Exhibit No. 301

OPC – Exhibit 301
Testimony of David Murray
Cross-Rebuttal
File No. WR-2024-0320

Exhibit No.:	______________
Issue(s):	Rate of Return/Capital Structure
Witness/Type of Exhibit:	Murray/Cross-Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	WR-2024-0320

CROSS-REBUTTAL TESTIMONY

OF

DAVID MURRAY

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

FILE NO. WR-2024-0320

** ______________________________ **

Denotes Confidential Information that has been redacted.

*** ______________________________ ***

Denotes Highly Confidential Information that has been redacted.

January 10, 2025

PUBLIC

TABLE OF CONTENTS

Q. What is your name and business address?

A. My name is David Murray and my business address is P.O. Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same David Murray who previously filed testimony in this case on December 6, 2024?

A. Yes.

Q. What it the purpose of your testimony?

A. I will respond to the rate of return ("ROR") testimony of Staff witness, Kelli Malki.

Q. What issues does Ms. Malki address in her testimony?

A. Ms. Malki sponsors Staff's return on common equity ("ROE") recommendation, cost of debt recommendation and the capital structure to which these return components should be applied.

Q. Can you summarize your recommendation in your direct testimony?

A. Yes. I recommend Missouri American Water Company's ("MAWC") ROR be set based on a 9.25% authorized ROE applied to a 45% common equity ratio and a 4.13% cost of long-term debt applied to the remaining 55% of my recommended capital structure. My capital structure recommendation is consistent with MAWC's parent company's, American Water Works Company, Inc. ("American Water"), capital structures since early 2023.

Q. What issue will you address first?

A. Capital structure.

CAPITAL STRUCTURE

Q. What capital structure does Ms. Malki recommend for purposes of setting MAWC's allowed ROR?

A. Ms. Malki recommends a ratemaking capital structure consisting of 43.60% common equity, 0.01% preferred stock and 56.38% long-term debt. Ms. Malki's recommended ratemaking capital structure is premised on American Water's actual capital structure (excluding short-term debt) as of June 30, 2024.

Q. Do you object to Ms. Malki's recommended ratemaking capital structure?

A. No. Ms. Malki's recommended common equity ratio is within the range of 40% to 45% American Water typically targets. Her recommended common equity ratio is likely to be more similar to American Water's average common equity ratio over the multi-year period in which MAWC's rates will be in effect. Considering that the procedural schedule in this case allows for discrete adjustments post the ordered true-up period, her recommendation is consistent with the logic of adjusting parameters that are more typical of levels/costs during the period rates are in effect.

Q. If you consider Ms. Malki's recommended capital structure to be reasonable for ratemaking, why are you sponsoring cross-rebuttal on this issue?

A. I disagree with certain statements in Ms. Malki's testimony relating to capital structure, which she supports by citing to MAWC's responses to her data requests. Additionally, while some of the information Ms. Malki cites is factually correct, because American Water, MAWC, and American Water Capital Corporation ("AWCC") engage in affiliate financing transactions, I do not consider some of the facts to be meaningful to interpreting some of the common factors debated in determining an appropriate ratemaking capital structure.

Q. Why is it important to respond to these issues now rather than at the time of the hearing in this rate case?

A. Because MAWC's responses to Staff's data requests seem to be consistent with several of the arguments MAWC made in its rebuttal testimony in the 2022 rate case. For example, in 2022, MAWC's capital structure witnesses emphasized their view that MAWC is an independent company both financially and operationally. Additionally, MAWC's capital structure witnesses argued that if MAWC's capital structure were similar to American Water's, it would cause MAWC's financial profile to be consistent with a non-investment grade credit rating.

Q. On page 30, line 19 – page 31, line 1 of her testimony, Ms. Malki recites MAWC's response to Staff Data Request No. 0041. Do you agree with MAWC's response?

A. No. MAWC's response to Staff's Data Request No. 0041 is attached as Schedule DM-CR-1. MAWC's response, and Staff's recitation of the response, implies MAWC has an independent team that carefully analyzes and recommends specific capital issuances and proportions based on MAWC's business risk profile. MAWC's statement is inaccurate.

Q. Who manages MAWC's capital structure?

A. American Water Services Company ("AWSC") employees. AWSC employees do not have a fiduciary responsibility to MAWC, but rather to American Water. In fact, MAWC's primary capital structure witness, Nicholas Furia, is the Assistant Treasurer of AWSC, as well as Vice President and Treasurer of American Water. Mr. Furia serves and has served as an officer or director for numerous MAWC affiliates, which are identified on DM-CR-2.

Q. Does MAWC have any finance and/or accounting employees?

A. Yes.

Q. In MAWC's 2022 rate case, did you request MAWC provide the analysis American Water performs in order to determine which types of capital and the proportions of capital it invests in MAWC?

A. Yes. MAWC's witness, J. Cas Swiz, who sponsored rebuttal testimony addressing capital structure in MAWC's 2022 rate case, confirmed that American Water does not analyze its subsidiaries' business risk or analyze their credit metrics for purposes of determining the type and/or terms of capital it invests in them.[1] This type of analysis is fundamental to determining an optimal targeted capital structure, which balances the cost of capital against financial stability.

Q. What type of analysis does MAWC perform for purposes of managing its capital structure?

A. A fairly basic analysis as shown in Schedule DM-CR-3. Based on the 2024 Financing Plan, the extent of the analysis performed is to determine the amount of affiliate debt and equity needed to fund capital expenditures and to ensure that MAWC's per books capital structure is approximately 50% common equity and 50% long-term debt.

Q. Who is primarily responsible for these analyses and presentations?

A. Andie Cokel.

Q. Did MAWC's management provide presentations to the MAWC BOD to prove that procuring debt financing from AWCC was the most economical and prudent option?

A. No.

Q. Did MAWC's management provide a capital structure analysis to the MAWC BOD to illustrate that MAWC's budgeted capital structure would achieve certain credit metrics to allow for a lower cost of capital while maintaining a stable credit rating?

A. No.

[1] Case No. ER-2022-0303, MAWC response to OPC Data Request Nos. 3058 and 3059.

P

Q. Is this the type of detailed analysis you would expect for an "independent" company?

A. Yes.

Q. Does American Water's management presentations to its BODs provide this type of detail?

A. Yes. Please see the attached Schedule DM-CR-4, which provides American Water's 2024 Financing Plan and Debt Issuance Recommendation. As illustrated in Schedule DM-CR-4, the American Water presentation is more substantive than the MAWC presentation. Of course, this is expected because American Water and its financing subsidiary, AWCC, are the entities in which debt and equity investors invest. As shown on pages two and three of Schedule DM-CR-4, American Water's 2024 financing plan assesses the *** ________ ***

Q. Is there any other information in Schedule DM-CR-4 that is noteworthy?

A. Yes. The fact that American Water's BOD authority for *** ________ ***

Considering that MAWC's witnesses in the 2022 rate case threatened that American Water may withhold investment in MAWC if the Commission adopted OPC's and Staff's more leveraged capital structure recommendations to set MAWC's ROR, I had expected to discover *** ________

______________________________ _*** As I testified in the recent Liberty Utilities (Missouri Water) LLC rate case, Liberty Utilities Co. ("LUCo") issued 10-year unsecured debt on January 12, 2024, at a spread of 191 basis points over 10-year UST yields. Based on American Water's expected pricing of its unsecured bonds, it expected the spread for its 10-year bonds to be priced at a spread of 95 basis points over 10-year UST yields. LUCo's bonds were more costly due to additional risk caused by uncertainty related to the determination and execution of Algonquin Power & Utilities Corp's acquisition and divestment strategies. American Water's bonds were priced consistent with a more stable regulated utility holding company. According to American Water's own assessment of other utility bonds issued in 2024, the price of its bonds was *** ______________________________ ______________________________

Q. ______________________________

A. ______________________________ ______________________________ ______________________________ ______________________________ ______________ ***

Q. What is American Water's projected average debt-to-capitalization ratio over the period rates will likely be in effect in this case?

A. *** ______________________________ ________ ***

Q. What else is noteworthy from this schedule?

A. *** ______________________________ ______________________________ ______________________________ ______________________________ __________ *** American Water's valuation ratios (both P/E and market/book ratios) steadily increased over this same period because American Water was earning an increasing margin over its cost of capital rather than sharing the cost of capital savings with ratepayers of its subsidiaries, including MAWC.

Q. Did any other factors contribute to American Water's ability to earn more than its cost of capital?

A. Yes. As I have testified extensively in this rate case and in other Missouri utility rate cases, authorized ROEs have been set higher than utility companies' cost of common equity ("COE"). Therefore, even if the parent company's common equity ratio is at parity with its regulated utility subsidiaries, utility holding companies are still earning more than their cost of capital, which causes the market-to-book ratio to increase.

Q. So to summarize, how was American Water able to increase the margin of its earned returns over its cost of capital?

A. First, it has consistently been authorized ROEs higher than its COE. Because American Water's subsidiaries awarded ROEs remained relatively static at around 9.5% during the steady and rapid decline in the COE, this caused American Water's market-to-book ratio to increase. Additionally, American Water leveraged its awarded equity returns by using affiliate loans from AWCC at a cost of around 3.7% to infuse common equity into its subsidiaries. This further increased American Water's margin over its cost of capital, causing investors to be willing to pay even more for American Water's stock.

Q. Does the disparity in American Waters' capital structure as compared to MAWC's per books capital structure also refute MAWC's position that its rates are causing American Water to earn an ROE that is "roughly 120 basis points below the bottom of the 9.50% to 10.00% range contemplated in agreements approved by the Commission?"[2]

A. Yes. Mr. LaGrand's calculations of MAWC's earned ROEs assume American Water supported MAWC's rate base with an average common equity ratio of 51.6% over the 2014

[2] LaGrand Direct Testimony, p. 21, lns. 10-15.

to 2023 period as compared to American Water's actual average common equity ratio of 43.7% for the same period. After I adjusted MAWC's capital structure to be consistent with American Water's, I determined American Water earned an average ROE of 9.2% for this period, which is approximately 90 basis points higher than Mr. LaGrand's determination of an 8.3% ROE based on MAWC's per books common equity balances.

Q. Did American Water's increased use of leverage until 2023 allow it to earn a widening spread over its per books ROE shown on MAWC's financial statements?

A. Yes. At American Water's peak use of leverage in its consolidated capital structure, American Water's effective earned ROE on its equity investment in MAWC was approximately 125 basis points higher than MAWC's per books earned ROE.

Q. What common equity valuation ratio most directly captures the impact of a widening spread of earned returns over the cost of capital?

A. Market-to-book ratios.

Q. Why?

A. The simplest example to illustrate this dynamic is a bond valuation example. If a 30-year United States Treasury ("UST") bond is issued today at a coupon consistent with the current yield-to-maturity on 30-year UST bonds (4.1%), then the value of the bond is exactly equal to the $1,000 principal balance of the bond. If the market cost of debt increases to 4.5% in one year, investors would only pay $935.57 for the 4.1% coupon bond in order to ensure they receive the current market yield of 4.5%. The market-to-book ratio of the 4.1% bond is 93.56%. Conversely, if the market cost of debt decreased to 3.7% in one year, investors would pay $1,070.77 for the 4.1% coupon in order for the seller to be compensated for the lower coupons on newly-issued bonds. The market-to-book ratio of the 4.1% bond is 107.08% in this scenario. These same principles apply to the book value (original issue price) of common stock.

Q. How so?

A. Justified price-to-book ratios are determined through the following formula, which is premised on using discounted cash flow analysis:[3]

$$P_0/B_0 = (ROE - g)/(r - g)$$

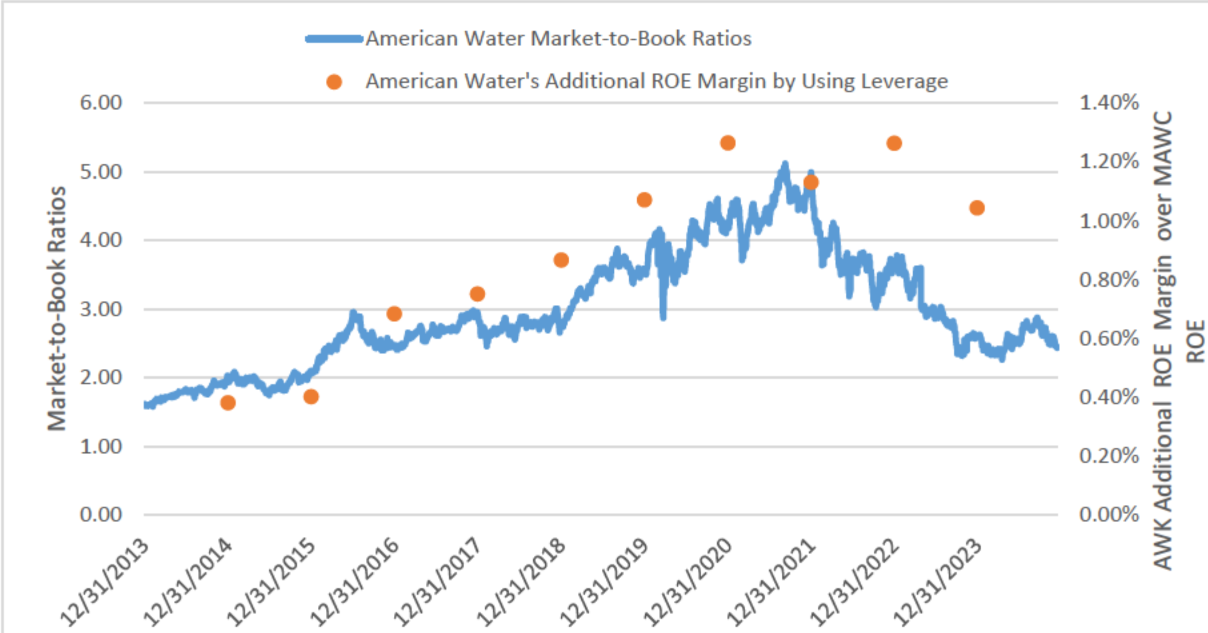
Where:	P_0	=	price/market value at period 0
	B_0	=	book value at period 0
	ROE	=	expected return on common equity
	g	=	growth in earnings
	r	=	cost of common equity

If expected earnings are higher than the cost of common equity, then the justified market/book ratio is greater than one and vice versa.

Q. Did American Water's market-to-book ratios expand as the margin of its earned returns over the cost of capital grew?

A. Yes. The following chart compares American Water's expanding market-to-book ratios as compared to the expanding margin of American Water's effective ROE from its investment in MAWC as compared to the ROE implied on MAWC's books for the period 2014 through 2021:

[3] Refresher Reading, 2024 CFA® Program, Level 2, p. 45.



The left axis of the chart represents market-to-book ratio values, with the blue line in the graph representing American Water's market-to-book ratios over time. The right axis represents the margin of American Water's effective ROE from its investment in MAWC over MAWC's per books earned ROE.

Q. What conclusions do you draw from this correlation between the increasing market-to-book ratio and the increased margin of American Water's effective ROE from its investment in MAWC over MAWC's per books earned ROE?

A. As shown in the chart, as American Water was able to increase the margins of its effective earned returns in MAWC over that implied on MAWC's financial statements, American Water's market-to-book ratios increased. American Water's ability to increase the spread of its effective earned return in MAWC over the cost of capital also generally applies to MAWC's sister subsidiaries as well, with some subsidiaries achieving a higher margin over their cost of capital than others. This means that American Water was able to increase its earned returns even more than simply being awarded an ROE higher than the COE, but also due to using leverage to increase the spread.

Q. Did you attempt to analyze and measure the higher margins American Water earned for its other water utility subsidiaries?

A. Yes. However, similar to MAWC, MAWC's sister subsidiaries' financial statements are not publicly available through SEC filings. Therefore, I requested MAWC provide the financial statements for its larger sister subsidiaries, New Jersey American Water Company ("NJ American Water") and Pennsylvania American Water Company ("PA American Water"), but MAWC objected to this data request because it claims that MAWC does not have possession of these financial statements and they are not relevant to MAWC's rate case.

Q. Did American Water assign a higher proportion of AWCC's debt to NJ American Water and PA American Water as American Water achieved a lower cost of capital by using more leverage on a consolidated basis?

A. No. In fact, American Water assigned less debt to these subsidiaries during this period. American Water had requested common equity ratios in the low 50% area for NJ American Water and PA American Water before 2017. However, after 2017, American Water requested its authorized ROR for NJ American Water and PA American Water be premised on common equity ratios of approximately 55%. Because authorized ROEs remained fairly constant at around 9.6% for these subsidiaries, the approximate 15 percentage point difference (55% subsidiary common equity ratio compared to American Water's 40% common equity ratios) between PA American Water's and NJ American Water's per books common equity ratio and American Water's common equity ratio, allowed American Water to earn an even higher margin over its cost of capital in these states as compared to Missouri. Therefore, because the difference between American Water's consolidated leverage and that shown on its subsidiaries' books increased as the cost of debt received from AWCC continued to decline, this strategy explains why investors bid up the market value of American Water's stock to approximately five times its book value at the end of 2021.

Q. Whose interests do MAWC's BODs represent?

A. American Water's shareholder's interests as it wholly-owns MAWC.

Q. Did anything in MAWC's BOD materials and meeting minutes lead you to believe that MAWC's BODs are acting solely in the best interests of MAWC and its ratepayers?

A. No.

Q. Ms. Malki states that it is reasonable to assume that AWWC should be able to incur more leverage than MAWC because AWWC has less financial and business risk. Did you address this issue in MAWC's 2022 rate case?[4]

A. Yes. In MAWC's 2022 rate case, Company witness Bulkley testified that if MAWC's capital structure were managed consistent with American Water's on a consolidated basis, this would make it difficult for MAWC to access capital on reasonable terms. As I testified in the 2022 rate case, Ms. Bulkley's position presumes that MAWC's business risk is significantly higher than American Water's consolidated business risk.[5]

I disagree.

Q. Why do you disagree with Ms. Malki's testimony that AWWC has less financial risk than MAWC?

A. At its simplest, the definition of financial risk relates to a company's use of debt to finance its capital structure. Financial risk is evaluated through the analysis of several credit metrics, all of which compare a company's specific financial information, such as cash flows, relative to either the amount of debt in a company's capital structure or the debt service required on the debt. The following are examples of financial metrics typically evaluated by rating agencies to assess a company's financial risk: debt-to-total capital, funds-from-operations-to-debt ("FFO/debt"), debt-to-earnings-before-interest-taxes-and-depreciation ("Debt/EBITDA"), funds-from-operations-to-interest ("FFO/interest"), etc.

American Water's consolidated financial metrics indicate it has more financial risk than MAWC's implied financial risk from its financial statements.

[4] Malki Direct, p. 29, lns. 18-20.
[5] Case No. WR-2022-0303, Murray Surrebuttal, p. 7, lns. 1-5.

Q. Do you agree that American Water can carry more leverage than its subsidiaries due to the fact that it is diversified across many different subsidiaries?[6]

A. I agree that having operations in several jurisdictions diversifies risks, but it certainly does not justify a consistent 5% to 10% difference in American Water's common equity ratio compared to that which it requests be used to determine MAWC's ROR. As I have explained, rating agencies typically have less stringent financial ratio benchmarks for regulated water utilities, whether stand-alone or part of a holding company, as compared to most vertically-integrated electric utility companies and some natural gas utility companies. This explains why even water utility companies that have FFO/debt ratios in the 10% to 12% range still have at least an 'A-' credit rating.

Q. Is it clear that MAWC would have a much lower credit rating if it had a capital structure consistent with that of American Water?

A. No. First, although MAWC has obtained *** ____

____

____

____

____

____

________________________________ ***

Q. **____

____

____

____

[6] Malki Direct/Rebuttal, p. 29, lns. 18-20.

[redacted] **

Q. In which jurisdictions do these other water utility companies operate?

A. A majority of their operations are in California, New Jersey, Pennsylvania and Connecticut.

Q. Does S&P assign a stronger (i.e. better) regulatory advantage category to these other jurisdictions?

A. Only Pennsylvania. Otherwise, the other jurisdictions are assigned a weaker (i.e. worse) regulatory advantage categories than Missouri.

Q. Are any of these companies similar in size to MAWC on a stand-alone basis?

A. Yes. In fact, many are smaller.

Q. How did you measure the size of MAWC compared to the comparable companies?

A. Based on the book value of assets as of September 30, 2024.

Q. What was the book value of MAWC's assets as of September 30, 2024?

A. $4.258 billion.[7]

Q. What is the book value of the assets at September 30, 2024, for the comparable water utility companies used by each ROR witness in this case?

A. The book values of the assets are as follows:

- American States Water Company: $2.421 billion;
- California Water Services Group: $5.015 billion;
- Essential Utilities: $17.565 billion;
- Middlesex Water Company: $1.230 billion;
- SJW Group: $4.552 billion; and
- The York Water Company: $0.621 billion.

Q. Do any of these companies have limited jurisdictional diversity?

A. Yes. American States Water Company, California Water Services Group and SJW Group are all concentrated in the western part of the United States, with a majority of their operations in California. Middlesex's water utility operations are predominately in New Jersey and Delaware. York Water Company's water utility operations are solely in Pennsylvania.

[7] MAWC Balance Sheet at September 30, 2024.

Q. Are any of these smaller and less geographically diverse companies as aggressive as American Water in their use of financial leverage (i.e. debt) in their capital structures?

A. Yes. SJW Group's capital structure has similar leverage to that of American Water. SJW Group has a similar common equity ratio at 42.6% (see Schedule DM-R-3 attached to my rebuttal testimony).

Q. How do SJW Group's funds for operations ("FFO")/debt ratios compare to American Water's FFO/debt ratios?

A. SJW Group's FFO/debt ratios were below 10% in 2021 and 2022, and are only expected to be in the 10-11% range over the next couple of years. This compares to American Water's FFO/debt ratios of around 13-14% in recent years and expectations of 12-14% over 2024 to 2026.

Q. Does SJW Group have lower and more volatile earned ROEs than MAWC for the last five years?

A. Yes. SJW Group's earned ROEs have ranged from 2.66% to 7.25% since 2019.

Q. What is SJW Group's S&P issuer credit rating?

A. 'A-'.

Q. How does this compare to American Water's S&P issuer credit rating?

A. American Water's S&P issuer credit rating is one-notch higher at 'A'.

Q. Did you provide MAWC's FFO/debt ratios in the testimony you filed on December 6, 2024?

A. Yes. As shown in Schedule DM-R-1, MAWC's FFO/debt ratios have typically been in the range of ** ____ **

Q. What does S&P project MAWC's FFO/debt ratios will be over the next three years?

A. S&P projects MAWC's FFO/debt ratios to be in the ** ______ ** range over the outlook period.

Q. Ms. Malki also testifies that American Water's assets do not secure MAWC debt and MAWC assets do not secure American Water's debt.[8] Is her testimony correct?

A. Yes. However, it is important to emphasize that American Water's debt and MAWC's debt are affiliate loans from AWCC. AWCC issues unsecured debt to third-party investors with this debt being priced based on American Water's consolidated business and financial risks. AWCC then loans the proceeds from these debt issuances (many times funds from the same debt issue is loaned both to American Water, MAWC and other subsidiaries) to American Water and/or its subsidiaries. Under these circumstances, because AWCC does not directly own any assets other than its affiliate loans, AWCC could not pledge American Water's assets (which are its equity ownership in its subsidiaries) or MAWC's directly-owned assets.

Q. Does American Water provide assurance to AWCC debt investors which essentially acts as a guarantee of this debt?

A. Yes. American Water stated the following in its 2023 SEC Form 10-K Filing:

> The senior notes and the Notes have been issued with the benefit of a **support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.** No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to

[8] Malki Direct/Rebuttal, p. 30, lns. 14-15.

> enforce such rights or to obtain payment of the defaulted amounts owed to that holder (emphasis added).[9]

Q. Would an American Water guarantee of MAWC's debt from AWCC serve an economic purpose?

A. No. Being that American Water wholly-owns MAWC and AWCC, an American Water guarantee has no economic consequence because no third-party has an investment interest in the equity or debt.

<u>RETURN ON COMMOM EQUITY</u>

Q. What ROE does Ms. Malki recommend the Commission authorize MAWC?

A. 9.5% applied to a 43.60% common equity ratio.

Q. Is Ms. Malki's recommended authorized ROE fair and reasonable?

A. Yes. Assuming Ms. Malki's recommended ROE is applied to a common equity ratio within the range of our recommendations (43.60% to 45.00%), I consider her recommended ROE to be reasonable.

Q. Should MAWC's authorized ROE be set any higher than 9.5%?

A. No. I recommend that MAWC's authorized ROE be set at 9.25%. As I demonstrate in my ROR recommendation in the concurrent Ameren Missouri rate case, a 9.5% authorized ROE is fair and reasonable in that case considering current utility valuation ratios are quite similar to those in 2015, when the Commission set Ameren Missouri's authorized ROE at 9.53%. An overwhelming amount of evidence (*e.g.* my analysis and corroborating investment community commentary/analysis provided in my direct and rebuttal testimony) support that the water utility industry has a lower business risk profile than electric utilities. This evidence supports authorizing MAWC a lower ROE.

[9] American Water Works Company Inc. 2023 SEC Form 10-K Filing, p. 68.

Q. Does Staff recommend a lower ROE for MAWC than it does for Ameren Missouri?

A. Yes. Staff recommended a 9.74% authorized ROE for Ameren Missouri compared to its 9.5% recommendation in this case.

Q. Although you consider Staff's recommended 9.5% ROE to be fair and reasonable, do you agree with Ms. Malki's position that "the current market ROE estimates for MAWC are presently in the range of 8.15% to 10.15%?"[10]

A. No. I do not agree that the market requires an ROE in this range. As I explained in my direct/rebuttal testimony, the current market required ROE (*i.e.* cost of common equity) for water utilities is in the range of 7.25% to 8.25%. However, investors do not expect utility commissions to set the authorized ROE at parity with a utility company's COE. Investors frequently assess/evaluate the Commission's recent authorized ROEs for purposes of estimating potential authorized ROEs in subsequent rate cases. If the Commission authorizes an ROE that is higher or lower than consensus expectations and/or guidance provided by a publicly-traded parent company of the subject utility, then the publicly-traded parent company's stock price will adjust accordingly to ensure that new investors can still expect to earn their required returns, which I estimate to be in the range of 7.25% to 8.25%.

SUMMARY AND CONCLUSIONS

Q. Can you summarize your cross-rebuttal testimony?

A. Yes. While I generally consider Staff's ROR recommendation to be reasonable, the Commission should set MAWC's authorized ROE at 9.25%, which is 25 basis points lower than my recommended 9.5% authorized ROE for Ameren Missouri. Additionally, although I consider Staff's ROR recommendation to be reasonable, I disagree with some of the information Staff cited in its testimony based on MAWC's responses to Staff's data requests. I anticipate MAWC will use these statements in its surrebuttal testimony for purposes of advocating for its position that MAWC should be viewed as a stand-alone

[10] Malki Direct, p. 4, ln. 15 – p. 5, ln. 1.

company for purposes of setting its ratemaking capital structure and cost of debt. Therefore, I addressed these statements in this testimony.

Q. Does this conclude your testimony?

A. Yes.

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 Increase for Water and Sewer Service Provided in Missouri Service Areas	))))	Case No. WR-2024-0320

AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

David Murray, of lawful age and being first duly sworn, deposes and states:

1. My name is David Murray. I am a Utility Regulatory Manager for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my cross-rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

David Murray
Utility Regulatory Manager

Subscribed and sworn to me this 9th day of January 2025.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.