

# Exhibit No. 17

Missouri-American Water Company – Exhibit 17  
Testimony of Matthew A. Lueders  
Rebuttal/Surrebuttal/Sur-Surrebuttal  
File No. WR-2024-0320

Exhibit No.:  
Issues: Water Storage Tank Rehabilitation  
Witness: Matthew A. Lueders  
Exhibit Type: Rebuttal/Surrebuttal/Sur-Surrebuttal  
Sponsoring Party: Missouri-American Water Company  
Case No.: WR-2024-0320  
Date: January 24, 2025

**MISSOURI PUBLIC SERVICE COMMISSION**

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

**REBUTTAL/SURREBUTTAL/SUR-SURREBUTTAL TESTIMONY**

**OF**

**MATTHEW A. LUEDERS**

**ON BEHALF OF**

**MISSOURI-AMERICAN WATER COMPANY**

## AFFIDAVIT

I, Matthew A. Lueders, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am the Director of Engineering for Missouri American Water Company, Inc., that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.



Matthew A. Lueders

January 23, 2025

Dated

**REBUTTAL/SURREBUTTAL/SUR-SURREBUTTAL TESTIMONY  
MATTHEW A. LUEDERS  
MISSOURI AMERICAN WATER COMPANY  
CASE NO.: WR-2024-0320**

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**REBUTTAL/SURREBUTTAL/SUR-SURREBUTTAL TESTIMONY**

**MATTHEW A. LUEDERS**

**I. INTRODUCTION**

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**Q. Please state your name and business address.**

A. My name is Matthew A. Lueders. My business address is 727 Craig Road, Creve Coeur, MO 63141.

**Q. Are you the same Matthew A. Lueders who previously submitted Direct Testimony in this proceeding?**

A. Yes.

**Q. What is the purpose of your Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony in this proceeding?**

A. The purpose of my Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony is to respond to various Public Service Commission Staff (“Staff”) and Office of Public Council (“OPC”) witnesses regarding the following issues:

- Tank Maintenance
- Capitalization of Tank Coatings
- Tank Coating Tracker

Specifically, I will be addressing the Direct/Rebuttal Testimony filings of Staff witnesses Alexis L. Branson and Amanda C. McMellen, and OPC witness Angela Schaben.

**II. TANK MAINTENANCE**

**Q. Do you agree with Staff Witness Branson’s description of MAWC’s tank painting**

1 **expense?**<sup>1</sup>

2 A. No. Tank painting, also known as engineered steel coatings, is a portion of tank  
3 rehabilitation that has historically been included as a tank maintenance expense; however,  
4 many activities performed to support tank maintenance are not associated with a tank  
5 painting. Examples include routine tank inspections, periodic detailed inspections, tank  
6 washing, replacement of screens, etc. These routine maintenance items are not necessarily  
7 included in a coating replacement and vary significantly in frequency, cost, and intent than  
8 that of a coating replacement completed as a part of a tank rehabilitation.

9 **Q. Do you agree with OPC witness Schaben’s description of the cost accounting for**  
10 **routine tank maintenance expenses?**

11 A. No. OPC witness Schaben states that “Currently, the routine maintenance expenses  
12 performed on tanks are amortized over a period of years and included within test year  
13 operating expenses.”<sup>2</sup> MAWC currently uses a Tank Painting Tracker, as agreed to in Case.  
14 No. WR-2022-0303. Current base rates include \$1,975,173 in tank painting & inspections,  
15 and any differential with actual expense is captured in the tracker. When new rates take  
16 effect in this case, the tracker balance will be amortized over 5 years.<sup>3</sup>

17 **II. CAPITALIZATION OF TANK COATINGS**

18 **Q. Do Missouri regulations prescribe a system of accounts for use by water utilities?**

19 A. Yes. The Missouri Code of State Regulations (“CSR”), specifically 20 CSR 4240-50.030,  
20 provides the uniform systems of accounts for and the filing of annual reports by all classes  
21 of water companies. As Staff Witness McMellen states, MAWC is a Class A water

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<sup>1</sup> Branson DT/RT, p. 11, lines 7-8.

<sup>2</sup> Schaben DT/RT, p. 17.

<sup>3</sup> WR-2022-0303 – *Stipulation and Agreement*, p. 5.

1 company, therefore the National Association of Regulatory Utility Commissioners  
2 (“NARUC”) 1976 Revisions of Uniform System of Accounts (“USOA”) for Class A and  
3 B Water Utilities 1973 is applicable to MAWC.<sup>4</sup>

4 **Q. Do you agree that tank coatings should be treated as an expense, as outlined by Staff**  
5 **witness McMellen,<sup>5</sup> and supported by OPC witness Schaben in her cross rebuttal**  
6 **testimony?<sup>6</sup>**

7 A. No. Though Staff Witness McMellen correctly identifies that capitalization of the "first  
8 cost" painting is applicable to assets recorded under account 341 Structures and  
9 Improvements; she fails to recognize an important exception in the account description:  
10 "[t]his account shall include the cost in place of structures and improvements **other than**  
11 **reservoirs and stand pipes, used in connection with transmission and distribution**  
12 **operations"** (emphasis added).<sup>7</sup> OPC witness Schaben agrees with Staff citing similar line  
13 of reasoning,<sup>8</sup> without acknowledging the critical exception noted immediately preceding.

14 **Q. Please describe the appropriate account for MAWC’s steel water storage tanks.**

15 A. Because MAWC’s steel water storage tanks fall into the exception noted above, the proper  
16 asset account for MAWC’s steel tanks and their appurtenances is NARUC account 342  
17 Distribution Reservoirs and Stand pipes that includes “the cost in place of reservoirs, tanks,  
18 standpipes, and appurtenances used in storing water for distribution.”<sup>9</sup>

19 **Q. Why is NARUC Account 342 Distribution Reservoirs and Stand pipes the**

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<sup>4</sup> McMellen DT/RT, p. 13.

<sup>5</sup> McMellen DT/RT, p. 12-15.

<sup>6</sup> Schaben CRT, p. 6.

<sup>7</sup> NARUC 1976 Revisions of USOA for Class A and B Water Utilities 1973, p. 76.

<sup>8</sup> Schaben CRT, p. 6-7.

<sup>9</sup> *Id.*

1 **appropriate plant account for tank coatings?**

2 A. As outlined in my direct testimony, "[r]ehabilitation, through the regular addition or  
3 reapplication of coating systems, is required to protect the interior and exterior steel  
4 surfaces from corrosion resulting from long-term exposure to harsh environmental  
5 conditions."<sup>10</sup> These coating systems are critical to the long-term use and viability of the  
6 asset and are the primary mechanism for rust-proofing the steel walls and components of  
7 the tanks. NARUC account 342 provides for capitalization of the tank's "rust-proofing  
8 apparatus," which is the undisputed function<sup>11</sup> and intent for these critical appurtenances  
9 to each steel tank.

10 **Q. Do you agree with OPC witness Shaben's inclusion of American Water Works  
11 Association ("AWWA") M1 as an authority for cost accounting in this case?**

12 A. No. As I mentioned above, Missouri prescribes the NARUC USOA for guidance on the  
13 classification and treatment of MAWC's capital and expenses. AWWA M1 is non-  
14 authoritative on this topic in this case.

15 **III. TANK PAINTING TRACKER**

16 **Q. Do you agree with Staff's position to discontinue the tank painting tracker, as outlined  
17 by Staff witness Ms. McMellen?<sup>12</sup>**

18 A. No, I do not. In the event that the Commission denies MAWC the ability to capitalize tank  
19 coatings, the Commission should continue authorization of MAWC's tank painting tracker.  
20 Though MAWC did not experience extreme fluctuations in the total cost and number of  
21 tank rehabilitations performed during the period represented in this rate case, it should not

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<sup>10</sup> Lueders DT, p.6.

<sup>11</sup> McMellen DT/RT, p.15, lines 10-11.

<sup>12</sup> McMellen DT/RT, p.12.



1 be taken that such fluctuations will not arise in the future.

2 **Q. Please discuss why the Commission should continue authorization for MAWC's tank**  
3 **painting tracker.**

4 A. The tank painting tracker is an important tool which allows MAWC to focus on executing  
5 tank rehabilitation projects based solely on asset condition, without interference by any  
6 potentially large year-to-year cost fluctuation.

7 **Q. Please summarize why capitalization of tank painting is appropriate accounting for**  
8 **rate recovery purposes.**

9 A. Capitalization of "rust proofing apparatus[es]" is explicitly included in NARUC USOA,  
10 which is the governing document for accounting practices applicable to MAWC. Further,  
11 capitalization of tank coating systems is appropriate because tank rehabilitation  
12 significantly extends the service life of these critical assets; protects the Company's  
13 investment; is more equitable to the customer base over time since the rehabilitation  
14 projects can extend tank expected lifespans for decades; and can be individually accounted  
15 for, tracked, and depreciated at a specific location in the Company's property records.

16 **Q. Does this conclude your Rebuttal/Surrebuttal/Sur-Surrebuttal Testimony?**

17 A. Yes.