I say readily available, I
18 mean at this very moment.

19 CHAIR HAHN: Understood. Thank you.

20 MR. COOPER: Chair, would you like to
21 request that we -- we file those DR responses in the
22 case or offer those as an exhibit in the case?

23 CHAIR HAHN: I think that would be
24 helpful for this particular issue.

25 JUDGE SEYER: All right. Are there any

1 other questions from the commissioners? All right.

2 I do have questions, Ms. Grisham.

3 **THE WITNESS: Yes.**

4 **QUESTIONS**

5 BY JUDGE SEYER:

6 Q. And some of these will be ones that you
7 may have already heard from the back of the room.

8 **A. Okay. Okay.**

9 Q. So I'm referring to Mr. LaGrand's
10 supplemental direct testimony. Do you have that
11 handy?

12 **A. I do not.**

13 Q. You don't.

14 **A. In front of me, I do not.**

15 MR. COOPER: Your Honor, would you like
16 me to --

17 JUDGE SEYER: Sure. I would like to
18 think that with today's technology that it could also
19 be pulled up on the computer, but that's -- your
20 method seems quicker.

21 MR. COOPER: We'll go old school for a
22 while.

23 **THE WITNESS: Okay. Thank you. Okay.**

24 BY JUDGE SEYER:

25 Q. Okay. At the -- at the end of his

1 testimony there is a table over on Revenue
2 Requirement.

3 **A. Uh-huh.**

4 Q. And so on that first page of the table --

5 **A. Okay.**

6 Q. -- roughly halfway down there is a pension
7 asset item.

8 Do you see that?

9 **A. Yes.**

10 Q. Okay.

11 **A. Under the add?**

12 Q. Yes.

13 **A. Yes.**

14 Q. And in the third column, the
15 proforma 5/31/25 column.

16 **A. Uh-huh.**

17 Q. The dollar amount's 29,455,158.

18 **A. Uh-huh.**

19 Q. Do you know if the only difference between
20 the Company's figure and Staff on that amount is
21 because of the date used to recognize that amount?

22 **A. I'll say I believe so.**

23 Q. You believe so. Okay.

24 **A. I believe so.**

25 Q. You can't think of any other reason?

1 **A. Not right now, no.**

2 Q. Okay. On the second line of that same
3 page.

4 **A. Uh-huh.**

5 Q. It lists, Accumulated provision for
6 depreciation.

7 **A. Uh-huh.**

8 Q. And that carries a credit balance.
9 Correct?

10 **A. Correct.**

11 Q. Is that a -- is that deducted from plant
12 in service to get net plant in service or net book
13 value?

14 **A. Net plant in service.**

15 Q. Net plant in service. Okay. As far as
16 the general ledger entry to record depreciation
17 expense.

18 **A. Uh-huh.**

19 Q. Would the entry debit depreciation expense
20 and credit accumulated depreciation expense?

21 **A. A debit to -- yes. That's what should be**
22 **happening.**

23 Q. Okay. And a credit to accumulate --

24 **A. Correct.**

25 Q. -- depreciation reserve?

1 **A. Correct.**

2 Q. Over time the accumulated depreciation
3 reserve increases each year by the depreciation
4 expense. Correct?

5 **A. Theoretically, yes.**

6 Q. I've never taught an accountant.

7 **A. Okay.**

8 Q. The USOA instructions, if you know, for
9 retirement of plant in service is to credit the plant
10 account for the original cost and debit the
11 accumulated depreciation reserve for the same amount.
12 Is that a fair statement?

13 **A. Subject to check, yes.**

14 Q. Okay. Do you know if the USOA guidelines
15 have any further instructions for retirement of plant
16 in service?

17 **A. And I would have to check on that**
18 **unfortunately. I can't answer that right now.**

19 Q. Does the accumulated depreciation reserve
20 meter plant account negative balance create an
21 increase in the net plant of service and rate base?

22 **A. Does it -- does it increase our rate base?**
23 **Is that what you're asking?**

24 Q. Yes.

25 **A. The fact that it's negative?**

1 Q. Yes.

2 A. It -- I believe so, yes.

3 Q. Okay. Throughout your direct testimony --

4 A. Uh-huh.

5 Q. -- you refer to CAS schedules.

6 Are those schedules included in

7 Mr. LaGrand's direct testimony as schedule BL --

8 BWL-3?

9 A. I hate to say subject to check, yes.

10 Those are the cost accounting schedules.

11 JUDGE SEYER: Mr. Cooper, that -- I don't
12 suppose that's a schedule that you have a paper copy
13 of handy?

14 MR. COOPER: I can have. We'll see if I
15 copied all those schedules. I did not. I don't
16 think Ms. Niemeier does either, but Mr. LaGrand, as
17 you might expect, did have all those schedules.

18 THE WITNESS: Okay. I have them.

19 BY JUDGE SEYER:

20 Q. All right. So my question was are the CAS
21 schedules that you referred to in your direct
22 testimony, are they the same as schedule BWL-3?

23 A. I'm looking. I'm looking. Yes. This
24 feeds into BWL-3, the schedules that we prepare.

25 Q. Okay. Could you repeat that answer?

1 **A.** The schedules that we prepared, that I say
2 is prepared by me or under my direction, feed into
3 this BWL-3.

4 Q. Okay. And I have a question where I would
5 refer you to your rebuttal/surrebuttal --

6 **A.** **Okay.**

7 Q. -- sur-surrebuttal testimony on page 7.

8 **A.** **Page 7. Okay. Okay.**

9 Q. Roughly line 16.

10 **A.** **Uh-huh.**

11 Q. You provide a calculation of CA -- of
12 CIAC --

13 **A.** **Uh-huh.**

14 Q. -- from June 30th, '22 to June 30th, '24
15 from an ending net balance of 318.6 million.

16 **A.** **Correct.**

17 Q. Will that amount be updated to 12/31/2024
18 in true-up testimony?

19 **A.** **And it was.**

20 Q. Okay. It was?

21 **A.** **Yes.**

22 Q. Okay.

23 **A.** **Yes.**

24 JUDGE SEYER: All right. I have no
25 further questions. Ms. Klaus, do you have any

1 recross?

2 MS. KLAUS: No questions, thank you,
3 judge.

4 JUDGE SEYER: Mr. Opitz, do you have any
5 recross?

6 MR. OPITZ: No, thank you, your Honor.

7 JUDGE SEYER: Mr. Clizer?

8 MR. CLIZER: Yes. Yes, I do. And I'll
9 be moving to introduce a couple of exhibits. I
10 apologize in advance; it wasn't my intention to hold
11 these in reserve. I just got confused and thought
12 they were related to the depreciation issue. Also,
13 since the Commission asked for the exhibits 8552 and
14 I believe it was 8556, I was going to introduce those
15 as well, but actually I've only got one copy of each.
16 I could have additional copies made or you can tell
17 me how you want to proceed with that.

18 But before I get to that, can I have
19 an exhibit marked? Should be Exhibit 322 I
20 believe.

21 JUDGE SEYER: 322?

22 MR. CLIZER: Yes.

23 **THE WITNESS: Thank you.**

24 **RECROSS-EXAMINATION**

25 BY MR. CLIZER:

1 Q. Ms. Grisham.

2 A. Uh-huh.

3 Q. Have you had a chance to review what's
4 been marked now as OPC Exhibit 322?

5 A. 3 -- this is what you just gave me?

6 Q. That's what --

7 A. Yes.

8 Q. -- I just handed you.

9 A. Yes.

10 Q. And you would agree with me that this is
11 the Company's response to OPC data request 8514 which
12 you identify yourself as the responsible witness on
13 the second page?

14 A. Correct.

15 Q. You would agree with me that the data
16 request asked for -- data request 8500 showed MAWC
17 plans to add approximately 30.5 million in cars,
18 transportation equipment in the period between
19 January 2024 and May 2025. Please explain what these
20 vehicles will be utilized for and identify where a
21 support for the additions can be found in the
22 Company's filed case.

23 A. Okay.

24 Q. And you would agree with me that under the
25 information provided if I drop down to the first

1 paragraph under the table, Support for these
2 additions can be found in the Company witness Derek
3 Linam's direct testimony, page 11, line 8, then the
4 quotation mark, The purchase of tools, furniture,
5 equipment, and vehicles is based on required needs.

6 **A. Okay.**

7 Q. Additional quotation mark. Correct?

8 **A. It says that, yes.**

9 Q. There is additional language after that,
10 but I honestly don't want to try and read it all into
11 the record. Obviously it'll become part of the
12 record when I admit it. I guess if you feel it is
13 important, you can be redirected on it.

14 But at this stage I would move to omit
15 [sic] OPC Exhibit 3222 [sic]?

16 JUDGE SEYER: All right. Exhibit 322 is
17 OPC data request 8514. Is there any objection?

18 MR. COOPER: None from the Company, your
19 Honor.

20 MS. KLAUS: None from Staff.

21 JUDGE SEYER: All right. Then Exhibit --
22 OPC exhibit 322 is admitted.

23 (OPC Exhibit 322 was admitted and made a
24 part of the record.)

25 MR. CLIZER: Move to mark another

1 exhibit, OPC 323.

2 BY MR. CLIZER:

3 Q. Ms. Grisham, have you had an opportunity
4 to respond to what's been now marked as OPC
5 Exhibit 323?

6 A. You said to respond?

7 Q. No. To examine, sorry.

8 A. Yes.

9 Q. You would agree with me that this is a
10 copy of the Company's response to OPC Exhibit 8 -- to
11 OPC's data request 8513. Correct?

12 A. Yes.

13 Q. To which you are the sponsoring witness?

14 A. Yes.

15 Q. Correct? And this data request at a high
16 level, I don't want to get into the detail, concerns
17 a -- information related to the plant reserve dollars
18 associated with the vehicles. Correct?

19 A. Correct.

20 MR. CLIZER: All right. I'm just going to
21 move for the admission of OPC Exhibit 323.

22 JUDGE SEYER: All right. Is there any
23 objection?

24 MS. KLAUS: No objection from Staff.

25 MR. COOPER: No objection, your Honor.

1 JUDGE SEYER: All right. Exhibit 323 is
2 admitted.

3 (OPC Exhibit 323 was admitted and made a
4 part of the record.)

5 MR. CLIZER: Now, this is where things
6 get interesting. I have, like I said, only one copy
7 unfortunately of the next two. I can go through the
8 process of laying the foundation if the other parties
9 are okay with me not providing one at this time. I
10 have a sneaking suspicion that the Company is going
11 to object to admission of 8552 or 8556. And I can
12 let staff produce quickly if you want and I will get
13 additional copies before the day is out. Or if we
14 want, we can take a different method.

15 JUDGE SEYER: Let's go off the record
16 temporarily. We'll give them chance to look at them.
17 If we need to have copies of those made, we can do
18 that while we're off the record. So going off the
19 record.

20 (Off the record.)

21 JUDGE SEYER: Let's go back on the
22 record. We're back on the record.

23 MR. CLIZER: All right. I'm going to try
24 and do this quickly then. I'll move to mark OPC -- I
25 will move to mark OPC data request 8552 as OPC

1 Exhibit 324. And while I'm at it I will just go
2 ahead and move to mark OPC data request Company
3 response 8556 as OPC Exhibit 826.

4 MR. COOPER: You mean 325?

5 JUDGE SEYER: 325. I think you said 826.

6 MR. CLIZER: Yeah, probably. 325. Let
7 me correct that. OPC data request 8556 would be
8 marked as OPC Exhibit 325. Is that accurate?

9 JUDGE SEYER: I think we're on the same
10 page.

11 MR. CLIZER: Okay. And I'm just going to
12 speed run the foundation laying here because I don't
13 think that's going to be a problem due to the two
14 provided --

15 MR. COOPER: In fact, if you want to
16 offer them, we would not object, as you suspected
17 earlier.

18 MR. CLIZER: Staff, are you
19 contemplating?

20 MS. KLAUS: No. No objection from Staff.

21 MR. CLIZER: All right. I'll offer them.

22 JUDGE SEYER: Okay. So Exhibits 324
23 and 325 have been offered and there are no
24 objections. 324 and 325 are admitted.

25 (OPC Exhibits 324 and 325 were admitted

1 and made a part of the record.)

2 MR. CLIZER: All right. I know that was
3 labor intensive. I apologize. I have no further
4 questions.

5 JUDGE SEYER: Mr. Cooper, do you have
6 redirect?

7 MR. COOPER: No, your Honor.

8 JUDGE SEYER: All right. Ms. Grisham,
9 thank you for your testimony. And, Mr. Clizer, I'll
10 ask you this since they're your exhibits, but these
11 are the data -- are these the data requests that
12 Chair Hahn was referring to?

13 MR. CLIZER: That was my understanding.

14 JUDGE SEYER: Okay.

15 MR. COOPER: I believe it is, your Honor.
16 They were the two that were called out during that
17 question.

18 JUDGE SEYER: Okay.

19 MR. COOPER: The two of them were two
20 that were called out.

21 JUDGE SEYER: All right. Then it's my
22 understanding that we are ready for Staff witnesses
23 on this topic or this issue. So call your first
24 witness.

25 MS. KLAUS: Yes, Judge. Thank you.

1 Staff calls Alexis Branson.

2 (Witness previously sworn).

3 ALEXIS BRANSON,

4 the witness, having been first duly sworn,

5 testified as follows:

6 JUDGE SEYER: All right. Ms. Branson was
7 previously placed under oath, so Ms. Klaus, go ahead.

8 MS. KLAUS: Thank you, judge. And I
9 believe we will be seeking to file some corrected
10 testimony for Ms. Branson on the topic of
11 depreciation, so happy to address it now if you would
12 like some live testimony on that. We can take it up
13 in depreciation as well. Otherwise, would tender
14 Ms. Branson for cross-examination.

15 JUDGE SEYER: Let's take that up in
16 depreciation. So any cross on behalf of the Company?

17 MR. COOPER: No, your Honor.

18 JUDGE SEYER: Public Counsel?

19 MR. CLIZER: No, your Honor.

20 JUDGE SEYER: MECG?

21 MR. OPITZ: No, thank you, your Honor.

22 JUDGE SEYER: Are there questions from
23 the commissioners? Hearing none. Let me check my
24 notes. All right. I do not have any questions. So
25 you're free to go.

1 **THE WITNESS: Thank you.**

2 JUDGE SEYER: Ms. Klaus, call your next
3 witness.

4 MS. KLAUS: Thank you, Judge. Staff
5 calls Sherrye Lesmes.

6 (Witness previously sworn).

7 SHERRYE LESMES,
8 the witness, having been first duly sworn,
9 testified as follows:

10 JUDGE SEYER: Ms. Lesmes, you may have a
11 seat. You were placed under oath yesterday I believe
12 so.

13 **THE WITNESS: Yes.**

14 JUDGE SEYER: And we have Ms. Hansen.
15 You can go ahead, Ms. Hansen.

16 MS. HANSEN: All right. I believe that,
17 Ms. Lesmes, your testimony, the applicable testimony
18 has already been submitted as exhibits, I think it
19 was numbers 219 and 207. So with that, I can tender
20 her for cross.

21 JUDGE SEYER: There is hesitation on my
22 part simply because I don't have that checked as
23 being admitted, offered or admitted. It's very
24 possible that it was and I neglected to mark that on
25 my sheet. So I will ask the other parties if

1 there's any objections, in case I did not admit
2 that already, any objections to the admission of
3 Exhibit 207 or 219?

4 MR. COOPER: No. And I do have it
5 checked on my list for what it's worth, so.

6 JUDGE SEYER: All right. Hearing no
7 objections. It appears that it already has been
8 admitted. At this point I will ask the Company if
9 they have any cross-examination.

10 MR. COOPER: No, your Honor.

11 JUDGE SEYER: Public counsel?

12 MR. CLIZER: No, your Honor.

13 JUDGE SEYER: MECG.

14 MR. OPITZ: No, thank you, your Honor.

15 JUDGE SEYER: All right. Are there any
16 commissioner questions? Okay. And I have no
17 questions myself. So thank you. Call your next
18 witness.

19 MS. HANSEN: We would like to call
20 Christopher Boronda.

21 JUDGE SEYER: Thank you. You have your
22 right hand raised.

23 (Witness sworn).

24 CHRISTOPHER BORONDA,
25 the witness, having been first duly sworn,

1 testified as follows:

2 JUDGE SEYER: Thank you.

3 DIRECT EXAMINATION

4 BY MS. HANSEN:

5 Q. Mr. Boronda, can you please state and
6 spell your name for the record.

7 A. My name is Christopher Boronda.
8 Christopher's spelled C-h-r-i-s-t-o-p-h-e-r. Boronda
9 is spelled B-o-r-o-n-d-a.

10 Q. By who are you employed and in what
11 capacity?

12 A. I'm employed by the Public Service
13 Commission as a utility regulatory auditor.

14 Q. All right. And did you sponsor the direct
15 testimony, direct and rebuttal testimony?

16 A. Yes.

17 Q. Okay. And I'm sorry, I'm having a hard
18 time finding what number his exhibit would be.

19 JUDGE SEYER: I believe 202.

20 MS. HANSEN: Thank you very much.

21 BY MS. HANSEN:

22 Q. All right. Which has been marked as
23 Exhibit 202?

24 A. Yes.

25 Q. Thank you very much. All right. And then

1 at this time do you have any corrections that you
2 would like to make to Exhibit 202?

3 A. I do have one correction to make on
4 page 8, line 2. I entered in annualized the. A
5 correction to that would be to determine the annual.

6 Q. All right. Thank you very much. All
7 right. So barring the correction that you made or
8 that you cited previously, if I asked you the same
9 questions today with Exhibit 202, would your answers
10 be the same?

11 A. Yes.

12 Q. All right. Are those answers true and
13 correct to the best of your knowledge and belief?

14 A. Yes.

15 MS. HANSEN: All right. Thank you. At
16 this time I offer Exhibit 202 into the record.

17 JUDGE SEYER: Any objection? Exhibit 202
18 is admitted.

19 (Staff Exhibit 202 was admitted and made
20 a part of the record.)

21 MS. HANSEN: Thank you, Judge. At this
22 time I tender the witness for cross-examination.

23 JUDGE SEYER: Is there any cross on
24 behalf of the Company?

25 MR. COOPER: No, your Honor.

1 JUDGE SEYER: Public Counsel?

2 MR. CLIZER: No. No, your Honor, thank
3 you.

4 JUDGE SEYER: MECG?

5 MR. OPITZ: No, thank you.

6 JUDGE SEYER: Any questions from the
7 commissioners? And I have no questions myself. So
8 thank you for appearing today.

9 **THE WITNESS: Thank you.**

10 JUDGE SEYER: And according to the
11 schedule we have John Robinett retaking the stand for
12 the Office of Public Counsel.

13 (Witness previously sworn).

14 JOHN ROBINETT,
15 the witness, having been first duly sworn,
16 testified as follows:

17 MR. CLIZER: Would you like me to
18 proceed?

19 JUDGE SEYER: Yes, please.

20 MR. CLIZER: Mr. Robinett's testimony has
21 already been offered and admitted to the record and I
22 believe he is still under oath, so I tender the
23 witness for cross-examination.

24 JUDGE SEYER: Mr. Opitz, do you have any
25 cross?

1 MR. OPITZ: No, thank you.

2 JUDGE SEYER: Ms. Klaus?

3 MS. KLAUS: No questions, Judge.

4 JUDGE SEYER: It's a good thing I looked
5 up. Mr. Cooper?

6 MR. COOPER: No questions.

7 JUDGE SEYER: All right. Any questions
8 from the commissioners? All right. I don't have any
9 questions myself.

10 QUESTIONS

11 BY JUDGE SEYER:

12 Q. Well, let me ask you this. Well, I do
13 have one possible question. When I -- when I use the
14 term "position statement," do you know what I'm
15 referring to?

16 A. Yes.

17 Q. Okay. So in the Public Counsel's position
18 statement they stated, AFUDC should be calculated in
19 the same manner moving forward as was done in the
20 this case.

21 Can you speak to that, do you have any
22 opinion on that?

23 A. No.

24 JUDGE SEYER: Okay. All right. That's my
25 only question and you're free to go.

1 MR. CLIZER: Your Honor, if you so
2 desire, the OPC will supplement its position
3 statement to explain that if you so desire, but.

4 JUDGE SEYER: Yeah, let's do that. I
5 appreciate that.

6 MR. COOPER: I was about to say, your
7 Honor, that his brief will probably supplement that
8 position.

9 MR. CLIZER: Oh, yeah. That also works.

10 JUDGE SEYER: That's satisfactory. Let's
11 do it that way. All right. And it's my
12 understanding that Mr. Riley will not --

13 MR. CLIZER: Correct.

14 JUDGE SEYER: -- testify on this topic.

15 Then are we ready to move on to the next
16 issue or take a break?

17 MR. COOPER: We could take a short break.

18 JUDGE SEYER: Let's take a ten-minute
19 break and restart roughly at 2:30. Going off the
20 record.

21 (Off the record.)

22 JUDGE SEYER: Let's go back on the
23 record. We're back on the record. Do the parties
24 wish to present opening statements on the issue of
25 Depreciation?

1 MR. COOPER: Yes, your Honor.

2 JUDGE SEYER: All right. Mr. Cooper, go
3 ahead.

4 MR. COOPER: Just a little road map here
5 to start with. Depreciation issue has four subparts:
6 Depreciation rates, which I believe was a settled
7 issue as a part of the first stipulation; subpart B,
8 Depreciation Expense; essentially the parties have
9 waived cross on that -- that piece because it's
10 either discrete adjustment issue or a roll-out issue
11 from other matters; and that leaves us with the
12 Depreciation Reserve and Capitalized Depreciation
13 issues which are C and D.

14 Capitalization Depreciation is a
15 methodology difference between Staff and OPC which
16 we'll address in detail during the briefing process.
17 Depreciation Reserve is primarily an issue raised by
18 the OPC in regard to negative reserve MAWC has for
19 meter -- its meter account. OPC Witness Robinett
20 contends the Company's experiencing a negative
21 reserve for metered accounts due to early
22 retirements. However, given that the current
23 depreciation rate for meters assumes a 42-year
24 average service life and Commission rule calls for
25 meters to be removed, inspected, and tested every ten

1 year for five-eighths meters and for shorter periods
2 for larger meters, a negative reserve balance is
3 inevitable.

4 The Company suggests a review and
5 consideration of the -- of this issue and the
6 depreciation study in the next rate case. Again,
7 there was an agreement in the first stip for a
8 depreciation study to be performed in that next rate
9 case. The meters are directly involved in providing
10 service to customers and appropriate for cost
11 recovery from those customers. Therefore,
12 transferring costs to shareholders due to
13 depreciation reserve adjustment as proposed by OPC is
14 inappropriate in this case. That's all I have at
15 this time.

16 JUDGE SEYER: Are there any questions
17 from the commissioners for Mr. Cooper? All right.
18 Thank you. Ms. Klaus, would you like to make an
19 opening?

20 MS. KLAUS: Yes, Judge, thank you.

21 May it please the Commission. Good
22 afternoon again, Madam Chair, Commissioners, Judge.
23 My name is Alexandra Klaus and I'm here today on
24 behalf of Staff on the issues of Depreciation
25 Expense, Depreciation Reserve, and Capitalized

1 Depreciation.

2 With respect to Depreciation Expense and
3 Depreciation Reserve, information from Staff can be
4 found in the corrected staff accounting schedules
5 filed on February 18th. I will be using some
6 approximate numbers. Schedule 5 details Staff's
7 position on the appropriate amount of depreciation
8 expense to be included in Missouri-American's cost of
9 service. More specifically approximately 86 million
10 is the appropriate amount to include in the cost of
11 service.

12 Schedule 2 details Staff's position on
13 the appropriate amount of depreciation reserve
14 expense to be included in the cost of service. More
15 specifically approximately 639 million is the
16 appropriate amount to include.

17 Regarding capitalized depreciation,
18 expenses related to construction projects are
19 accumulated in construction work in progress accounts
20 that can be included in rates after completion of
21 each project. The capitalized expenses include
22 depreciation expense associated with assets used in
23 construction such as power-operated equipment and
24 transportation equipment. Capitalized depreciation
25 expenses must be subtracted from the depreciation

1 expense calculated using Missouri-American's total
2 plant in service balances to prevent double recovery
3 in rates.

4 Based on certain Company responses to
5 Staff data requests, Missouri-American is not
6 recording the amount of time that assets like
7 transportation equipment and power-operated equipment
8 are being used for construction versus expense. As
9 such, Staff deducted capitalized depreciation based
10 on the overall capitalization ratio Staff calculated
11 from its total depreciation expense to arrive at the
12 amount of depreciation expense associated with O&M
13 functions. Because of this unrecorded information
14 Staff needed to use an overall capitalization ratio
15 rather than actual capitalized depreciation.

16 An additional wrinkle also occurred with
17 this issue of capitalized depreciation, and more
18 specifically, Staff very recently discovered an error
19 in the capitalized depreciation worksheet. The
20 adjustment number should be a negative amount of
21 approximately \$1.6 million rather than showing a
22 positive adjustment in the amount of \$530,931. Staff
23 will file corrected testimony to reflect this
24 correction.

25 We thank the Commission and the parties

1 in advance for their patience and willingness to work
2 with us. Here with me today to answer your specific
3 questions you may have is Alexis Branson. We
4 appreciate your consideration of this issue, and I'll
5 do my best to answer any questions you may have.

6 JUDGE SEYER: All right. I hear no
7 questions.

8 MS. KLAUS: Thank you.

9 JUDGE SEYER: Mr. Clizer.

10 MR. CLIZER: Good afternoon. May it
11 please the Commission. Again, John Clizer. Counsel
12 for Missouri-American Water identified that there are
13 effectively two issues still sort of live with regard
14 to Depreciation. I believe he referenced the third
15 issue, D, as being an issue between Staff and OPC. I
16 think he meant Staff and the Company. The OPC hasn't
17 taken a position on it.

18 The OPC's issue only relates to the
19 reserve balance issue which should be C I believe.
20 So I'm going to run through that very quick. At a
21 high level I would say that the OPC's issue is
22 actually a very simple issue, but it's clouded by the
23 sort of inherent complexity of depreciation. So most
24 of my presentation is actually just going to be a
25 breakdown of some of the background of how

1 depreciation works and then I'll get into the actual
2 issues sort of more midway through.

3 All right. So how does depreciation
4 work. When a utility makes an investment, it books
5 the original cost of the investment into a plant
6 account. As the investment accrues depreciation, the
7 utility books the depreciation expense in a
8 corresponding reserve account. When the utility
9 retires the investment, the original cost is removed
10 or credited from both the plant account and the
11 accumulated reserve accounts, so you take the same
12 amount original cost on both of them. Ideally the
13 plant will be fully accrued which means that you'll
14 have the entirety of the net original cost in the
15 depreciation reserve.

16 So to run through a quick example of
17 what this would look like, let's assume for a moment
18 that we have a \$20 million plant in service
19 investment, \$20 million investment and let's give it
20 just a four-year life. What that means is that every
21 year they should collect one-fourth of the total
22 investment cost until hopefully the plant becomes
23 fully accrued. If it is then retired after four
24 years, you subtract the \$20 million net original cost
25 from both the plant in service and the reserve

1 balance zeroing them out.

2 Okay. That's easy. However, because you
3 subtract the original cost from the reserve balances
4 when investment is retired, the reserve balances can
5 and will go negative if the retirements exceed the
6 rate of depreciation accumulation. In other words, a
7 negative reserve balance exists because you had --
8 you've retired faster than you accumulated your
9 depreciation. Or to put it even simpler, a negative
10 reserve balance equates to a retired investment.

11 So again, to kind of show what that looks
12 like, let's go back to our example. We have a \$20
13 million plant in service. Let's assume that it's
14 been two years, so we have it halfway accrued and
15 then we retire it. We subtract the \$20 million net
16 original cost from both the plant in service and
17 accumulation depreciation reserve balances, resulting
18 in a negative \$10 million accumulated depreciation
19 reserve balance after the retirement.

20 Now, the last part of this whole equation
21 is just understanding how depreciation reserve
22 balances factor into rates. Utility rates are set
23 based on net plants. Net plant equals the plant in
24 service less depreciation reserve. There are other
25 components that kind of are plant adjacent, but as

1 far as the plant in service depreciation reserve,
2 this is the simple equation. What that means is that
3 a negative depreciation reserve balance creates a
4 positive net plant because you are subtracting a
5 negative number. As a result of that, a negative
6 reserve balance caused by retirements creates
7 a negative -- sorry. If you retire a plants in
8 excess of accumulations, you create a negative
9 reserve balance and that creates positive net plant
10 on which the Company earns a return. So a negative
11 reserve balance means the Company is earning a return
12 on a retired asset.

13 Now, the issue at hand -- because that
14 was all just the background -- is that Missouri-
15 American Water's reserve accounts for their meters
16 has gone negative. There's no disputing that.
17 Everyone agrees on that point. And it's gone
18 negative because of retired meters. Again, there
19 really isn't a dispute on this point. Because they
20 are retired the meters are no longer used and useful
21 which creates a problem because Missouri law
22 prohibits a utility from earning a return on assets
23 that are no longer used and useful.

24 And to demonstrate that I'll cite to the
25 law. I can give you the long citation or I can just

1 put it in my brief, but the Missouri courts have
2 found that the utility property upon which a rate of
3 return can be earned must be utilized to provide
4 service to its customers. That is, it must be used
5 and useful. And the Commission itself has cited this
6 same provision in the past. In the Asbury
7 securitization case, for example, the Commission
8 determined that because Asbury was retired, the
9 Company would not be allowed to return a return on
10 the investment because it was no longer used and
11 useful.

12 So in totality we need to make an
13 adjustment. Right now the reserve account for meters
14 are negative. They are negative because they are
15 being retired or because we have retired meters in
16 the account. The retired meters are not used and
17 useful. Therefore, if you allow the negative account
18 to be put into plant, the Company will earn a return
19 on plant that is no longer used and useful.

20 To correct for that you need to make an
21 adjustment to the reserve balance that would zero out
22 the account. I.e., you would credit the account with
23 the amount of the negative balance bringing the
24 balance to zero. And if you don't do this, it means
25 that Missouri-American Water is earning a profit on

1 two sets of meters, one that's in service and one
2 that has been retired. The OPC's position, apart
3 from the law itself, is simply that customers should
4 only pay for one meter. So in order to accomplish
5 that end goal, the Commission needs to order a credit
6 to the reserve balances for meters such that the
7 balance is returned to zero.

8 Are there any questions? I'm not hearing
9 any, so I'm going to slip off.

10 JUDGE SEYER: All right. My
11 understanding is that we will first hear from a
12 Company witness.

13 MR. COOPER: Yes. The Company would call
14 Ms. Jennifer Grisham.

15 (Witness previously sworn).

16 JENNIFER GRISHAM,
17 the witness, having been first duly sworn,
18 testified as follows:

19 MR. COOPER: We would tender Ms. Grisham
20 for cross-examination.

21 JUDGE SEYER: All right. Ms. Klaus, any
22 cross?

23 MS. KLAUS: No questions, thank you,
24 Judge.

25 JUDGE SEYER: Mr. Clizer?

1 MR. CLIZER: Your Honor, there is one
2 exhibit that I want to enter in with regards to this
3 issue. However, the responding -- it is a data
4 request response provided by the Company. However,
5 the responding witness was Mr. Carlson. I am
6 perfectly okay to wait for Mr. Carlson to take the
7 stand which he is scheduled to do under Paperless
8 Billing on Monday with the understanding of all the
9 parties that there won't be an objection to the
10 relevance at that time because its relevance is
11 attained to this issue. Does that make sense?

12 JUDGE SEYER: It does.

13 MR. COOPER: Mr. Clizer, would you share
14 with us what --

15 MR. CLIZER: Sure.

16 MR. COOPER: -- what DR you're talking
17 about?

18 MR. CLIZER: Yes, I can do that. There
19 it is. 8519.

20 JUDGE SEYER: In the meantime, Mr. Opitz,
21 I don't believe MECG filed a statement of position on
22 this issue.

23 MR. OPITZ: The Depreciation?

24 JUDGE SEYER: Right.

25 MR. OPITZ: No.

1 JUDGE SEYER: So would it be okay if I
2 skip you --

3 MR. OPITZ: That's fine.

4 JUDGE SEYER: -- when it comes to asking
5 who has cross and recross.

6 MR. OPITZ: Your Honor, I guess there was
7 some question earlier from Mr. Clizer, there was a
8 second stipulation filed yesterday that had some
9 issues in it. I talked about those yesterday. MECG
10 filed its objection a little bit ago. Just for
11 clarity, MECG has no objection to the other issues in
12 there besides the UAT.

13 JUDGE SEYER: Understood. Thank you.

14 MR. CLIZER: All right. It sounds like
15 with the Company's recommendation, I'm just going to
16 go ahead and move this exhibit in now. So I would
17 move to mark OPC Exhibit 326.

18 CROSS-EXAMINATION

19 BY MR. CLIZER:

20 Q. Ms. Grisham, have you had a chance to
21 review what has been -- I'm not close enough to the
22 mic.

23 Ms. Grisham, have you had a chance to
24 review what has been now marked as OPC -- OPC
25 Exhibit 326?

1 **A. Which is OPC 8519?**

2 Q. Correct.

3 **A. Yes.**

4 Q. You would agree with me that this is a
5 data request response that was provided to the OPC in
6 response to a request sent on the Company?

7 **A. Yes, I agree.**

8 MR. CLIZER: Yes. I'm just going to go
9 ahead and move to admit it now then.

10 JUDGE SEYER: All right. Any objection?

11 MS. KLAUS: No objection.

12 MR. COOPER: No objection.

13 JUDGE SEYER: All right. Exhibit 326
14 which is OPC data request 8519 is admitted.

15 (OPC Exhibit 326 was admitted and made a
16 part of the record.)

17 MR. CLIZER: All right. No further
18 questions. Thank you.

19 JUDGE SEYER: Do the commissioners have
20 any questions for the witness? All right. Hearing
21 none.

22 QUESTIONS

23 BY JUDGE SEYER:

24 Q. Ms. Grisham, I've got a couple. Well,
25 I've got a few questions.

1 **A. Okay.**

2 Q. Could you explain for the Commission the
3 history of Missouri-American's transition to AMI
4 meters?

5 **A. I'm -- I'm not the best witness to --**

6 Q. Oh, you're not?

7 **A. -- discuss that.**

8 **No. I would say Witness Carlson next**
9 **week.**

10 Q. Gotcha. Do you have any -- would -- okay.
11 Would you be able to speak to the recommended useful
12 life of those meters?

13 **A. The recommended use -- the recommended**
14 **useful life?**

15 Q. Useful life.

16 **A. As -- oh. That's probably another one**
17 **that's best for Witness Carlson. I know that he has**
18 **submitted discovery, responsive discovery that talks**
19 **about the warranties and useful life on some of these**
20 **meters.**

21 Q. Uh-huh.

22 **A. So he'd be -- he'd be the best one to ask.**

23 Q. Okay. And then I have a question about
24 negative depreciation reserve.

25 **A. Okay. Okay. You can ask me that**

1 question. You can ask me that question.

2 Q. In general terms can you explain what it
3 means. I know -- I know Mr. Clizer touched on it in
4 his opening statement, but from your perspective.

5 A. Right. The negative reserve, so it does
6 eventually put the calculations, it does increase our
7 rate base. You know, as we have stated in discovery
8 and in our testimony as well, the -- the negative
9 reserve for meters is not because of retiring the
10 assets early. We have maintained that there is a
11 disconnect between the specific depreciation rate for
12 meters than what is the average life for them.

13 So right now the meter rate of 2.4 percent
14 is -- equates to about 42 years, which is just not
15 what we -- what we have realistically. I think five
16 years or so ago in our 2020 rate case we proposed an
17 increase to that meter rate, I think to 5.8 percent
18 which would have equated to an average of 15 years I
19 think approximately for those meters, but that wasn't
20 approved.

21 So, you know, we would propose that the
22 solution would be in our next depreciation study for
23 the next rate case, let's examine the rate for those
24 meters and come to a better alignment so we wouldn't
25 have a negative reserve as opposed to making an

1 **adjustment.**

2 Q. Are there any other things that would
3 cause a negative reserve?

4 A. **There could be. I -- I can't say right**
5 **now though.**

6 Q. In this instance do you -- in general
7 terms do you have an explanation for why this account
8 is so negative?

9 A. **Why the account is so negative?**

10 Q. Yeah.

11 A. **Again, it's -- the Company's maintaining**
12 **that it's that misalignment between rate and what the**
13 **useful life is for our meters.**

14 Q. And what impact does that negative reserve
15 have on your customers?

16 A. **Well, again, that negative reserve is**
17 **subtracted from plant in service which increases**
18 **plant in service. So going through the revenue**
19 **requirement, that -- it has an impact. What the**
20 **specific impact is I don't know right now, but there**
21 **would be an impact on what we're requesting.**

22 JUDGE SEYER: All right. I don't have
23 any further questions. Ms. Klaus, do you have any
24 questions --

25 MS. KLAUS: No questions.

1 JUDGE SEYER: -- on recross?

2 MS. KLAUS: Apologies, Judge. Didn't
3 mean to overstep on what you were saying there. No
4 questions, thank you.

5 JUDGE SEYER: Mr. Clizer.

6 MR. CLIZER: Hopefully briefly.

7 THE WITNESS: Uh-huh.

8 **RECROSS-EXAMINATION**

9 BY MR. CLIZER:

10 Q. Ms. Grisham, in answering one of the
11 questions to the judge, you know, you outlined the
12 Company's position that the negative balance is not
13 because you are retiring the meters early.

14 A. Uh-huh.

15 Q. I think the key there is that you disagree
16 with the idea that it's early. Correct?

17 A. I want to use a specific term I think that
18 has been mentioned. We'll say early retirement, yes,
19 and I'm saying that that's not the case.

20 Q. Okay. I -- I don't think there's actually
21 much of a disagreement that there's a disconnect at
22 this point --

23 A. Uh-huh.

24 Q. -- between the -- the life that the meters
25 are currently expecting and the depreciation rate.

1 Pretty sure all the parties agree with
2 that --

3 **A. Okay.**

4 Q. -- statement.

5 But you would also agree with me that the
6 current negative reserve balance is due to
7 retirements of the meters?

8 **A. That the current negative balance is due**
9 **to retirements of the meters?**

10 Q. Yeah.

11 **A. I -- that's like saying that the current**
12 **balance due to just our -- our current operational --**
13 **operation standards. So I'm not sure that I could**
14 **say that.**

15 Q. Can I direct you to OPC Exhibit 326,
16 OPC 8519?

17 **A. Yes.**

18 Q. Would you agree with me that, and I
19 believe it's the third line beginning, When those
20 meters, I believe it reads, When those meters are
21 retired at the end of their operational life, in
22 quotes, the remaining, quote, depreciable life
23 results in a negative accumulated reserve?

24 **A. That's what that says, yes.**

25 Q. And I know that Mr. Carlson was the

1 individual who actually sponsored that. Do you have
2 a reason to disagree with Mr. Carlson's statement
3 there?

4 **A. His answer? No, I have no reason to**
5 **disagree.**

6 Q. Correct. And in regards to the impact of
7 that negative reserve, the question that was posed to
8 you --

9 **A. Uh-huh.**

10 Q. -- you would agree me that -- I think
11 you've already testified, in fact, that because it's
12 a negative reserve, it is effectively becomes
13 positive in net plant. Correct?

14 **A. Mathematically, yes, that's what happens.**

15 Q. And the Company will earn its return on
16 based on the net plant. Correct?

17 **A. Mathematically based on revenue**
18 **requirement calculation, yes.**

19 Q. So the negative reserve meters will -- the
20 neg -- the current negative reserve account for
21 meters will generate return on for the Company if
22 allowed to remain in rates. Correct?

23 **A. That's part of the revenue requirement**
24 **calculation.**

25 Q. That -- was that a yes?

1 **A. Repeat -- can you repeat your question?**

2 Q. Understandable. It is true that the
3 existence of a negative reserve balance for meters
4 will result in the Company earning a return on that
5 portion of the balance as part of rates set in this
6 case if it's not removed?

7 **A. Again, it's part of the overall rate base**
8 **and rate base is what's used to earn a return.**

9 MR. CLIZER: Okay. All right. Thank
10 you. I have no further recross.

11 JUDGE SEYER: Mr. Cooper, any redirect?

12 MR. COOPER: Yes, your Honor. I want to
13 mark an exhibit. Are we -- we're on Exhibit 31 I
14 believe?

15 JUDGE SEYER: Yes.

16 MR. COOPER: I would like to -- I have a
17 document, I guess we should probably title it,
18 Average Age of Retired Meters. I'll hand that out at
19 this time.

20 JUDGE SEYER: Okay. Mr. Cooper?

21 MR. COOPER: Yes.

22 JUDGE SEYER: Any chance I could get a
23 copy of that?

24 MR. COOPER: Oh, yes.

25 REDIRECT EXAMINATION

1 BY MR. COOPER:

2 Q. Ms. Grisham, you were asked a question
3 about why the meter account is so negative.

4 A. Uh-huh.

5 Q. Correct?

6 A. Yes.

7 Q. And I have handed you what's been marked
8 as Exhibit 31. Is that correct?

9 A. Yes.

10 Q. And do you recognize that document?

11 A. Yes, I do.

12 Q. And what is it?

13 A. This is an attachment to a discovery
14 response, OPC 8522, that shows the -- over the last
15 five years the number of meters that have been
16 retired by meter type as well as the average years in
17 service for those meters.

18 Q. And did your -- your section, folks you're
19 responsible for, have a hand in putting this
20 together?

21 A. My team worked in tandem with the
22 operation team and operation witness -- witnesses
23 team, yes.

24 Q. And if we look across -- well, as you
25 described, year by year there's the quantity of

1 meters retired and then the average for that -- well,
2 yes, the average years of service of those retired
3 meters during that year. Correct?

4 **A. Correct.**

5 Q. And then down below there's an average of
6 years of service for -- for all meters. Correct?

7 **A. Yes.**

8 Q. And these numbers, they're -- if you look
9 across the five-eighths inch meter line, for
10 example, they generally will be -- well, let's --
11 year 2020, 10.47 years. Is that correct?

12 **A. Correct.**

13 Q. And 2021, 11.34?

14 **A. Yes.**

15 Q. 2022, 12.93. Is that correct?

16 **A. Yes.**

17 Q. 2023, 11.82?

18 **A. Yes.**

19 Q. And then 2024, 10.79. Correct?

20 **A. Yes.**

21 Q. And I think you mentioned it before, the
22 depreciation rate is actually set up for a 42-year
23 approximately service life. Correct?

24 **A. Correct.**

25 Q. And the depreciation rate is theoretically

1 designed such that the Company will receive a return
2 of its investment in property over the average
3 service life. Correct?

4 **A. Yes.**

5 Q. So in this instance -- well, let me back
6 up. Are all meters included in that 346 account?

7 **A. Yes.**

8 Q. So not only the five-eighths but the
9 larger meters as well?

10 **A. Correct.**

11 Q. And so given that depreciation rate,
12 anything retired less than 42 years is going to
13 create some sort of negative balance. Correct?

14 **A. Yes.**

15 Q. But that negative balance also means that
16 it is an amount of the Company's investment that it
17 has not yet received a return of?

18 **A. Correct.**

19 Q. Are you familiar with the Commission's
20 rules on the testing of meters?

21 **A. I am.**

22 Q. Is it true that Commission rule -- let's
23 see -- 20 CSR 4240-10.030, paren 38, establishes the
24 period of time by which a company must remove,
25 inspect, and test meters?

1 **A. By meter type, yes.**

2 Q. Okay.

3 **A. Meter size, excuse me.**

4 Q. And for a five-eighths inch meter, what is
5 that time period?

6 **A. For five-eighths inch, that is every ten**
7 **years.**

8 Q. And for three-fourth -- three-quarters
9 inch?

10 **A. That is eight years, every eight year.**

11 Q. For one-inch meters?

12 **A. It's every six years.**

13 Q. And all meters above one inch?

14 **A. Every four.**

15 Q. You mentioned it previously that the
16 Company had proposed to change this meter rate in a
17 prior rate case?

18 **A. Yes, we did.**

19 Q. And again, that was not -- it didn't go
20 anywhere I guess --

21 **A. Right.**

22 Q. -- is the answer to that?

23 **A. That's correct. Yes.**

24 MR. COOPER: That's all the questions I
25 have at this time, your Honor.

1 JUDGE SEYER: And you're not offering
2 this into evidence?

3 MR. COOPER: I am. I would like to offer
4 Exhibit 31.

5 JUDGE SEYER: Any objection?

6 MS. KLAUS: No objection.

7 JUDGE SEYER: All right. Exhibit 31 is
8 admitted.

9 (Company Exhibit 31 was admitted and made
10 a part of the record.)

11 JUDGE SEYER: All right. Thank you,
12 Ms. Grisham.

13 **THE WITNESS: Thank you.**

14 JUDGE SEYER: All right. So my
15 understanding is Ms. Branson is next?

16 MS. KLAUS: Yes. Staff calls Alexis
17 Branson.

18 (Witness previously sworn).

19 ALEXIS BRANSON,
20 the witness, having been first duly sworn,
21 testified as follows:

22 JUDGE SEYER: You can go ahead,
23 Ms. Klaus.

24 MS. KLAUS: Thank you.

25 DIRECT EXAMINATION

1 BY MS. KLAUS:

2 Q. Good afternoon, Ms. Branson.

3 A. **Good afternoon.**

4 Q. As mentioned in my opening earlier and a
5 little bit earlier when we were discussing rate base
6 and plant in service, it was discovered that you do
7 have a correction to your testimony?

8 A. **Yes. There is a correction to the**
9 **adjustment for capitalized depreciation.**

10 Q. And do you have a copy of your
11 direct/rebuttal testimony with you right now?

12 A. **I do.**

13 Q. Could you just walk me through quickly
14 where this change would be found?

15 A. **On page 4, line 18 the Staff's**
16 **adjustment for capitalized depreciation, I have**
17 **the number 530,931 when it needs to be a decrease**
18 **of \$1,666,005.**

19 Q. And it's your understanding that Staff
20 does intend to file corrected testimony to reflect
21 this change?

22 A. **Yes.**

23 MS. KLAUS: Thank you. I tender this
24 witness for cross-examination.

25 JUDGE SEYER: Mr. Cooper, do you have any

1 cross?

2 MR. COOPER: I do not.

3 JUDGE SEYER: Mr. Clizer?

4 CROSS-EXAMINATION

5 BY MR. CLIZER:

6 Q. Good afternoon, Ms. Branson.

7 A. **Good afternoon.**

8 Q. Would it be possible for you to give me a
9 working definition of what it means for an asset to
10 be retired for regulatory ratemaking purposes?

11 A. **My personal part in this was to look at**
12 **the book value cost of plant in service accumulated**
13 **reserve. That might be a better question for Staff**
14 **witness Malachi Bowman.**

15 Q. Is that who's up next?

16 A. **I believe it is.**

17 MR. CLIZER: He's not coming up?

18 JUDGE SEYER: Right. That was my
19 understanding as well that Mr. Bowman will not be
20 testifying this afternoon.

21 BY MR. CLIZER:

22 Q. Would you be able to agree with me that an
23 asset that is retired is no longer providing -- is no
24 longer being used for service?

25 A. **Yes.**

1 MR. CLIZER: All right. Thank you. I
2 have no further questions.

3 JUDGE SEYER: Are there any questions
4 from the commissioners?

5 QUESTIONS

6 BY JUDGE SEYER:

7 Q. Ms. Branson, can I ask you this: Can
8 speak to useful life on these meters?

9 A. I cannot, no.

10 Q. If I had questions about negative reserve,
11 would you be willing to handle those questions?

12 A. I could if they are within my ability to.

13 Q. All right. Let me ask you this: How
14 would you respond to Mr. Robinett's direct, slash,
15 rebuttal testimony regarding the negative reserve,
16 specifically how he states or he has a proposal to
17 credit 32.8 million to reflect a zero reserve
18 balance as of May 31st, 2024 or 34.3 million as of
19 December 31st, 2024?

20 A. As I previously stated, I looked at the
21 actual book balances for accumulated reserve.
22 Adjustments to that would not have been my personal
23 responsibility.

24 Q. Public Counsel has also proposed that the
25 Commission not allow any recovery of the credited

1 amount through regulatory asset. How would you
2 respond to that proposal?

3 **A. Can I hear that question again?**

4 Q. The Office of Public Counsel has proposed
5 that the Commission not allow any recovery or not
6 allow recovery of the credited account through a
7 regulatory asset. Do you have an opinion on that
8 proposal?

9 **A. I'm not sure.**

10 JUDGE SEYER: Okay. All right. I have
11 no further questions. Any recross?

12 MR. COOPER: No, your Honor.

13 JUDGE SEYER: Any redirect?

14 MS. KLAUS: No, thank you.

15 JUDGE SEYER: All right. Thank you,
16 Ms. Branson.

17 **THE WITNESS: Thank you.**

18 JUDGE SEYER: Mr. Robinett.

19 MR. CLIZER: Would you like me to
20 proceed?

21 (Witness previously sworn).

22 JOHN ROBINETT,
23 the witness, having been first duly sworn,
24 testified as follows:

25 JUDGE SEYER: Go ahead, Mr. Clizer.

1 MR. CLIZER: Mr. Robinett has previously
2 sworn; his testimony's been offered and admitted. I
3 believe he's still under oath, so I tender the
4 witness for cross-examination.

5 JUDGE SEYER: All right. Ms. Klaus, do
6 you have cross-examination?

7 MS. KLAUS: No questions from Staff,
8 thank you.

9 JUDGE SEYER: Mr. Cooper.

10 MR. COOPER: No questions at this time.

11 JUDGE SEYER: Any commissioner questions
12 of Mr. Robinett?

13 QUESTIONS

14 BY JUDGE SEYER:

15 Q. Mr. Robinett, you may have thought you
16 were getting off easy, but I have some questions.
17 You -- if I recall your prefiled testimony correctly,
18 can you explain from your perspective what the
19 history of Missouri-American's transition to AMI
20 meters, smart meters? Like when did it start, is it
21 still in progress?

22 A. I honestly don't have that information.

23 Q. All right. From Public Counsel's
24 perspective, what -- what would Public Counsel
25 consider the recommended useful life of an AMI meter?

1 A. So it varies by utility. What we have
2 been using recently has been associated with the
3 battery life of either the connection that makes an
4 AMI or if it's internal, it's the battery internal to
5 the meter. We have used that a lot recently in other
6 utilities as well.

7 Q. Okay. How about AMR meters?

8 A. It's basically going to be the same thing.
9 It's going to be driven by the meter itself plus the
10 reading device.

11 Q. And for the sake of the record, what do
12 those acronyms stand for? If I were to tell you AMI
13 is advanced metering infrastructure?

14 A. Yes. And those -- those can be found on
15 page 11 of my testimony.

16 Q. Okay. Okay.

17 A. And AMR is advanced meter reading.

18 Q. All right. Can you explain for the
19 Commission what negative depreciation reserve
20 entails?

21 A. I'll try. The biggest thing to think of
22 is there is multiple things that could cause it. You
23 could have say a large unit that has a catastrophic
24 failure that would not be reaching its useful life.
25 That could happen. What we are seeing is, and we

1 have had it with other utilities as well, where
2 conversions on meters, where the existing meters may
3 not be fully accrued and the trans -- the
4 transitioning would necessitate retiring those meters
5 to transition technologies has driven reserve
6 negative in some other cases.

7 And I know dating back to 2015 we had some
8 meter -- metering issues I believe that was present
9 in that case of where, I was on Staff at the time,
10 and discussed individual districts at that point that
11 had negative reserve present. And another factor
12 could be that the experienced lives are not matching
13 what the depreciation rate is. So if the assets are
14 being retired before the set average service life and
15 you're doing enough of it, it could drive the reserve
16 negative.

17 Q. All right. And I asked this of
18 Ms. Grisham, but what is the impact of a negative
19 reserve to the customers?

20 A. So it would be -- because it is adding to
21 net plant, it would be the return on that portion of
22 the negative. And I have that roughly calculated out
23 using Mr. Murray's pre-tax ROE. It was just shy of
24 about \$3 million annually.

25 Q. Okay. Ms. Grisham talked about kind of

1 the reason for such a large balance being the, I
2 think 10-year life versus 30-year life. Would you
3 agree with that?

4 MR. COOPER: Judge, I believe -- and I
5 guess it is sort of an objection. I think your
6 question assumes facts not in evidence because I
7 think Ms. Grisham's testimony now as corrected
8 indicates a 42-year life, not 30-year life.

9 JUDGE SEYER: Okay. All right. I stand
10 corrected.

11 BY JUDGE SEYER:

12 Q. So would you -- is that basically the
13 reason for that balance?

14 A. That could be a driving factor of it.

15 Q. Okay. Do you agree with the ten-year
16 useful life for AMI and AMR meters?

17 A. I don't know their specific technology. I
18 know we have ordered rates higher than ten years in
19 other utilities.

20 Q. If you know, if we go back to the two
21 prior Missouri-American rate cases, what were the
22 accumulated depreciation reserves in those cases?

23 A. Judge, if you go to page 12 of my direct,
24 I have a chart there. And I believe these were taken
25 from the Staff's accounting runs in each of those

1 **cases.**

2 Q. All right. Previous case is file number
3 WR-2022-0303?

4 A. **Yes. That was the most recent one prior**
5 **to this.**

6 Q. And then the one before that,
7 WR-2020-0344?

8 A. **Yes.**

9 Q. And for the '22 -- the 2022 case there was
10 negative accumulated reserve. Correct?

11 A. **Yes.**

12 Q. But not for the 2020 case?

13 A. **Yes.**

14 Q. Okay. I'm trying to decide how to phrase
15 this, but is it -- did it go from that positive
16 balance to the negative balance when they started
17 rolling out these smart meters?

18 A. **I don't know that I could say that**
19 **definitively, no.**

20 Q. Okay. Can you speak to the history of
21 useful life used in the Company's depreciation
22 studies in the last five or so studies that have been
23 prepared?

24 A. **I don't think I did that in this case to**
25 **be honest.**

1 Q. Okay. All right. I'm try -- I'm hoping
2 you know where this is in your testimony, but in
3 your direct, slash, rebuttal testimony you propose
4 a 32.8 mill -- \$32.8 million credit to reflect a zero
5 reserve balance as of May 31st, 2024 or 34.3 million
6 as of December 31st, 2024.

7 A. Yes. That's at page 13.

8 Q. Page 13. Perfect. Can you explain how
9 you -- how you arrived at those numbers?

10 A. I think all of the math's going to be
11 found in my schedule 2.

12 Q. That would be schedule JAR-DR-2?

13 A. Yeah.

14 Q. Okay.

15 A. Yes. Should be a rather large Excel file.
16 And my guess, Judge, is it's the last -- it's the
17 third and next-to-last tabs.

18 Q. Third to last?

19 A. I think -- I think it's third to last and
20 second to last.

21 Q. Okay. Those tabs labeled 12/31/24?

22 A. 24, yeah.

23 Q. And 5/31/25?

24 A. (Witness nodded head.)

25 Q. All right.

1 **A. I don't have them labeled on here, so I --**
2 **I think those are the right ones.**

3 Q. Okay.

4 MR. CLIZER: Not to interrupt your flow,
5 your Honor, but when he goes back upstairs, we'll
6 double check that those are the right ones and I'll
7 let you know if we need to tell you differently.

8 JUDGE SEYER: You're making me laugh when
9 you use the term "flow."

10 BY JUDGE SEYER:

11 Q. Can I ask you this though, Mr. Robinett.
12 Did the reserve -- I mean, I kind of touched on this
13 earlier, but did the reserves start decreasing after
14 the AMI meters began being installed?

15 **A. I don't know for certain the start date of**
16 **when AMI was rolled out.**

17 Q. Okay. You have -- correct me if I'm
18 wrong, but you have recommended the Commission not
19 allow recovery of the credited amount through a
20 regulatory asset. Can you explain for the Commission
21 why Missouri-American should not be entitled to a
22 return on the value of the retired assets?

23 **A. Return on or of?**

24 Q. Return of.

25 **A. So this was an initial position taken by**

1 us. I've got to be careful because we have other
2 similar issues in other cases. The initial thought
3 is that it was caused by the unrecognition of the
4 transfer and the nonmoving -- the depreciation rates
5 and the selection that we are going to retire assets
6 at the ten-year mark when they are being pulled,
7 which I believe they have said is an economic reason
8 for not testing and placing back in the field. It's
9 cheaper to just replace.

10 JUDGE SEYER: Okay. I don't have any
11 further questions. Ms. Klaus, do you have any
12 recross?

13 MS. KLAUS: No, thank you, Judge.

14 JUDGE SEYER: Mr. Cooper?

15 MR. COOPER: Yes, your Honor.

16 RECROSS-EXAMINATION

17 BY MR. COOPER:

18 Q. Let's start with this, Mr. Robinett. You
19 had -- you were asked questions about useful life of
20 AMI meters and AMR meters by the judge. And I think
21 in regard to AMI you said that generally you're
22 linking them to the battery life?

23 A. Yes.

24 Q. What is the battery life, how long?

25 A. I don't know specifically for Missouri-

1 American's. I know for other utilities we have tied
2 it roughly to 20 years.

3 Q. Okay. And AMR, is that similar?

4 A. I think they're -- for other utilities I
5 think it has been in the -- for the electronic
6 reading technology that is attached, I think I
7 have -- if I remember correctly, it's in the 15-year
8 range.

9 Q. Okay. In your experience how many 42-year
10 average service life lives have you seen for meters?

11 A. Meaning the meter for 40 years or
12 similarly-recommended rates for utilities?

13 Q. Similarly-recommended rates.

14 A. Certainly it was -- this is consistent
15 with what we have previously seen with Spire. And
16 they were seeing much shorter lives as well.

17 Q. So let me get at it this way a little bit.
18 In your -- let's see. In your cross-rebuttal you
19 provide an example of how a negative reserve balance
20 could result if plant is retired halfway through its
21 average service life. Right? You talk about hundred
22 dollar initial investment. If it's retired halfway
23 through, you're going to have a 50-year negative
24 reserve balance. Right?

25 A. \$50 negative reserve, yes.

1 Q. And so in our situation here with 42-year
2 average service life, that means that if a meter
3 lasts 21 years, in your example using the hundred
4 dollar initial investment, at that point you're only
5 going to be halfway through your depreciation.
6 Right?

7 A. **Lasting 21 years on a 40-year life, yes.**

8 Q. Okay. So, and you probably heard me --
9 well, let me back up. And for the meters it's
10 accurate, isn't it, that the 42 years we're talking
11 about is everything from five-eighths larger?

12 A. **Yes. Everything is aggregated in a single**
13 **account currently.**

14 Q. Right. And would you agree with what
15 Ms. Grisham said earlier, that under the Commission's
16 rules that the Commission -- or that the Company is
17 supposed to actually remove and test and so on a
18 five-eighths inch meter every ten years. Correct?

19 A. **Yes.**

20 Q. So let's say you were trying to get to
21 the 42 years. A meter would have to be removed,
22 tested and reinstalled somewhere else four times to
23 have a chance at 42 years, wouldn't it?

24 A. **No. It would be three after the initial**
25 **installation.**

1 Q. Well, at the 10-year mark, the 20-year
2 mark, the 30-year mark, and the 40-year mark to get
3 to 42?

4 A. Okay. Yes.

5 Q. And on the other end of the spectrum,
6 we've got the larger meters and they're supposed to
7 have that done every four years. Right? So -- well,
8 let me stop there. Do you agree with that?

9 A. I know it's a shorter time period. I
10 can't -- I know she testified earlier that it was
11 four.

12 Q. Okay. So let's assume that because it's a
13 Commission rule, so it's easy to pull out in the
14 future. But let's assume that it's four years. Kind
15 of the same thing. That meter's going to have to be
16 pulled, tested, and reinstalled somewhere else 10
17 times to get to 42 years, isn't it?

18 A. I don't know if it would be installed
19 somewhere else, but it is -- potentially, yes, it
20 would be ten times.

21 Q. You were asked a couple of times about a
22 connection to Missouri-American's installation of AMI
23 meters. Correct?

24 A. Yes.

25 Q. And would you agree that ultimately your

1 answer is you don't know how this connects back to
2 installation of AMI meters?

3 **A. I don't know when AMI began being**
4 **installed, yes.**

5 Q. Ms. Grisham indicated earlier that the
6 Company tried to change this depreciation rate in the
7 WR-2020-0344 case. Do you remember that?

8 **A. Yes. I --**

9 Q. Do you also remember that, yourself, that
10 that was a part of that case?

11 **A. I'm assuming I was, yes.**

12 Q. Do you know what your position was?

13 **A. I honestly don't remember.**

14 Q. If I were to hand you a copy of testimony
15 from that case, do you think it would refresh your
16 memory?

17 **A. It wouldn't hurt.**

18 MR. COOPER: May I approach the witness,
19 your Honor?

20 JUDGE SEYER: Yes.

21 BY MR. COOPER:

22 Q. If you'll look at page 1 and down at the
23 bottom there starting at line 16.

24 **A. I'm there.**

25 Q. And you -- would you agree that your

1 recommendation in that case was to not change the
2 depreciation rates that had been earlier ordered in
3 WR-2017-0285?

4 **A. Yes.**

5 Q. And if you follow on starting on line 20,
6 would you also agree that your basis for that was
7 because those WR-2017-0285 rates would result in the
8 lowest cost annually for depreciation expense?

9 **A. Could you repeat that? I was trying to**
10 **read through it.**

11 Q. Okay. Would you agree that your reasoning
12 in that testimony for opposing that change in
13 depreciation rates was because the then-existing
14 rates from the WR-2017-0285 case results in the
15 lowest cost annually for depreciation expense when
16 compared to Missouri-American's recommended rates and
17 is the only option that the Commission should
18 consider?

19 **A. That's what it says, but then I continue**
20 **to say, Since Staff was unable to verify the results**
21 **of the study.**

22 Q. Right. Right. Now, and this is with the
23 benefit of hindsight which is always -- always nice
24 if we could do it on the front end that way. But had
25 the depreciations -- depreciation rates for meters

1 been changed as proposed by the Company in
2 WR-2020-0344, it would have at least mitigated the
3 size of this negative reserve balance, wouldn't it?

4 **A. It certainly could have. I don't know the**
5 **math sitting here, how much the change would have**
6 **happened with retirements and everything that**
7 **occurred.**

8 Q. But it would have had made some
9 difference. Right?

10 **A. Yes.**

11 MR. COOPER: That's all the questions I
12 have, your Honor.

13 JUDGE SEYER: All right. Mr. Clizer,
14 redirect?

15 REDIRECT EXAMINATION

16 BY MR. CLIZER:

17 Q. Now, you obviously have been asked a lot
18 of questions regarding depreciable life so far, but I
19 want to take a step back and reorient ourselves.
20 There's no dispute in this case that the reserve
21 balances are currently negative for meters. Correct?

22 **A. I believe that's true, yes.**

23 Q. And so as has been asked, the impact of
24 that on rates moving forward would be what?

25 **A. If the Commission -- the moving of the**

1 **reserve to zero would reduce Staff's revenue**
2 **requirement by approximately \$3 million due to the**
3 **return.**

4 Q. Does that mean that if the Commission
5 doesn't change anything, the Company will earn a
6 return on the retired meters?

7 A. **They will return an earning on that**
8 **negative balance, yes.**

9 Q. Are you familiar with the Asbury
10 securitization case?

11 A. **Yes. I believe I filed testimony in that**
12 **case.**

13 Q. Do you recall what the Commission's
14 decision regarding the ability of Empire to earn a
15 return on the --

16 MR. COOPER: Objection, your Honor.
17 We've branched off into a legal argument I think.
18 Mr. Clizer made that in his opening and it sounds
19 like he's trying to extend that to the witness.

20 MR. CLIZER: I'll withdraw.

21 JUDGE SEYER: All right. Withdrawn.

22 BY MR. CLIZER:

23 Q. Based on what you were attempting to read
24 from your prior testimony that was handed to you by
25 Mr. Cooper, is it safe to say that your concerns with

1 the change in depreciation rates in the prior case
2 resulted from issues with the depreciation study?

3 **A. That was half of it, yes.**

4 Q. Can you please elaborate.

5 **A. At the point in time after I had moved to**
6 **OPC, we did not have access to depreciation software.**
7 **And Staff being the only other party in the case that**
8 **filed on depreciation studies and they were not able**
9 **to perform their own independent from the Company, I**
10 **had concerns. And then I also addressed earlier**
11 **the -- it was the lowest cost annually for the**
12 **depreciation expense arriving keeping the current**
13 **order of rates.**

14 Q. Would have decreasing the -- I want to
15 make sure I've got this right. A decrease to the
16 life of a deprec -- an asset would increase
17 depreciation rate. Correct?

18 **A. Shortening the life increases the rate,**
19 **yes.**

20 Q. And increasing the rate would increase or
21 decrease the expense?

22 **A. Increasing the rate increases the expense**
23 **annually.**

24 Q. So your concerns with that case had to do
25 with the fact that the Company was in the aggregate

1 decreasing the expense? Or is it increasing the
2 expense?

3 **A. Based on the testimony here, it would have**
4 **been an increase in depreciation expense as I was**
5 **recommending continued use because it was lower**
6 **annually.**

7 Q. Going back to the some of the questions
8 you were asked from the Bench, you were asked kind of
9 what the negative depreciation of reserve entails.
10 And I think that you answered the question sort of
11 describing various ways you get to a negative
12 depreciation reserve. Just from a mathematical
13 standpoint alone, what does it mean to have a
14 negative depreciation reserve?

15 **A. It means that the amount of plant that is**
16 **retired has exceeded the accrual rate over time and**
17 **that it eroded away whatever reserve was there.**

18 Q. So the negative reserve equates to retired
19 plant?

20 **A. Negative reserve would be created by the**
21 **retirements exceeding the accruals to the point where**
22 **the reserve is taken negative.**

23 Q. And it's safe to say that the retired
24 plant is no longer in service. Correct?

25 **A. In most case I would say retired plant is**

1 **no longer in service.**

2 Q. There was a brief discussion on the --
3 your recommendation to not allow a return of with the
4 Bench. Do you recall?

5 **A. Yes.**

6 Q. Now, the assumption is that, therefore,
7 the Commission could theoretically allow the Company
8 to have a return of the asset even if it zeroed out
9 the credit. Is that accurate?

10 **A. If they create the asset, they could**
11 **determine to return that asset to the utility, yes.**

12 Q. But that would still eliminate the return
13 on?

14 **A. Assuming they make the adjustment to**
15 **depreciation reserve and create the regulatory asset**
16 **for the deficiency, that would eliminate the return**
17 **of.**

18 Q. Eliminate the return of or on?

19 **A. Return on. Sorry.**

20 Q. And for the purpose of such an asset,
21 somebody would have to order the time period over
22 which the asset would be recovered. Do you have any
23 recommendation on how long -- how long that might be?

24 **A. Based on the number and it -- a lot of it**
25 **all depends on what the impact is of the entire rate**

1 case, a five-year amortization would roughly equate
2 to a \$7 million annually number.

3 Q. A \$7 million increase to the annual
4 revenue requirement. Is that right?

5 A. Right. But you would recognize the
6 reduction for the return, so it would be net four
7 roughly.

8 MR. CLIZER: Thank you. I don't think I
9 have any further redirect.

10 JUDGE SEYER: All right. Thank you,
11 Mr. Robinett. Let's take a ten-minute break and
12 reconvene at 4:55. 3:55, my mistake. Off the
13 record.

14 (Off the record.)

15 JUDGE SEYER: Let's go back on the
16 record. All right. We are back on the record and we
17 are now, according to the hearing schedule, set for
18 the issue of Amortization of Regulatory Assets. In
19 the statement of issues that was under Miscellaneous
20 Expense. Would you like to present an opening
21 statements?

22 MR. COOPER: Yes, your Honor.

23 JUDGE SEYER: Okay. Mr. Cooper.

24 MR. COOPER: Judge, there are three
25 subparts underneath Amortization of Regulatory

1 Assets. Similar to some of the other discussions
2 we've had today, the second point is one we believe
3 is essentially a roll-out or -- of other decisions to
4 be made by the Commission.

5 The remaining issue concern, well, issue
6 one concerns treatment of investment in a section of
7 wastewater pipeline that was built by Emerald Point
8 Utility Company and then contributed to the City of
9 Hollister and the approp -- then the appropriate
10 treatment of unamortized balance of the replacement
11 of customer-owned lead service lines.

12 As to Emerald Point, in order to
13 eliminate a failing sewer treatment plant, Emerald
14 Point built a pipeline to a treatment plant owned by
15 the City of Hollister. This was first discussed in a
16 CCN case, SA-2012-0362. As part of its agreement
17 with the City of Hollister, Emerald Point was
18 required to contribute to the City a portion of the
19 pipeline within the Hollister city limits. Prior to
20 Missouri-American's acquisition of Emerald Point, the
21 unamortized cost of the pipeline was given rate base
22 treatment by the Commission in both an Emerald Point
23 rate case and in the case where Missouri-American
24 acquired the Emerald Point assets.

25 MAWC continues to rely upon this

1 treatment in accounting for the pipeline's cost and
2 believe the Commission should order in this case such
3 rate base treatment of the unamortized balance. The
4 disagreement associated with the appropriate
5 treatment of the unamortized balance of cost related
6 to customer-owned lead service lines concerns
7 interpretation of past Commission orders.

8 The Company believes that applying its
9 long-term debt rate to the unamortized balance is
10 consistent with findings in the Report and Order
11 for case number WR-2017-0285 which stated in
12 relevant part that the Commission will permit
13 Missouri-American Water Company to amortize over
14 ten years the \$1.6 million and charge incurred for
15 the LSLR program from January 1, 2017 through
16 December 31, 2017. MAWC's long-term debt rate as
17 calculated in Staff's cost of service report shall
18 also be applied to the LSLR program amount to be
19 amortized, because it's largely based upon past
20 Commission orders. We will brief that issue. That's
21 all I have at this time.

22 JUDGE SEYER: Are there any questions for
23 Mr. Cooper? All right. Thank you. Mr. Johnson.

24 MR. JOHNSON: Thank you, Judge. And I'll
25 try to be brief. Mr. Cooper provided a decent

1 summary of the issues. May it please the Commission.

2 I agree there are three issues, and issue two
3 regarding the amount of expense for amortization of
4 regulatory assets is general a summation of several
5 issues.

6 With regard to the first sub issue, the
7 accounting treatment for the Emerald Point pipe line,
8 Staff's position is the regulatory -- regulatory
9 deferral of these costs should not be given rate base
10 treatment. And to understand why, I am going to
11 provide a little background that may be a little
12 repetitive here.

13 Emerald Point is a small water and
14 sewer utility that was acquired by Missouri-American
15 in 2014. Prior to the acquisition Emerald Point
16 faced wastewater system issues that led to the
17 retirement of its wastewater treatment facility,
18 which could no longer meet Missouri Department of
19 Natural Resources permitting requirements. As a
20 result Emerald Point constructed two lift stations
21 and a pipeline to transport wastewater to the City of
22 Hollister for treatment. And while the lift stations
23 and a portion of the pipeline up to the Emerald Point
24 flow meter were owned by Emerald Point and are
25 currently owned by Missouri-American, a section of

1 the pipeline was and still is owned by the City of
2 Hollister.

3 Under its agreement with the City,
4 Emerald Point was required to pay for the portion of
5 the pipeline owned by the City of Hollister, and
6 those are the costs that are at issue today. The
7 pipeline was addressed in Emerald Point's last rate
8 case before the Commission prior to its acquisition
9 by Missouri-American. And in that case Staff
10 correctly included amortization of the portion of
11 that pipeline owned by the City of Hollister.
12 However, Staff mistakenly included the entirety of
13 the pipeline's cost, including this Hollister-owned
14 pipeline asset in Emerald Point's rate base.

15 I think it is important to note that that
16 was an informal rate case which is the process used
17 for small utilities. And the issue of the inclusion
18 of the Emerald Point City of Hollister pipeline asset
19 was not specifically discussed in that case. It was
20 not included in the partial disposition agreement
21 that was entered into by Staff and Emerald Point. It
22 was not litigated before the Commission. It was not
23 addressed in the Commission Report and Order for that
24 case.

25 Since Missouri-American's acquisition of

1 Emerald Point, Staff has consistently advocated for
2 excluding amounts related to the Hollister-owned
3 pipeline from rate base. However, prior rate cases
4 were at least partially resolved through stipulation
5 and agreement, meaning this issue has never been
6 brought to the Commission's attention for decision.
7 But now the Commission does have the opportunity to
8 rectify Staff's mistake.

9 Regardless of whether or not these costs
10 were previously included in rate base, this case is
11 about setting prospective rates. The Commission is
12 not bound by its past Orders. The facts remain,
13 Missouri-American does not own this portion of
14 pipeline. Missouri-American does not maintain this
15 portion of pipeline. This pipeline was contributed
16 to another entity and is not reflected as an asset on
17 Missouri-American's books. Therefore, including this
18 reg for -- regulatory deferral in Missouri-American's
19 rate base would be inappropriate and unreasonable.

20 With regard to sub issue three, Staff
21 opposes Missouri-American's request to earn a
22 return on the total unamortized balance associated
23 with lead service lines. Originally in case
24 number WU-2017-0296 Missouri-American was granted an
25 accounting authority order to defer costs related to

1 replacing customer-owned lead service lines. And in
2 that case while the Commission expressly authorized
3 Missouri-American to defer in both these costs, those
4 costs -- it did not determine future ratemaking
5 treatment. That was done in a subsequent rate case
6 which Mr. Cooper referred to, WR-2017-0285 in which
7 the Commission established that these deferred costs
8 would be amortized over ten years and Missouri-
9 American's long-term debt rate as calculated in
10 Staff's cost of service report would also be applied
11 to the LSLR program to be amortized. And that
12 acronym is Lead Service Line Replacement program.

13 Now, Staff recommends this treatment.
14 However, I think there is some disagreement with
15 Missouri-American's proposal. It is Staff's
16 understanding that Missouri-American seeks not only
17 to apply the long-term rate of debt to amounts to be
18 amortized, but to additionally apply that same
19 long-term rate of debt to unamortized amounts which
20 essentially would be to apply a rate of return twice
21 to the same amount.

22 Now, similar to the Emerald Point City of
23 Hollister pipeline, these lead service -- or these
24 service line replacements are not Missouri-American
25 property. These are pipes that are installed on the

1 customer's side of the meter, and they will never be
2 Missouri-American assets. Granting Missouri-American
3 an additional return on these amounts would be
4 unjustified and unreasonable.

5 In conclusion, Staff asks the Commission
6 order its reasonable positions on these issues.
7 Staff's witness today is Angela Niemeier. If you
8 have any questions for me, I'd be happy to attempt to
9 answer them.

10 JUDGE SEYER: Mr. Johnson, you made
11 reference to a Commission case number, WU -- WU-2017.
12 What was the rest of that case number?

13 MR. JOHNSON: 0296.

14 JUDGE SEYER: Thank you. All right. It
15 doesn't appear there are any Commissioner questions.
16 Mr. Clizer, would you like to make an opening?

17 MR. CLIZER: I don't have a prepared
18 opening, but the OPC supports the position of Staff
19 on this issue in general.

20 JUDGE SEYER: All right. Thank you.
21 According to the schedule, it would be Ms. Grisham
22 back on the stand.

23 MR. COOPER: Yes. We would call
24 Ms. Grisham.

25 JUDGE SEYER: Okay.

1 (Witness previously sworn).

2 JENNIFER GRISHAM,

3 the witness, having been first duly sworn,

4 testified as follows:

5 MR. COOPER: And we would tender her for
6 cross-examination.

7 JUDGE SEYER: All right. Mr. Johnson?

8 MR. JOHNSON: Judge, I have no questions
9 at this time.

10 JUDGE SEYER: Mr. Clizer? Any
11 commissioner questions?

12 COMMISSIONER MITCHELL: Judge, if I may.

13 JUDGE SEYER: Yes, Commissioner Mitchell.

14 QUESTIONS

15 BY COMMISSIONER MITCHELL:

16 Q. Please just help me understand the lead
17 service line position. The -- as I understand it,
18 American Water incurred the cost to replace the
19 lines. And is that cost built into rate base now or
20 is that what you're asking to happen?

21 A. So we are just seeking, I think as
22 Mr. Cooper mentioned, just a return on the
23 unamortized balance. Excuse me, the long-term debt
24 or the unamortized balance.

25 Q. And fair to say that the Company did incur

1 that debt to replace the lines?

2 **A. Correct.**

3 Q. And your understanding that the issue at
4 play is you don't own the lines and so even though
5 that you replaced them as a nonowner of the line,
6 you're not allowed to carry that in -- you're not
7 allowed to have a return on that. Is that the
8 problem that exists? I didn't say that very well.

9 **A. I hate to -- I'm sorry. If you could --**
10 **if you could ask me again, I'll take notes.**

11 Q. Yeah. So the disconnect here is that
12 because you don't own the lines, that some of the
13 other parties have a problem with having a return on
14 the investment that you made in them?

15 **A. That sounds like part of their issue, yes.**

16 COMMISSIONER MITCHELL: Okay. That helps
17 me. Thank you.

18 **THE WITNESS: Okay.**

19 **QUESTIONS**

20 BY JUDGE SEYER:

21 Q. Ms. Grisham.

22 **A. Yes.**

23 Q. I've got a -- I've got a few questions.

24 **A. Okay.**

25 Q. When it comes to the Hollister pipeline.

1 A. Uh-huh.

2 Q. Can you quantify the regulatory asset
3 that's included in your rate base?

4 A. Currently? Let me see. So I'm referring
5 to a response to a discovery question, just it's
6 Staff 142. We've got -- I'm sorry, I'm looking at
7 this right now. It's got the test year expense,
8 the monthly amortization. So the remaining amount
9 to amortize at year-end 2023 was 252,000. At
10 year-end 2024 it was 245,000. Does that answer your
11 question?

12 Q. I believe so.

13 A. Okay.

14 Q. That reply to the data request, how long
15 is that document?

16 A. This attachment is just a single page. Is
17 that what you mean?

18 Q. Yes.

19 A. Yes.

20 JUDGE SEYER: Would there be any objection
21 to that document coming into evidence as a Company
22 exhibit?

23 MR. COOPER: No, your Honor.

24 MR. JOHNSON: I'm sorry, does Staff have
25 an objection, is that the question?

1 JUDGE SEYER: Yeah. My question was
2 whether there would be any objection to that data
3 request --

4 MR. JOHNSON: Staff has no objection.

5 JUDGE SEYER: -- response coming in to
6 evidence.

7 MR. JOHNSON: Apologize. Did not mean to
8 speak over you, Judge. Staff has no objection.

9 JUDGE SEYER: All right. So I believe
10 that would be Exhibit 32, and that will be admitted
11 into evidence.

12 (Company Exhibit 32 was admitted and made
13 a part of the record.)

14 JUDGE SEYER: If I can get a copy of that
15 before today is over. Would that be possible,
16 Mr. Cooper?

17 MR. COOPER: We'll try.

18 JUDGE SEYER: Okay.

19 MR. COOPER: We'll try to.

20 JUDGE SEYER: Okay. Or next week. We'll
21 be here next week as well.

22 BY JUDGE SEYER:

23 Q. When it comes to -- Ms. Grisham.

24 **A. Yes.**

25 Q. When it comes to the customer-owned lead

1 pipelines, is the cost of that taken as a tax
2 deduction by the Company?

3 **A. That I don't know. I don't know offhand.**

4 Q. Okay. I was just, you know, I envision it
5 as potentially part of the repairs and maintenance,
6 but you can't --

7 **A. I can't confirm right now.**

8 Q. That's fine.

9 **A. No.**

10 JUDGE SEYER: That's all I have.
11 Mr. Johnson, any recross?

12 MR. JOHNSON: No recross, thank you,
13 Judge.

14 JUDGE SEYER: Mr. Clizer?

15 MR. CLIZER: No, your Honor.

16 JUDGE SEYER: Mr. Cooper, any redirect?

17 MR. COOPER: Yes, your Honor.

18 REDIRECT EXAMINATION

19 BY MR. COOPER:

20 Q. Try a little something here, although I'm
21 headed a direction that I'm not sure about.
22 Commissioner Mitchell asked you about sort of how
23 these costs, I guess the costs associated with the
24 replacement of customer-owned lead service lines
25 works. Correct?

1 **A. Yes.**

2 Q. And this is initially handled in a
3 regulatory asset. Would that be correct?

4 **A. Yes.**

5 Q. So the Company makes those replacements,
6 takes the cost, puts them in a regulatory asset?

7 **A. Right. That's correct, yes.**

8 Q. And before you get to the next rate case
9 then, during that period of time the Company's
10 applying the long-term debt to carrying cost. Right?

11 **A. Yes.**

12 Q. And is there any controversy about that
13 piece of it?

14 **A. To my knowledge, no.**

15 Q. Okay. So then we get to the rate case and
16 the dollars in that asset are then determined to be
17 amortized in some fashion. Correct?

18 **A. Correct.**

19 Q. And, but then going forward you have some
20 piece that will be the unamortized portion of that.
21 Correct?

22 **A. That's continuing, yes.**

23 Q. And it's that portion that the Company
24 believes should continue to receive a long-term debt
25 carrying cost. Correct?

1 **A. Right. That portion, yes.**

2 Q. And to your knowledge Staff believes it
3 should not. Is that correct?

4 **A. I want to say that there's just a**
5 **disconnect there.**

6 Q. Well, let's stop there. If you don't
7 know --

8 **A. No, I -- okay.**

9 Q. You don't know. But the Company believes,
10 its position is is that it should --

11 **A. Yes.**

12 Q. -- at that stage still receive a long-term
13 debt carrying cost.

14 **A. Yes.**

15 Q. Correct?

16 **A. Correct. That's the Company's position.**

17 MR. COOPER: That's all the questions I
18 have, your Honor.

19 JUDGE SEYER: All right. Ms. Grisham, if
20 I could.

21 **THE WITNESS: Yes.**

22 JUDGE SEYER: Could you give me that data
23 request number again?

24 **THE WITNESS: Yes. And it is MO PSC 142,**
25 **specifically the one that's for Q4 update.**

1 JUDGE SEYER: All right. Thank you, and
2 thank you for your testimony this afternoon.

3 **THE WITNESS: Thank you.**

4 JUDGE SEYER: All right. Mr. Johnson?

5 MR. JOHNSON: Staff calls Angela
6 Niemeier.

7 (Witness previously sworn).

8 ANGELA NIEMEIER,
9 the witness, having been first duly sworn,
10 testified as follows:

11 MR. JOHNSON: Good evening, Ms. Niemeier.
12 I believe you already had your testimony entered into
13 the record. Judge, I tender Ms. Niemeier for cross-
14 examination.

15 JUDGE SEYER: All right. Mr. Cooper?

16 MR. COOPER: No questions, your Honor.

17 JUDGE SEYER: Mr. Clizer?

18 CROSS-EXAMINATION

19 BY MR. CLIZER:

20 Q. I -- if you'll indulge me, I have a
21 curiosity. I was reading the testimony last night
22 trying to understand this issue and I got confused.
23 I honestly thought you were in agreement with the
24 Company, so I just have this quick question.

25 Both Staff and the Company are okay with

1 allowing the return on the remaining balance of
2 the -- of the lead service line? Do I have that
3 right?

4 **A. Can you repeat that?**

5 Q. Is both Staff and the Company okay with
6 allowing -- sorry. Are both Staff and the Company in
7 agreement with allowing a return on the -- the
8 amortized portion of the lead service line?

9 **A. Staff and Missouri-American are in**
10 **agreement that the carrying cost should receive the**
11 **long-term debt rate.**

12 Q. Okay. Just help me. Where exactly is the
13 difference? I got really confused.

14 **A. The dif -- Staff believes that the**
15 **carrying cost should compensate the Company for**
16 **the -- should compensate the Company. And we feel**
17 **that it's unreasonable for them to ask for both a**
18 **return on that carrying cost as well as the**
19 **unamortized balance of return on that.**

20 Q. So they're -- is it -- am I understanding
21 you're saying that the Company's asking for a return
22 on both the unamortized balance and a return on a
23 return on? Did I hear a return on return on?

24 **A. A return of and a return on. So the --**
25 **it's my understanding that the carrying cost should**

1 **compensate through a -- through a return of, but they**
2 **also want the return on with the unamortized balance.**

3 MR. CLIZER: Okay. I think I'm getting
4 it. I don't want to confuse the record any more. I
5 think more than anything was just helping me
6 understand it, so I will -- I have no further
7 questions.

8 JUDGE SEYER: All right. Are there any
9 questions from the commissioners?

10 COMMISSIONER MITCHELL: Just a quick one,
11 Judge.

12 JUDGE SEYER: Yes, Commissioner Mitchell.

13 QUESTIONS

14 BY COMMISSIONER MITCHELL:

15 Q. So would you feel differently about this
16 if the -- if the Company owned those service lines?

17 A. **Yes. The fact is that they do not own**
18 **them. They do not maintain them.**

19 Q. And do you know if any of the costs
20 associated with replacing those line -- replacing
21 those lines was funded through the Lead Service Line
22 program that was in the bipartisan infrastructure
23 bill?

24 A. **I don't.**

25 COMMISSIONER MITCHELL: Okay. Thank you.

1 JUDGE SEYER: Mr. Cooper, do you have any
2 recross?

3 MR. COOPER: No.

4 JUDGE SEYER: Mr. Clizer?

5 MR. CLIZER: No.

6 JUDGE SEYER: All right. Any redirect?

7 MR. JOHNSON: Yes, Judge. Hopefully very
8 briefly.

9 REDIRECT EXAMINATION

10 BY MR. JOHNSON:

11 Q. Ms. Niemeier, you were asked by counsel
12 from OPC to clarify Staff's position.

13 A. Yes.

14 Q. And I -- I want to do the same. I'm just
15 going to walk through this very quickly.

16 A. Okay.

17 Q. Is it Staff's position that the amounts
18 that have already been deferred and are currently
19 being amortized from case number WR-2017-0285, is it
20 Staff's position that the long-term rate of debt
21 should continue to be applied to that amount?

22 A. Can you repeat that?

23 Q. Is it Staff's position that a long-term
24 rate of debt as carrying costs should continue to be
25 applied to the amortized balance resulting from

1 WR-2017-0285?

2 **A. Yes.**

3 Q. Okay. And is it also Staff's position
4 that amounts that are currently being amortized in
5 subsequent rate cases should also continue having
6 long-term rate of debt be applied as carrying costs?

7 **A. Yes.**

8 Q. Now, what about unamortized balances that
9 have been deferred but are not yet being collected in
10 rates. What is Staff's position on these?

11 **A. Can you repeat that?**

12 Q. What is Staff's position on amounts that
13 have been deferred but have yet to be amortized
14 regarding carrying costs?

15 **A. One more time.**

16 Q. Okay. Let's see if I can get it this
17 time. Could you explain to me Staff's position on
18 amounts relating to lead service line replacements
19 that have been deferred but are not yet amortized, so
20 it would be the unamortized amount?

21 **A. The unamortized amounts --**

22 Q. Do you need me to repeat the question
23 again?

24 **A. I do, yeah.**

25 Q. Let's see if I can make it a little

1 simpler. Is it Staff's position that carrying costs
2 should be applied to the unamortized amounts for lead
3 service line replacements?

4 **A. Yes. I'm sorry. No.**

5 Q. No. Okay. So in other words, it's
6 Staff's position that a carrying cost should not be
7 applied to amounts going forward? No. Excuse me.
8 Let me rephrase that. Hold on for a second.

9 No further questions. Thank you, judge.

10 JUDGE SEYER: All right. Thank you,
11 Ms. Niemeier. And according to my schedule that is
12 the last witness of the day. Any disagreement on
13 that?

14 MR. JOHNSON: I have none.

15 JUDGE SEYER: It appears not. Then I'll
16 adjourn the hearing for today and we'll go off the
17 record.

18 (Whereupon, the hearing was adjourned
19 at 4:22 p.m.)
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1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI)

3 COUNTY OF CALLAWAY)

4 I, Shelley L. Bartels, a Certified Court
5 Reporter, CCR No. 679, do hereby certify that I was
6 authorized to and did stenographically report the
7 transcript of proceedings; and that the foregoing
8 transcript, pages 1 through 256, is a true record of
9 my stenographic notes.

10 I FURTHER CERTIFY that I am not a relative,
11 employee, or attorney, or counsel of any of the
12 parties, nor am I a relative or employee of any of
13 the parties' attorney or counsel connected with the
14 action, nor am I financially interested in the
15 action.

16
17 DATED this 11th day of March, 2025.

18
19 
20

21 Shelley L. Bartels, CCR 679
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23
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