

FILED
March 27, 2025
Data Center
Missouri Public
Service Commission

Exhibit No. 312

OPC – Exhibit 312
Testimony of John A. Robinett
Direct/Rebuttal
File No. WR-2024-0320

Exhibit No.:

Issue(s): Deferral Mechanisms/Discrete Adjustments/
Negative Reserve

Witness/Type of Exhibit: Robinett/Direct Rebuttal

Sponsoring Party: Public Counsel

Case No.: WR-2024-0320

DIRECT/REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

FILE NO. WR-2024-0320

December 6, 2024

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**DIRECT/REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
MISSOURI AMERICAN WATER COMPANY**

CASE NO. WR-2024-0320

Q. What is your name and what is your business address?

A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

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

A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Engineering Specialist.

Q. Have you previously provided testimony before the Missouri Public Service Commission?

A. Yes. Both as a former member of Commission Staff and on behalf of the OPC.

Q. What is your work and educational background?

A. A copy of my work and educational experience is attached to this testimony as Schedule JAR-DR-1.

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

A. The purpose of my direct/rebuttal testimony is to (1) provide rebuttal testimony related to the request for Plant-in-Service accounting for MAWC, (2) respond to requested discrete adjustments for planned investments made prior to the effective date of rates from this case, and (3) to address issues related to MAWC’s creation of a stranded asset in its meter account.

Plant in Service Accounting

Q. What is plant in service accounting?

A. In general, plant in service accounting is a mechanism that allows a utility to track accrued depreciation expense and return on investment associated with plant additions made during

1 the period between general rate proceedings. A utility that utilizes plant in service accounting
2 is then permitted to recover some portion of these tracked items in a future rate case as an
3 amortization.

4 **Q. Is plant in service accounting authorized by law for any type of utility in the State of**
5 **Missouri?**

6 A. Yes. Missouri Revised Statute 393.1400 authorizes electrical corporations to defer
7 depreciation expense and return for qualifying plant. Under this law, electrical corporations
8 alone are authorized to defer and recover 85% of all depreciation expense and return for
9 certain qualifying electric plant recorded to plant-in-service on the utility's books. These
10 amounts are adjusted to reflect any prudence disallowances ordered by the Commission.
11 Further, in determining the return deferred, the electrical corporation is required to account
12 for changes in all plant-related accumulated deferred income taxes and changes in
13 accumulated depreciation, excluding retirements. The balance in the associated deferred
14 regulatory asset account, except any prudence disallowances, is then included in determining
15 the electrical corporation's rate base during subsequent general rate proceedings where it is
16 amortized and recovered in rates over a period of 20 years.

17 **Q. Is plant in service accounting authorized for water utilities in the State of Missouri?**

18 A. No. The existing plant in service accounting applies to electric utilities only.

19 **Q. Despite the lack of legal authority, is MAWC nonetheless requesting plant in service**
20 **accounting in this case?**

21 A. I believe so. My understanding of Mr. LaGrand's direct testimony is that MAWC is seeking
22 a 100% deferral of all depreciation expense and return on the investment for all
23 investments, including items that are already eligible to get recovery in between general

1 rate proceedings through the Water and Sewer Infrastructure Rate Adjustment
2 (“WSIRA”).¹

3 **Q. How is MAWC requesting plant in service accounting for items that are already**
4 **subject to inter-rate case recovery through the WSIRA?**

5 A. MAWC is asking the Commission to allow them to defer depreciation expense and return
6 on all WSIRA eligible investments up until the point they get recovery for those costs
7 through the WSIRA. For all non WSIRA eligible plant, MAWC is requesting deferral of
8 the depreciation expense and return on investment until the point they are placed into base
9 rates. In both cases, MAWC is requesting that the created asset be amortized “over a
10 reasonable period” but does not define what period it would find reasonable.

11 **Q. How does the plant in service accounting treatment that MAWC is requesting**
12 **compare to what the legislature granted to Missouri’s electric utilities?**

13 A. MAWC is requesting far better treatment under plant-in-service accounting than the
14 Missouri Legislature approved for Missouri electrical corporations.

15 **Q. Did the Legislature authorize 100% deferral as is being requested by MAWC in this**
16 **case?**

17 A. No. The Missouri Legislature only authorized 85% deferral for qualifying electric plant. In
18 addition, the Missouri Legislature further placed restrictions on the types of eligible
19 electrical plant that could be deferred. The Legislature specifically incentivized renewable
20 generation by disqualifying investments in new coal, nuclear, and natural gas generating
21 plant/units. Additionally, the Missouri Legislature also disqualified rate base additions that
22 increase revenues by allowing service to new customer premises.

¹ LaGrand Direct Testimony page 25 line 2 through line 20.

1 **Q. Given the facts you just outlined, what conclusion do you draw regarding MAWC's**
2 **eligibility for plant in service accounting?**

3 A. Currently MAWC is not authorized for plant-in-service accounting for water or wastewater
4 assets as it is currently only authorized for electric corporations in this State. The
5 Commission should not authorize this treatment for MAWC nor should MAWC be allowed
6 for plant-in-service accounting for all assets including the WSIRA eligible plant
7 investments prior to being recovered through the WSIRA adjustment.

8 **Q. Is there any other reason why the Commission should not allow MAWC to defer costs**
9 **in the manner requested in Mr. LaGrand's testimony?**

10 A. Even using the Electric authorization as the basis for the granting of this treatment, MAWC
11 is seeking deferrals on similar types of investment that are prohibited for the electrical
12 corporations in this State, namely MAWC seeks to defer assets related to new customers
13 whether by main and service line extensions or through the purchase of other water and
14 wastewater systems.

15 **Q. To clarify, MAWC is asking for plant in service accounting treatment to be applied**
16 **to more investments than what the legislature permitted for electric utilities?**

17 A. Yes. The definition of qualifying electric plant that is eligible for plant in service
18 accounting under RSMo. Section 393.1400 excludes any "rate-base additions that increase
19 revenues by allowing service to new customer premises." MAWC's request would include
20 these types of additions making it more expansive than what the legislature allowed for the
21 electric utilities. This is on top of the Company requesting a greater percentage of deferral
22 (100% versus the legislature's 85%) and a potentially shorter amortization period.

1 I would also note that the definition of “water or sewer utility plant projects” under
2 the WSIRA statute (RSMO. Section 393.1503) only applies to “replacements” and
3 “relocations” of various types. That means that plant intended to serve new customers
4 would not be eligible under either of the existing legislative tools, so MAWC’s request
5 represents a significant expansion of what the Commission has been authorized to permit
6 recovery of in the past.

7 **Q. Can you please summarize your recommendations regarding MAWC’s request for**
8 **plant in service accounting?**

9 A. While MAWC witness Mr. LaGrand does not use that term explicitly, what he has
10 requested is the very definition of plant in service accounting. However, the Missouri state
11 legislature explicitly excluded water and wastewater companies from having access to
12 plant in service accounting when it passed section 393.1400. In addition, the State
13 legislature also permitted electric utilities to recover much less (both in terms of what can
14 be recovered and how much can be deferred) than what MAWC is requesting in this case
15 under plant in service accounting. Finally, MAWC is requesting addition deferral treatment
16 for items that are otherwise WSIRA eligible in a manner that exceeds what the legislature
17 allows recovery for in the WSIRA. For all these reasons the Commission should reject
18 MAWC’s request for plant in service accounting.

19 **Discrete Adjustments**

20 **Q. Are there any specific discreet adjustments or prospective discreet adjustments included**
21 **in MAWC’s case that you have concerns over?**

22 A. Yes. I have significant concerns over the amounts that MAWC appears to have included as
23 an adjustment for plant additions related to vehicles.

1 **Q. What amount of plant additions related to vehicles have been included in MAWC’s filed**
2 **case?**

3 A. MAWC has indicated its plant balance for account 392.3 related to cars/automobiles (which
4 does not include either light or heavy-duty trucks or “other” transportation equipment) to be
5 \$1,174,602 as of the end of the historic test year period (December 31, 2023).² This represents
6 a decrease of \$3,630,207 from the last rate case. However, in response to OPC data request
7 number 8500, MAWC provided a projected addition of \$32,613,596 for the time-period of
8 January 2024 through May 31, 2025 for all of transportation equipment with \$30,498,905 just
9 for cars. This would fall under the category of “discrete adjustments” that the Commission
10 has allowed for this case. This level of detail is not present in the supplemental testimony filed
11 by MAWC witness Brain LaGrand, so I have not been able to verify these costs and therefore
12 must assume they are still included in MAWC’s case.

13 **Q. What has been the historical plant-in-service of cars in MAWC’s recent rate cases?**

14 A. After performing a review of all the rate cases since 2003, the average value of plant-in-
15 service for account 392.3 Transportation Equipment-Autos/Cars is \$1,363,286 with the
16 largest in-service value coming in the 2022 rate case at a value of \$4,804,809.

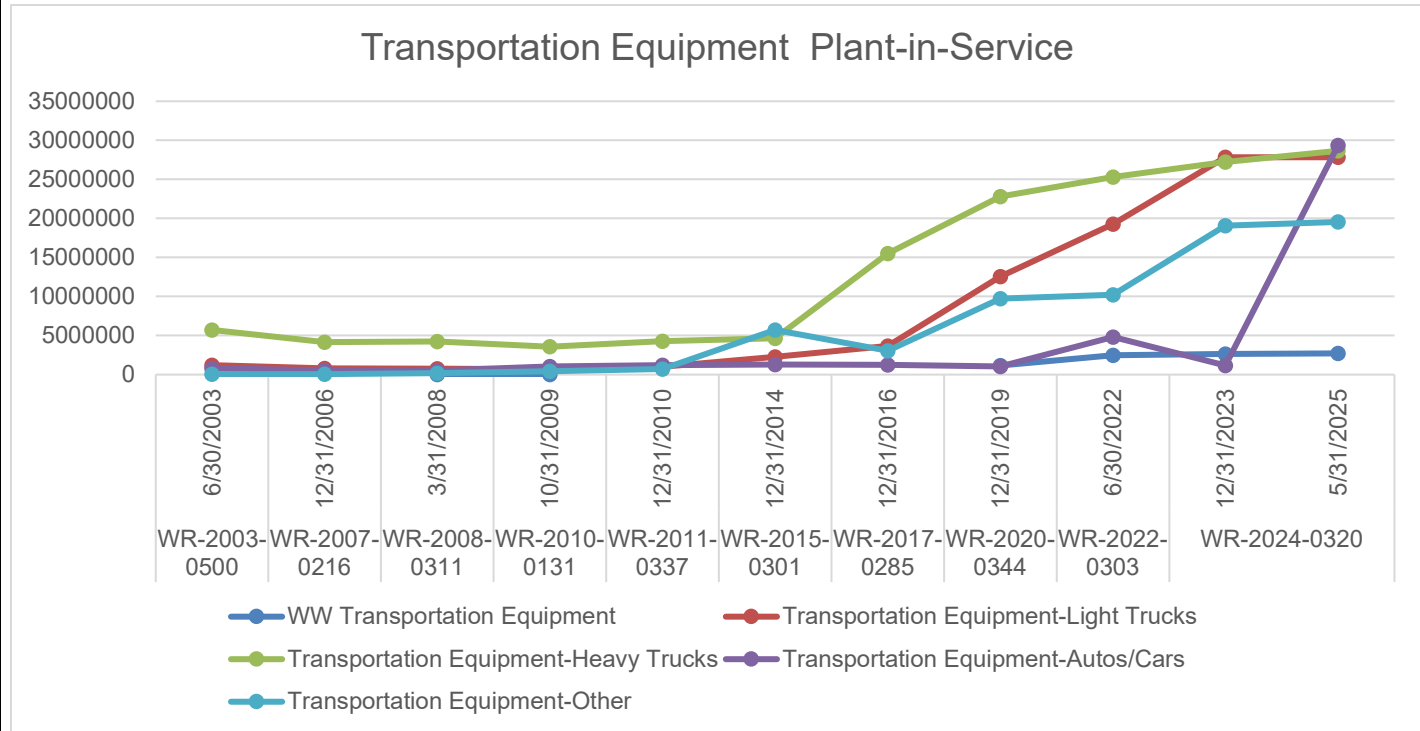
17 **Q. Does the information MAWC provided in response to your data requests create issues**
18 **with other material being presented or historical trends?**

19 A. Yes, two specifically stand out as concerning. The first has to do with the value of
20 retirements that are expected to occur for account 392.3 Transportation Equipment-
21 Autos/cars. As previously stated, as of December 31, 2023, MAWC has in-service
22 \$1,174,602. However, in response to OPC data request number 8501, MAWC projects to

² Company workpaper MAWC_2024_RRM.

1 retire \$2,298,492 dollars from this account. This is a problem as MAWC is projecting to
2 retire more assets than what is currently in-service in the account based on MAWC work
3 paper titled MAWC_2024_RRM Tab CAS4-6 Total Company Column D line 89. This
4 should not be possible. You cannot retire more than exists in an account since it is always
5 original cost that you are retiring. This implies that an error on the books exists. This error
6 could be related to an allocation issue or something else that got retired previously with an
7 incorrect value leaving a smaller plant-in-service balance than what should be on MAWC's
8 books. OPC has issued additional discovery on this issue to better understand what is
9 occurring in this transportation equipment sub-account.

10 The second response that stands out is MAWC's projected spend on cars for
11 January 2024 to May 2025, which is \$30,498,905. To put that in perspective, the highest
12 level of investment in cars for MAWC in the last 20 years was in MAWC's last rate case,
13 Case Number WR-2022-0320. The level of plant-in-service in that case was \$4,804,809
14 from Staff's direct accounting schedules. MAWC plans to add six times the highest level
15 in-service in the last 20 years in the eighteen month period of January 2024 to May 2025.
16 In that same time-period MAWC is only projecting to retire less than \$2.5 million dollars
17 in transportation equipment. This is not a fleet overhaul situation. Nor does this concern
18 replacement of light or heavy work trucks either, as they have their own subaccounts under
19 transportation equipment. Below is a graph depicting the level of plant-in-service for
20 Account 392 and its subaccounts for Transportation Equipment since Case Number WR-
21 2003-0500.



Q. What conclusion do you have related to MAWC’s projected addition of over \$30 million in cars?

A. MAWC’s projected spend on cars for January 2024 through May 2025 is not consistent with their historical spend on cars and MAWC has provided no specific testimony or support to justify this massive increase in expenditure. Therefore, the Commission should not allow these costs as a discrete adjustment in this case. It is important to note this is for cars and not light and heavy work trucks that are in other subaccounts. Further this projected \$30.5 million addition of cars would be an increase of 39% of the current total transportation equipment value on the books according to MAWC work paper, MAWC_2024_RRM. This \$30.5 million dollar addition is replacing \$2,298,492 dollars that are being retired during that same time period of January 2024 through May 2025.

1 **Q. Do you have any other issues related to MAWC's proposed discrete adjustments?**

2 A. Yes. Mr. LaGrand's projected plant-in-service value is \$4,802,566,824 for May 31, 2025. I
3 have calculated a plant-in-service of \$4,802,566,821 without adjusting for the removal of the
4 vehicles just discussed. Further, Mr. LaGrand's projected accumulated depreciation reserve
5 value is \$672,175,616 for May 31, 2025, while I have calculated accumulated depreciation
6 reserve of \$677,485,588 (again, prior to removing the additions of cars that MAWC is
7 projecting to add). I have therefore calculated an additional \$5 million in depreciation reserves
8 above what MAWC has included in its projections. My calculations of this value are attached
9 as Schedule JAR-DR-2.

10 **Q. What assumptions did you make when calculating your discrete adjustments?**

11 A. I used the starting point of Company work papers provided with the direct filing,
12 specifically the work paper named MAWC_2024_RRM. In addition to the MAWC work
13 paper I utilized data request responses to OPC data request numbers 8500 through 8503 for
14 the projections of additions, retirements, salvage, and cost of removal to be experienced
15 from January 2024 through May of 2025. I also utilized the stipulated to and Commission
16 ordered depreciation rates from Case Number WR-2022-0303. One issue arose on the
17 ordered depreciation rates for general plant when performing my calculations; the rates
18 ordered for water and wastewater general plant assets had differing depreciation rates for
19 multiple accounts. When this occurred, I utilized the higher depreciation rate to perform
20 the calculations for accrued depreciation. Additionally, for salvage and cost of removal I
21 weighted 2024 dollars at 66% and the remaining 34% of projected values for January 2024
22 through May 2025 for 2025. The workpaper supporting my calculations is attached as JAR-
23 DR-3.

Negative Reserve Meters

Q. How long have you made recommendations related to the negative reserve for MAWC?

A. I have recommended and addressed concerns related to negative reserves for MAWC for cases dating back to Case Number WR-2015-0301. During the 2015 rate case I identified a problem with meter accounts for MAWC's then existing multiple rate districts being negative on an individual basis. Following that case an investigatory docket (Case Number WO-2017-0012) was opened with the purpose of investigating faulty water meters and the practice of maintaining negative reserve balances.

Q. What was the result of the 2017 investigative docket?

A. As was discussed in my rebuttal testimony filed on behalf of OPC in Case Number WR-2017-0285 at page 12 of the final report:

"Staff has reviewed all of MAWC depreciation reserve balances related to meter accounts. Even though MAWC retired meter investment very early in the depreciable life of those assets, the recorded retirements have not created negative reserve balances in those metering accounts in aggregate following water district consolidations completed during the last rate case. During MAWC's last rate case, No. WR-2015-0301. Staff observed a number of negative depreciation reserve balances for certain MAWC water districts; however, those negative balances were combined with positive reserve balances that existed in other districts. During the last rate case approximately 19 water districts were combined into three water districts. Staff will continue to monitor depreciation reserve balances for all MAWC property accounts as part of its next rate case and will address any concerns in the context of that proceeding." (Emphasis added)³

³ Case Number WR-2017-0285 Rebuttal Testimony of OPC witness John A. Robinett page 6 lines 17-28.

1 **Q. Did you identify any specific issues related to MAWC’s meter accounts as part of the**
2 **2017 investigatory docket?**

3 A. No. In August of 2016, I accepted my current position with the OPC and left employment
4 with the Public Service Commission Staff so I did not participate in Staff’s investigatory
5 docket. In the 2017 rate case I discussed my concerns related to MAWC’s ongoing meter
6 conversion program. I specifically explained how this program would further drive
7 concerns about negative reserve with the premature retirement of Advanced Meter Reading
8 (or “AMR” meters) and manual read meters as part of the ongoing switch to Advanced
9 Meter Infrastructure (or “AMI” meters):

10 **Q. What MAWC proposal causes OPC concern for**
11 **reemergence of negative reserves now in the three consolidated zones?**
12

13 A. First, MAWC is recommending a conversion of their
14 metering system from Advanced Meter Reading (AMR) and manual reads
15 to Advanced Meter Infrastructure (AMI). The second concern relates to
16 MAWC’s request in Case No. WU-2017-0296 to replace lead service lines.
17

18 **Q. Why are these two proposals concerns for OPC?**
19

20 A. Both of these proposals potentially involve the retirement of
21 assets that may not have reached the vintage equal to the average service
22 life of the respective accounts. Specifically related to the meter conversion
23 based on MAWC’s response to OPC data request 8508 which discusses the
24 potential for 478,005 meters to be retired prematurely for the conversion to
25 AMI. OPC understands that the conversion will occur over time, but based
26 on the Staff Accounting Schedules filed in their cost of service report plant
27 in service for meters account is \$122,200,695 with a reserve balance of
28 \$11,895,165. This account is only 9.7 percent accrued according to Staff
29 Accounting Schedules, and if a massive replacement program is
30 implemented it is easy to predict that the meter account will quickly show a
31 negative reserve balance. (Emphasis added)⁴

⁴ Case Number WR-2017-0285 Rebuttal Testimony of OPC witness John A. Robinett page 9 lines 5-29.

At this point I think it is imperative to state that OPC is not challenging the conversion to AMI as the Commission has made itself very clear to OPC of its position on that matter. I am here to discuss the ramifications of that decision. I advised the Commission at the time the decision was made that converting to AMI meters would cause depreciation reserve to go negative for the meter accounts due solely to the early retirements of MAWC's existing meters. What I predicted has occurred.

Q. Do you have any data that demonstrates the change over time of the consolidated plant-in-service and accumulated depreciation reserves related to the Meters account 346?

A. Yes. I have compiled data from each of the last three rates cases filed in Staff's accounting schedules, and utilized the revenue requirement model from MAWC's workpapers to show the change over time in reserve accumulation. The following table is for the meter account since the 2017 rate case.

Account 346 Meters			
Rate Case	Plant in Service	Accumulated Reserve	Data Through
WR-2017-0285	\$ 122,200,695	\$ 11,895,165	12/31/2016
WR-2020-0344	\$ 167,193,455	\$ 2,705,149	12/31/2019
WR-2022-0303	\$ 201,835,433	\$ (17,193,329)	6/30/2022
WR-2024-0320	\$ 277,471,989	\$ (37,979,128)	12/31/2023

Q. Is account 346 Meters the only account with a negative reserve at December 31, 2023?

A. No. However, it is the account with the most significant deficiency.

1 **Q. What is your recommendation related to the negative reserves for account 346**
2 **meters?**

3 A. I recommend that depreciation reserves be credited \$32,864,889 to reflect a zero-reserve
4 balance as of May 31, 2025 as a discrete adjustment. If the Commission does not order
5 discrete adjustments the balance credited should be \$34,262,980 for end of true-up period
6 of December 31, 2024.

7 **Q. Do you recommend that rate payers pay for the reserve deficiency that exists related**
8 **to the technology change from AMR and manual read to AMI?**

9 A. No. It is my recommendation that this adjustment should not create a regulatory asset. This
10 adjustment should be borne by shareholders of MAWC not its ratepayers. As has been
11 discussed in other cases before this Commission, it is my position that rate payers should
12 not be paying for two meters. This is especially true when the first meter was retired long
13 before it would otherwise have been necessary to do so. Allowing a utility to make an
14 investment and then almost immediately double-back on its decision and replace that
15 investment represents an unjust and unreasonable cost that would not exist in a competitive
16 market. MAWC customers should therefore not be required to bear those costs.

17 MAWC decided to prematurely retire its existing infrastructure to convert to AMI
18 and thus cause the negative reserve issue that I advised the Commission would happen all
19 the way back in 2017. In doing so, the Company has been permitted to earn a profit on two
20 meters simultaneously despite only one being used to serve customers. The retired AMR
21 and manual read meters are no longer being used to serve customers and are therefore no
22 longer used of useful. They should therefore be removed from the Company's books.
23 Making the depreciation reserve adjustments I outlined will accomplish this goal.

1 **Q. You mentioned these meters being no longer used and useful, can you please**
2 **elaborate?**

3 A. The Commission has historically employed a “used and useful” standard when determining
4 whether a utility should be permitted to recover a return “of” or “on” an identified portion
5 of utility plant investment. Under this standard, a utility may only earn a return for plant
6 investments if those investments are currently being used to provide service to utility
7 customers. If the plant is not being used to provide services, because it has been retired for
8 example, then the utility is not permitted a return related to the investment.

9 The used and useful standard typically does not pose a problem when dealing with
10 retired utility plant because utility plant is typically retired at the end of its useful life. At
11 that point in time, the depreciation related to the utility plant should generally be “fully
12 accrued,” meaning that the utility has gotten its full return of and on the investment. This
13 is important because when a piece of utility plant is retired the net original cost of the plant
14 is subtracted from both the plant-in-service and accumulated depreciation reserve balances.
15 As long as the plant is fully depreciated, this subtraction would result in a net zero for both
16 the plant-in-service and depreciation reserve balances. However, a problem can occur when
17 the plant’s depreciation has not fully accrued because it is retired before its expected
18 retirement date. In that scenario the subtraction of the net original cost from the
19 depreciation reserve results in a net negative depreciation reserve for that specific piece of
20 utility plant.⁵ We refer to this type of plant as a “stranded asset.”

⁵ This net negative may not always be readily apparent because utility plant is grouped together by account. So while the pre-mature retirement of a single segment of main will result in a net negative reserve balance related to that specific segment of main, the reserve balance of the mains account as a whole will most likely remain positive.

1 In this case, because the prior existing AMR and manual read meters have been
2 replaced with new AMI meters, they are no longer being used to provide services to
3 customers. These meters are therefore no longer used and useful. Further, the pre-mature
4 retirement of these assets has created a stranded asset on MAWC's books. The size of the
5 stranded asset is so large that it has actually driven the Company's meter accounts negative.
6 That is why I am recommending the Commission make the reserve adjustment and not
7 create a regulatory asset when doing so. Creating the regulatory asset would allow the
8 Company to continue earning a return for these unused meters, which would violate the
9 used and useful principle.

10 **Q. Does this conclude your direct/rebuttal testimony?**

11 **A.** Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

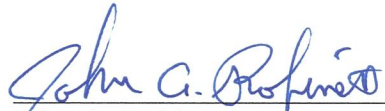
In the Matter of Missouri-American Water)
Company's Request for Authority to Implement)
a General Rate Increase for Water and Sewer) Case No. WR-2024-0320
Service Provided in Missouri Service Areas)

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

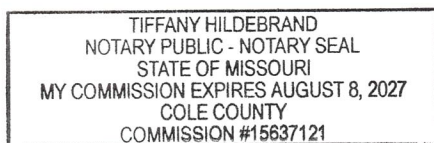
John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct/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.




John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 4th day of December 2024.



My Commission expires August 8, 2027.



Tiffany Hildebrand
Notary Public