

Exhibit No. 209

Staff – Exhibit 209
Testimony of Amanda C. McMellen
Direct/Rebuttal
File No. WR-2024-0320

Exhibit No.:

Issue(s): Revenue
Requirement; Tank
Painting Tracker;
Engineered
Coatings
Capitalization;
Production Cost
Tracker; Revenue
Stabilization
Mechanism;
Acquisitions

Witness: Amanda C.
McMellen

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct / Rebuttal
Testimony

Case No.: WR-2024-0320

Date Testimony Prepared: December 6, 2024

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT / REBUTTAL TESTIMONY

OF

AMANDA C. MCMELLEN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2024-0320

*Jefferson City, Missouri
December 2024*

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

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1 employed by this Commission as a Regulatory Auditor for over 25 years, and have submitted
2 testimony on ratemaking matters numerous times before the Commission. I have also been
3 responsible for the supervision of other Commission employees in rate cases and other
4 regulatory proceedings.

5 **EXECUTIVE SUMMARY**

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

7 A. I am sponsoring Staff's Direct / Rebuttal Accounting Schedules that are being
8 filed concurrently with this direct testimony. Staff's recommendation regarding the amount of
9 the revenue requirement increase for Missouri-American Water Company ("MAWC")
10 operations in Missouri is based on actual historical information through the update period
11 ending June 30, 2024.

12 In this testimony, I will provide an overview of the results of Staff's direct audit and its
13 recommended revenue requirement for MAWC. During Staff's examination, several Staff
14 members participated in the review of MAWC books and records. The components of Staff's
15 review include (1) capital structure and return on equity, (2) rate base investment, (3) revenue,
16 (4) operation & maintenance expenses, (5) depreciation & amortization expense, and
17 (6) income taxes, all of which are represented in the formula below.

18 Q. Are you sponsoring any specific issues in this case?

19 A. Yes. I am sponsoring testimony regarding MAWC's requests for a tank painting
20 tracker; engineered coatings capitalization; a production cost tracker; and the Revenue
21 Stabilization Mechanism ("RSM"). Therefore, I will be responding to the direct testimony of
22 MAWC witnesses Matthew A. Lueders regarding engineered coatings capitalization and
23 Brian W. LaGrand regarding the RSM.

OVERVIEW OF STAFF'S REVENUE REQUIREMENT DIRECT TESTIMONY

Q. Please explain the components of the cost of service for a regulated, investor-owned public utility.

A. The calculation of the cost of service for a regulated, investor-owned public utility uses the following formula:

$$\text{Cost of Service} = \text{Cost of Providing Utility Service}$$

Or

$$\text{COS} = \text{O} + (\text{V}-\text{D})\text{R where,}$$

COS = Cost of Service

O = Operating Costs (Payroll, Maintenance, etc.), Depreciation, and Taxes

V = Gross Valuation of Property Required for Providing Service (including plant and additions or subtractions of other rate base items)

D = Accumulated Depreciation Representing Recovery of Gross Depreciable Plant Investment

V – D = Rate Base (Gross Property Investment less Accumulated Depreciation = Net Property Investment)

R = Rate of Return

(V-D)R = Return Allowed on Rate Base

At other times, the terminology “cost of service” and “revenue requirement” have been used interchangeably. In this testimony, Staff will refer to the “revenue requirement” in terms of the increase or decrease in revenues based on the current total cost of service as compared to the current revenue level that exists in current rates. MAWC consists of four tariffed service territories (districts) in Missouri consisting of two water and two sewer. In turn, Staff has prepared the following: (a) separate accounting schedules to demonstrate the cost of service for

1 each tariffed area: and b) accounting schedules demonstrating the consolidated total company
2 cost of service.

3 Q. What is the objective of an audit of a regulated, investor-owned public utility for
4 ratemaking purposes?

5 A. The objective of the audit is to determine the appropriate amounts of the cost of
6 service components for the regulated entity within its tariffed service territory. All relevant
7 factors are examined and a proper relationship of revenues, expenses, and rate base is
8 maintained. The following summarizes the process for making the revenue requirement
9 determination:

10 (1) Selection of a test year. The test year income statement represents the starting
11 point for determining a utility's existing annual revenues, operating costs, and net operating
12 income. Net operating income represents the return on investment based upon existing rates.
13 The test year approved by the Commission for Case No. WR-2024-0320 is the twelve months
14 ending December 31, 2023. Several types of adjustments such as "annualization,"
15 "normalization", and "disallowance" adjustments are made to the test year results when
16 the unadjusted amounts do not fairly represent the utility's most current, ongoing, and
17 appropriate annual level of revenues and operating costs. These adjustments are described later
18 in this testimony.

19 (2) Selection of a "test year update period." A proper determination of revenue
20 requirement is dependent upon matching the components of rate base, return on investment,
21 revenues and operating costs at a point in time. This is referred to as the "matching" principle.
22 It has been standard practice in Missouri for ratemaking to utilize a period that is beyond the
23 established test year in which to match the major components of a utility's revenue requirement.

1 By utilizing an update period, information can be reflected beyond the established test year and
2 be based upon more current information. The update period for this case is June 30, 2024.

3 (3) Selection of a “true-up date” or “true-up period.” A true-up date generally is
4 established when a significant change in a utility’s cost of service occurs after the end of the
5 test year update period, but prior to the operation-of-law date, and the significant change in cost
6 of service is one the components that the Commission has decided should be considered for
7 establishing the cost of service in the current case. In this proceeding, the true-up date approved
8 by the Commission is December 31, 2024.¹

9 (4) Determination of the Rate of Return, which is represented by the “R” in the
10 formula above. An examination of the cost-of-capital must occur to allow MAWC the
11 opportunity to earn a fair rate of return on its net investment (“rate base”) that is utilized in
12 providing utility service. Staff witness Kelli Malki has performed a cost-of-capital analysis in
13 which she discusses the results of her analysis in her direct / rebuttal testimony.

14 (5) Determination of Rate Base, which is represented by the (V-D) in the formula
15 above. A utility’s rate base represents the net investment that is used in providing utility service,
16 and this net investment is what the rate of return is applied to that permits the utility the
17 opportunity to earn a return. Staff has utilized a rate base as of the June 30, 2024, update period
18 in this case for its direct filing. Rate base includes plant-in-service, accumulated reserve, cash
19 working capital, prepayments, materials and supplies, natural gas inventories, customer
20 advances, customer deposits, accumulated deferred income tax, and various regulatory assets
21 and liabilities, etc.

¹ Case No. WR-2024-0320, *Order Regarding Test Year*, July 31, 2024.

1 (6) Net Operating Income from Existing Rates, which is represented by the “O” in
2 the formula above. In order to develop net income from existing rates, the operating revenues,
3 expenses, depreciation, and taxes for the test year are used. The utility’s revenue and expense
4 categories are examined to determine whether the unadjusted test year results require
5 adjustment to fairly represent the utility’s most current level of operating revenue and expense.
6 Several changes can occur during any given year that will impact a utility’s annual level of
7 operating revenue and expense. The test year has been adjusted to reflect Staff’s determination
8 of the appropriate ongoing levels of revenue and expense.

9 (7) Determination of Net Operating Income Required. The net income required for
10 MAWC is calculated by multiplying Staff’s recommended rate of return by Staff’s
11 recommended rate base. Net income required is then compared to net income available from
12 existing rates in Item (6) above. The difference, after factoring-up for income taxes, represents
13 the incremental change in the utility’s rate revenues required to cover its operating costs and to
14 provide a fair return on investment used in providing gas service. If a utility’s current rates are
15 insufficient to cover the operating costs and provide a fair return on investment, the comparison
16 of net operating income required (Rate Base x Recommended Rate of Return) to net income
17 available from existing rates (Operating Revenue less Operating Costs, Depreciation, and
18 Income Taxes) will result in a positive amount, which indicates that the utility requires a rate
19 increase. If the comparison results in a negative amount, this indicates that the utility’s current
20 rates may be excessive.

21 Q. Please identify the types of adjustments that are proposed to unadjusted test year
22 results so as to reflect the current annual level of operating revenue and expense for a utility.

1 A. The following types of adjustments are used to reflect a utility's current annual
2 level of operating revenue and expense:

3 (1) Normalization Adjustments. A utility's rates are intended to reflect normal
4 ongoing operations. A normalization adjustment is required when the test year contains an
5 abnormal event. One example of this type of adjustment is overtime expense; Staff may
6 normalize overtime expense to remove the effects an unusual weather event that required higher
7 than usual overtime expense to be incurred.

8 (2) Annualization Adjustments. Annualization adjustments are required when
9 changes have occurred during the test year, update and/or true-up period that have not been
10 fully reflected in the unadjusted test year results. An example of this is payroll. Because
11 MAWC's test year is the twelve months ending December 31, 2023, it does not include the pay
12 increase for employees that occurred during 2024. Staff used the payroll rates in effect at
13 June 30, 2024, and applied those rates to the actual employee levels experienced at this date to
14 annualize payroll expense. An adjustment was proposed to the test year to capture the impact
15 of the payroll increase as if that increase existed for the entire annual period.

16 (3) Disallowance adjustments. Disallowance adjustments are proposed to
17 eliminate costs during the test period that are not considered to be prudent, reasonable,
18 appropriate, non-recurring or not of benefit to Missouri ratepayers and thus not proper for
19 recovery from ratepayers.

20 (4) Proforma Adjustments. A proforma adjustment is proposed due to an event that
21 generally occurs beyond the test year, update or true-up cut-off date. These adjustments occur
22 anytime a party proposes to include the effects of an event without considering the revenue
23 requirement associated with the offsetting items. The Commission allows parties to request the

1 inclusion of the revenue requirement associated with proforma or isolated adjustments in the
2 calculation of the cost of service. These adjustments must be proposed with caution as these
3 adjustments must be known and measurable and must be examined to determine whether their
4 inclusion will affect the relationship between revenue, expense and investment. There are no
5 isolated adjustments proposed as a part of Staff's direct filing in this case.

6 Q. What amount of revenue requirement increase did MAWC request in this case
7 and on what return on equity ("ROE") percentage was this request based?

8 A. When MAWC filed its rate case in July 2024, the Company requested an
9 increase in annual revenue of \$190,315,808 for water and \$5,240,650 for sewer for a
10 consolidated annual revenue increase of \$195,556,458. The increase in annual revenue for both
11 water and sewer contemplates a 10.75% ROE. This request was based upon a test year of the
12 twelve months ending December 31, 2023; however, the data for proforma amounts used were
13 based on the future test year amounts through May 31, 2026.

14 Q. Has MAWC updated its cost of service since its direct filing?

15 A. Yes. MAWC provided an updated cost of service to reflect adjustments through
16 May 31, 2025.

17 Q. What changes were reflected in MAWC's updated cost of service?

18 A. The main changes that MAWC reflected in their case were to include actual
19 financial balances as of June 30, 2024, and addressing the Commission's *Order Regarding Test*
20 *Year* adopting a historical test year and true-up. The updated revenue requirement request from
21 MAWC is now \$167,025,056 for water and \$3,694,377 for sewer for a consolidated annual
22 revenue increase of \$170,719,433. MAWC's request decreased \$24,837,025 consolidated,
23 \$23,290,752 for water and \$1,546,273 for sewer.

1 Q. Please describe Staff's direct cost of service (revenue requirement) filing in this
2 rate proceeding.

3 A. The results of Staff's audit of MAWC's books and records as part of this
4 proceeding can be found in Staff's filed Accounting Schedules and is summarized on
5 Accounting Schedule 1, Revenue Requirement. Accounting Schedule 1 demonstrates that
6 Staff's recommended revenue requirement in this proceeding is \$68,825,560 for the water
7 tariffed areas and \$5,316,504 for the sewer tariffed areas, for a consolidated total company
8 revenue requirement of \$74,142,064. The recommended revenue requirements are premised
9 on a mid-point recommended rate of return ("ROR") after tax of 6.52% for both water and
10 sewer tariffed areas. For both water and sewer, Staff is recommending a midpoint ROE of 9.5%
11 with a range of 9.25% to 9.75% as calculated by Staff witness Kelli Malki. Staff's revenue
12 requirement at the low and high ROR range of 6.41% to 6.63% for water is \$64,783,311 to
13 \$72,867,809. Staff's revenue requirement at the low and high ROR range of 6.41% to 6.63%
14 for sewer is \$5,185,809 to \$5,447,201. For MAWC consolidated the revenue requirement at
15 the low and high ROR range is \$69,969,120 to \$78,315,010.

16 Q. Please list the items that are included in Staff's recommended rate base in its
17 direct case.

18 A. Rate base items were reviewed through the update period of June 30, 2024, or
19 the most current information available: Plant-in-service, Accumulated Depreciation Reserve,
20 Cash Working Capital, Contributions in Aid of Construction ("CIAC") and Amortization,
21 Materials and Supplies, Prepayments, Prepaid Pension Asset, 2017 Tax Act Tracker, Customer
22 Advances, Accumulated Deferred Income Tax ("ADIT"), OPEB² Tracker and Pension Tracker.

² Other Post-Employment Benefits (OPEB).

1 Q. Please explain how various Staff members contribute to create a combined work
2 product in rate proceedings.

3 A. Staff auditors in this case relied upon the work from several other Staff
4 departments in order to calculate the revenue requirement for MAWC in this case. Depreciation
5 rates and the recommended rate of return are some examples of data analysis and inputs that
6 are provided to the Auditing Department for inclusion in the Accounting Schedules. Each Staff
7 member who has contributed a calculation or input for inclusion in the Accounting Schedules
8 has submitted direct / rebuttal testimony in this case providing discussion on each topic that
9 they were assigned along with their recommendation on the issue.

10 Q. What are the biggest differences between the revenue requirements filed by
11 MAWC as compared to the revenue requirement filed by Staff in this case?

12 A. There are two main revenue requirement differences. The differences are based
13 on actual calculations for the test year updated with actual information through June 30, 2024.
14 The below revenue requirement values reflect total company consolidated differences.

15 • Return On Equity (“ROE”) and Capital Structure – Issue Value \$75.4 million -
16 MAWC’s ROE recommendation for both water and sewer is 10.75%. Staff’s mid-point
17 recommendation is 9.50%. The value of the difference between MAWC and Staff for ROE and
18 capital structure for the total company consolidated revenue requirement is \$75.4 million.

19 • Discrete Adjustments – Issue Value \$19.9 million – MAWC has proposed discrete
20 adjustments to certain rate base, revenue, and expense items as of May 31, 2023, the operation
21 of law date in this case. Staff has chosen not to make any discrete or isolated adjustments past
22 the true-up date of December 31, 2022. MAWC’s proposed discrete adjustments result in a
23 higher revenue requirement. Staff has estimated this value to \$19.9 million.

1 There are other differences that exist between Staff and MAWC's direct filings;
2 however, these other differences have lesser value than those listed and discussed above.

3 Q. Could it be possible that differences exist between Staff's revenue requirement
4 and other parties to this case besides MAWC?

5 A. Yes. The other parties who have different positions than those of MAWC, and
6 possibly Staff, may also file direct / rebuttal testimony concurrently with Staff's filing.
7 Those differences will be reviewed and addressed in further rounds of testimony.

8 Q. Please describe the direct / rebuttal testimony Staff has filed for this current
9 rate proceeding.

10 A. Each Commission Staff member has direct testimony that sponsors specific
11 issues. The testimony provides an explanation of each specific area of concern or adjustment
12 with Staff's recommendation. Schedule ACM-d2, attached to this testimony, summarizes
13 Staff's witnesses who contributed to Staff's direct cost of service and their associated area
14 of responsibility.

15 Q. For issues in which significant differences exist between Staff and MAWC,
16 please list the Staff witness and the issue for which they are responsible.

17 A. The Staff expert/witness for each significant difference is listed below:

| <u>Issue</u> | <u>Staff Witness</u> |
|--|----------------------|
| Return On Equity (ROE) and Capital Structure | Kelli Malki |
| Discrete Adjustments | Kimberly K. Bolin |

21 Q. On what date will Staff file its direct / rebuttal class cost of service and rate
22 design testimony in this proceeding?

23 A. Staff's class cost of service and rate design testimony and associated schedules
24 will be filed on December 20, 2024.

TANK PAINTING TRACKER

Q. Please explain the tank painting tracker.

A. In the last rate case (WR-2022-0303), a *Stipulation and Agreement*³ was approved and included language stating:

MAWC will establish a regulatory asset or liability for tank painting and inspection expense. The regulatory asset or liability will increase or decrease each year for the difference between the actual tank painting and inspection expense and the amount included in rates: \$1,975,173. In the Company's next rate case, the deferred balance will be amortized over 5 years. There shall be no rate base treatment on any balance. The tracker will be maintained through the effective date of rates resulting from MAWC's next general rate case.

Q. What is MAWC's position regarding the tank painting tracker in this case?

A. MAWC did not state a position in its direct testimony.

Q. What is Staff's position regarding the tank painting tracker?

A. Staff recommends that the tank painting tracker should be discontinued due to lack of extreme fluctuations. The tank painting tracker balance as of June 30, 2024, is \$1,511,408. Staff's amortization expense is \$25,617. Staff will update the balance during its true-up audit.

ENGINEERED COATINGS

Q. Please explain engineered coatings.

A. Engineered coatings (also known as tank painting) is the cost of painting a water storage tank for maintenance.

Q. What is MAWC's position regarding engineered coatings (tank painting) expense?

³ Filed by the parties on March 3, 2023, and approved through the *Report and Order* effective May 13, 2023.

1 A. As described on pages 10-11 in the direct testimony of MAWC witness
2 Matthew A. Lueders, MAWC's position is to remove these costs from expense and
3 capitalize them.

4 Q. What is Staff's position regarding engineered coatings (tank painting) expense?

5 A. Staff's position is that these costs should continue to be treated as expense and
6 normalized using a five-year average ending December 31, 2023, as explained in the
7 direct / rebuttal testimony of Staff witness Alexis L. Branson.

8 Q. What does Staff rely on for treating these costs as an expense?

9 A. The Missouri Code of State Regulations ("CSR") prescribes the following:

10 The uniform systems of accounts for Class A ... water companies, issued
11 by the National Association of Regulatory Utility Commissioners in
12 1973, as revised July 1976, are adopted and prescribed for use by
13 all water companies under the jurisdiction of the Public
14 Service Commission.⁴

15 MAWC is categorized as a Class A water company as it has annual operating revenues
16 of \$500,000 or more. Therefore, Staff relies on the instructions found in the National
17 Association of Regulatory Utility Commissioners ("NARUC") 1976 Revisions of Uniform
18 System of Accounts ("USOA") for Class A and B Water Utilities 1973, for guidance on the
19 classification and treatment of MAWC's expenses and revenues.

20 Q. What instructions do the USOA prescribe for tank painting expense?

21 A. The utility plant instructions for Structures and Improvements accounts lists
22 "painting, first cost" as an item to be included in this account category.⁵ Since utility plant
23 costs are capitalized, this guidance requires water utilities to only capitalize the first tank
24 painting ("first cost") that occurs prior to the tanks being placed in-service. None of MAWC's

⁴ 20 CSR 4240-50.030 (1).

⁵ NARUC's 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 30, 8.H.29.

1 engineered coating costs included in this case are associated with first-time tank painting.
2 Therefore, it is Staff's position to continue to include the entirety of engineered coating costs
3 as expenses.

4 Q. How did MAWC record tank painting in this rate case?

5 A. In the general ledger for this rate case, MAWC recorded tank painting in the
6 USOA accounts 672, 678, and 923. According to the USOA definition for account 672,
7 "[t]his account shall include the cost of labor, materials used and expenses incurred in the
8 maintenance of distribution reservoirs, tanks, standpipes, and related facilities."⁶ According to
9 the USOA definition for account 678, "[t]his account shall include the cost of labor, materials
10 used and expenses incurred in maintenance of plant."⁷ According to the USOA definition for
11 account 923, "[t]his account shall include the fees and expenses of professional consultants and
12 others for general services which are not applicable to a particular operating function nor to
13 other accounts."⁸

14 Q. Please describe how the USOA defines items applicable to tank painting that are
15 considered maintenance expense.

16 A. The operating expense instructions defines one item of maintenance expense as
17 "Inspecting, testing, and reporting on condition of plant specifically to determine need for
18 repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of
19 repairs which have been made."⁹ In addition, the USOA defines another item as "Work

⁶ NARUC's 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 134.

⁷ NARUC's 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 135.

⁸ NARUC's 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 141.

⁹ NARUC's 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 38, 2.C.2.

1 performed specifically for the purpose of preventing failure, restoring serviceability or
2 maintaining life of plant.”¹⁰

3 Q. According to MAWC, what is the purpose of tank painting?

4 A. In his direct testimony, Ms. Lueder states: “Consistent rehabilitation of
5 protective coatings is essential to extending the life of a critical water system asset. Without
6 rehabilitation of this component, the structural and environmental integrity of tanks would
7 degrade quickly after the initial coating systems begin to fail and the service life of the tanks
8 would be unnecessarily short.”¹¹

9 Q. How does Staff respond?

10 A. Staff agrees the purpose of tank painting is to prevent failure and maintain the
11 life of the tank. However, Staff’s position is that any tank painting that occurs after the initial
12 coating systems begin to fail, should have the associated costs recorded as expense and not
13 capitalized as plant.

14 Q. Can you summarize how the explanation of the USOA details presented above
15 support Staff’s position?

16 A. Yes. According to the utility plant instructions, the first tank painting should be
17 included in plant to be capitalized. According to the operating expense instructions, any cost
18 to maintain the life of plant should be recorded as a maintenance expense. Therefore, tank
19 painting should be a maintenance expense and not capitalized as a plant item.

¹⁰ NARUC’s 1976 Revisions of USOA for Class A and B Water Utilities 1973, page 38, 2.C.3.

¹¹ Direct Testimony of Matthew A. Lueders page 10, lines 15-18.

PRODUCTION COST TRACKER AND RSM

Q. What types of costs has MAWC proposed to include in its production cost tracker?

A. MAWC proposes to include costs related to Fuel & Power, Chemicals, Waste Disposal, and Purchased Water.¹²

Q. Please summarize Staff's position with regard to MAWC's proposal for a production cost tracker.

A. Current levels of production costs are known and measurable, which Staff can use as the basis to determine an ongoing level of expense. Trackers should only be used on a limited basis for costs that are highly volatile, for costs for which there is no prior historical data, or for costs imposed on utilities by a Commission rule that impose an uncertain level of new costs. Production costs are normal operating expenses incurred by MAWC. Staff recommends the Commission deny MAWC's request for a production cost tracker.

Q. Please explain why a production cost tracker is inappropriate in this instance.

A. As I explained above, use of trackers should be considered on a case-by-case basis to allow the Commission to consider unusual conditions, such as high volatility of costs, costs for which there is no historical data, or for uncertain level of costs imposed on utilities by new Commission rules. MAWC's recent experience with production costs does not meet these criteria. Staff was able to use historical known and measurable costs for all areas of MAWC's cost of service using regulatory adjustments such as annualization and normalization to determine an ongoing and matching level of investment, expense, and revenues to include in MAWC's cost of service.

¹² Direct Testimony of Brian LaGrand page 32, lines 11.

1 Q. How do MAWC's and Staff's positions differ from each other with respect to
2 MAWC's proposed production cost tracker?

3 A. Although Staff recognizes some of the production costs have increased, the use
4 of a tracker is not justified simply because a specific cost has increased. Cost decreases also
5 occur outside of a rate case that may offset a portion of costs increases that a utility may
6 experience. Production costs are normal recurring operating costs that are incurred by MAWC.
7 The methodology used by Staff to determine an appropriate cost of service level is consistent
8 with the method used in prior rate cases. Production costs are known and measurable and can
9 be reasonably calculated.

10 Q. Would the production costs increase if revenues increase for MAWC due to
11 increased sales?

12 A. Yes. Production costs would increase if the amount of water MAWC sells
13 increases. For example, MAWC would need to use more chemicals to treat the additional water
14 and MAWC's cost of electricity would increase due to the need to pump additional water.

15 Q. Is MAWC seeking authorization to track revenues?

16 A. Yes. MAWC has requested an RSM, which is a type of mechanism commonly
17 known as revenue "decoupling." MAWC stated that if the Commission approved the RSM as
18 MAWC proposed, a production cost tracker would not be necessary.¹³

19 Q. Is Staff suggesting that MAWC's RSM proposal should be viewed as an
20 alternative to the production cost tracker?

¹³ Direct Testimony of Brian W. LaGrand page 32, line 22 through page 33 line 3.

1 A. No. An RSM presents a host of practical and theoretical concerns and issues
2 which will be addressed by Staff witness Michael J. Abbott. At this time, Staff is not
3 recommending that the Commission adopt either the RSM or the production cost tracker for
4 ratemaking purposes in this case.

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

6 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF AMANDA C. McMELLEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA C. McMELLEN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct / Rebuttal Testimony of Amanda C. McMellen*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


AMANDA C. McMELLEN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of November 2024.




Notary Public

Amanda C. McMellen
Utility Regulatory Audit Unit Supervisor

EDUCATION

Bachelors of Science
DeVry Institute of Technology, Kansas City, MO-June 1998

PROFESSIONAL EXPERIENCE

Missouri Public Service Commission
Utility Regulatory Audit Unit Supervisor
March 2022 – Present
Utility Regulatory Auditor V (Utility Regulatory Audit Supervisor)
February 2013 – March 2022
Utility Regulatory Auditor IV
November 2006 – February 2013
Utility Regulatory Auditor III
June 2002 – November 2006
Utility Regulatory Auditor II
June 2000 – June 2002
Utility Regulatory Auditor I
June 1999 – June 2000

I am a Utility Regulatory Supervisor (former title Utility Regulatory Auditor V) for the Missouri Public Service Commission (Commission). I graduated from the DeVry Institute of Technology in June 1998 with a Bachelor of Science degree in Accounting. Before coming to work at the Commission, I worked as an accounts receivable clerk. I commenced employment with the Commission Staff in June 1999. As a Utility Regulatory Auditor, I am responsible for assisting in the audits and examinations of the books and records of utility companies operating within the state of Missouri.

AMANDA C. McMELLEN

SUMMARY OF RATE CASE TESTIMONY FILED

| <u>COMPANY</u> | <u>CASE NO.</u> | <u>ISSUES</u> |
|--|------------------------|--|
| Osage Water Company | SR-2000-556 | Plant in Service Depreciation Reserve Depreciation Expense Operation & Maintenance Expense |
| Osage Water Company | WR-2000-557 | Plant in Service Depreciation Reserve Depreciation Expense Operation & Maintenance Expense |
| Empire District Electric Company | ER-2001-299 | Plant in Service Depreciation Reserve Depreciation Expense Cash Working Capital Other Working Capital Rate Case Expense PSC Assessment Advertising Dues, Donations & Contributions |
| UtiliCorp United, Inc./ d/b/a Missouri Public Service | ER-2001-672 | Insurance Injuries and Damages Property Taxes Lobbying Outside Services Maintenance SJLP Related Expenses |
| BPS Telephone Company | TC-2002-1076 | Accounting Schedules Separation Factors Plant in Service Depreciation Reserve Revenues Payroll Payroll Related Benefits Other Expenses |
| Aquila, Inc. d/b/a Aquila Networks-MPS & Aquila Networks-L&P | ER-2004-0034 | Revenue Annualizations Uncollectibles |
| Fidelity Telephone Company | IR-2004-0272 | Revenue Revenue Related Expenses |
| Aquila, Inc. d/b/a Aquila Networks-MPS & Aquila Networks-L&P | ER-2005-0436 | Revenue Annualizations Uncollectibles |

| <u>COMPANY</u> | <u>CASE NO.</u> | <u>ISSUES</u> |
|--|-----------------|--|
| Empire District Electric Company | ER-2006-0315 | Payroll Payroll Taxes 401(k) Plan Health Care Costs Incentive Compensation Depreciation Expense Amortization Expense Customer Demand Program Deferred State Income Taxes Income Taxes |
| Aquila, Inc. d/b/a Aquila Networks-MPS & Aquila Networks-L&P | ER-2007-0004 | Revenue Annualizations Uncollectibles Maintenance Expenses Turbine Overhaul Maintenance |
| Empire District Electric Company | ER-2008-0093 | Revenues Bad Debts Employee Benefits Tree Trimming Storm Costs Customer Programs Amortizations Current Income Taxes Deferred Income taxes Jurisdictional Allocations Corporate Allocations |
| Missouri Gas Energy, a Division of Southern Union Company | GR-2009-0355 | Staff Report Cost of Service Revenues-Customer Growth Corporate Allocations Other Rate Base Items Amortization Expense Interest expense on customer Deposits Rents and Leases |
| Missouri-American Water Company | WR-2010-0131 | Staff Report Cost of Service Corporate and District Allocations Lobbying Costs Net Negative Salvage Amortization of Regulatory Assets Belleville Lab Expenses Comprehensive Planning Study Payroll Payroll Taxes |

| <u>COMPANY</u> | <u>CASE NO.</u> | <u>ISSUES</u> |
|--|-----------------|---|
| Kansas City Power & Light Company | ER-2010-0355 | Staff Report Cost of Service Revenues-Customer Growth In-Field Service Fees Gross Receipts Taxes Forfeited Discounts Other Revenues Credit Card Acceptance Program Bad Debts |
| KCP&L Greater Missouri Operations Company | ER-2010-0356 | Staff Report Cost of Service Revenues-Customer Growth Other Revenues Credit Card Acceptance Program Bad Debts |
| Empire District Electric Company | ER-2011-0004 | Staff Report Cost of Service Plant in Service Depreciation Reserve Depreciation Expense Pensions & OPEBs Customer Programs Amortizations Carrying Costs Revenue Annualizations |
| Empire District Electric Company | ER-2012-0345 | Staff Report Cost of Service Plant in Service Depreciation Reserve Depreciation Expense Prepayments Materials and Supplies Customer Demand Programs Amortization of Electric Plant Customer Deposits Customer Advances Carrying Costs Customer Programs Customer Deposit Interest Expense Franchise Taxes Amortizations Banking Fees Lease Expense Pay Station Fees Amortizations |
| Summit Natural Gas Company of Missouri, Inc. | ER-2014-0086 | Corporate Allocations Capitalization Policy MGU Purchase Price SMNG Legacy Asset Valuation Energy Efficiency Programs |

| <u>COMPANY</u> | <u>CASE NO.</u> | <u>ISSUES</u> |
|------------------------------------|------------------------------|---|
| Empire District Electric Company | ER-2016-0023 | Staff Report Cost of Service Test Year/Update/True-Up Accumulated Deferred Income Taxes SWPA Hydro Reimbursement SPP Revenues and Expenses SPP Transmission Expenses ASM Revenue and Expense Miscellaneous SPP Related Revenues and Expenses Off-System Sales Revenue and Expense Current Income Taxes Deferred Income Taxes Rate Case Expense-Sharing Advertising Dues and Donations SWPA Amortization Tornado AAO Amortization Corporate Expenses Capitalized Depreciation Proposed Acquisition |
| Terre Du Lac utilities Corporation | WR-2017-0110 | Rate Base |
| Spire Missouri, Inc. | GR-2017-0215 GR-2017-0216 | Bad Debts |
| Missouri-American Water Company | WR-2017-0285 | Plant in Service Contributions in Aid of Construction Regulatory Deferrals Depreciation Reserve Depreciation Expense Amortization Expense Customer owned Lead Service Lines |
| Empire District Electric Company | ER-2019-0374 | Fuel Inventories Fuel and Purchased Power |
| Missouri-American Water Company | WR-2020-0344 | Plant in Service Contributions in Aid of Construction Other Rate Base Regulatory Deferrals Depreciation Reserve Depreciation Expense Amortization Expense Property Tax Tracker Customer owned Lead Service Lines |

| <u>COMPANY</u> | <u>CASE NO.</u> | <u>ISSUES</u> |
|--|------------------------------|--|
| Empire District Electric Company | ER-2021-0312 | Staff Report Cost of Service Test Year/Update Fuel Inventories Asbury Retirement AAO AMI – Regulatory Asset Tornado AAO Amortization Fuel and Purchased Power – Fixed Costs Rate Case Sharing |
| Empire District Gas Company | GR-2021-0320 | Energy Efficiency Programs |
| Empire District Electric Company | EO-2022-0040 EO-2022-0193 | Financing Issues – Securitization |
| Liberty Utilities (Missouri Water) LLC | WR-2024-0104 SR-2024-0105 | Revenue Requirement CIAC Amortization of CIAC and Expense Transaction Fee-Free Program Fees Chemicals Miscellaneous Expenses Deferred Tank Painting and Tracker |

Missouri-American Water Company
WR-2024-0320
Staff's Direct / Rebuttal Testimony – Staff Testimony Responsibility

| Staff Witness | Issue Responsibility |
|------------------------|---|
| Michael J. Abbott | Resource Planning; Revenue Stabilization Mechanism |
| Kimberly K. Bolin | Policy for Production Cost Tracker and Tank Painting Tracker; Discrete Adjustments; Regulatory Lag |
| Christopher L. Boronda | PSC Assessment; Material and Supplies; Customer Advances; Property Taxes; Credit Card Fees |
| Malachi Bowman | Depreciation |
| Alexis L. Branson | Plant In Service & Accumulated Depreciation Reserve; Capitalized Depreciation; Office Supply and Services Expense; Penalties, Community Relations, and Membership Dues; Building Maintenance & Services; Maintenance Supplies & Services Expense; Bad Debt Expense; O&M Expense Percentage |
| Scott J. Glasgow | Universal Affordability Tariff |
| Andrew Harris | Water Loss; Main Break reporting |
| Sherrye Lesmes | CIAC and Amortization; Customer Accounting; Lobbying Expense; Miscellaneous Expenses; Payroll Expense; Payroll Taxes; Employee Benefit Expense; Postage, Printing, and Stationary Expense |
| Kelli Malki | Rate of Return |
| Amanda C. McMellen | Revenue Requirement; Tank Painting Tracker; Engineered Coatings Capitalization; Production Cost Tracker; Revenue Stabilization Mechanism; Acquisitions |
| Angela Niemeier | Amortization of Regulatory Assets; Cash Working Capital; Contract Services; Employee Expenses; Incentive Compensation; Injuries and Damages; Insurance (Other than Group); Leases (Rents); Pensions and & OPEBs Expense; Pension and & OPEBs Tracker; Rate Case Expense; Rate Case Sharing Recommendation; Regulatory Deferrals; Telecommunications Expense |
| Jarrold J. Robertson | Normalized & Declining Residential Customer Usage |

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|-------------------------|---|
| Ashley Sarver | Revenues; Corporate Allocations and Service Company Expenses; District Allocations; System Delivery; Chemical Expense; Fuel and Power Expense; Purchased Water Expense; Waste Disposal Expense; Production Cost Expense; Transportation Expense; Property Tax Tracker; Current and Deferred Income Tax; Accumulated Deferred Income Taxes; Tax Cut and Jobs Act of 2017 |
| David A. Spratt | Tariff Rule 3E |
| Charles Tyrone Thomason | Call Center Update; Paperless Billing; Credit Card Fee Messaging |
| Daronn A. Williams | Revision of Maps; Legal Descriptions |