

# Exhibit No. 134

*Exhibit No.:*  
*Issue(s):* *Dues and Donations,  
Materials and Supplies*  
*Witness:* *Sherrye Lesmes*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No.:* *WR-2022-0303*  
*Date Testimony Prepared:* *February 8, 2023*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**SHERRYE LESMES**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2022-0303**

*Jefferson City, Missouri*  
*February 2023*

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2 **SURREBUTTAL TESTIMONY**

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4 **SHERRYE LESMES**

5 **MISSOURI-AMERICAN WATER COMPANY**

6 **CASE NO. WR-2022-0303**

7 Q. Please state your name and business address.

8 A. My name is Sherrye Lesmes and my business address is 200 Madison Street,  
9 Jefferson City, Missouri 65101.

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

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as  
12 a Utility Regulatory Auditor.

13 Q. Are you the same Sherrye Lesmes that previously filed direct testimony on  
14 November 22, 2022, and rebuttal testimony on January 18, 2023, in this rate case?

15 A. Yes.

16 **EXECUTIVE SUMMARY**

17 Q. What is the purpose of your surrebuttal testimony in this proceeding?

18 A. In this testimony, I will respond to Missouri-American Water Company  
19 (“MAWC”) witnesses Matthew S. Mason’s rebuttal testimony that addresses dues and  
20 donations expenses and miscellaneous expenses, and Jennifer M. Grisham’s rebuttal testimony  
21 that addresses materials and supplies as part of other rate base items.

22 **DUES AND DONATIONS**

23 a) **Charitable contributions**

Surrebuttal Testimony of  
Sherrye Lesmes

1 Q. What is MAWC's position on charitable contributions?

2 A. According to page 19, line 16 to page 20, line 3 of Mr. Mason's rebuttal  
3 testimony, MAWC proposes to include in rates charitable contributions, safety, educational,  
4 and environmental quality expenses. These include such costs associated with: Firefighter grant  
5 programs, Hydration safety grant program, Missouri River relief, and various community  
6 engagement-based charitable contribution expenses. MAWC is seeking \$124,038 for charitable  
7 contributions in rate recovery.

8 Q. Has Mr. Mason's rebuttal testimony changed Staff's position on these types of  
9 charitable contributions?

10 A. No. Staff relied on the Commission's historical position. The Commission has  
11 historically disallowed charitable contributions, because they do not provide a direct benefit to  
12 ratepayers in that they do not contribute to providing safe and adequate service. Although the  
13 programs and organizations that MAWC contributed to (such as the Firefighter grant program,  
14 the Hydration grant program, Missouri River relief, and others) may be worthy causes and  
15 deserving of community support; they do not contribute to MAWC's ability to provide safe and  
16 adequate service to customers at reasonable rates. Therefore, Staff's position is still that all  
17 charitable contribution expenses should be excluded, totaling \$200,288.

18 **b) Membership Dues**

19 Q. What is MAWC's position on membership dues?

20 A. According to page 20, line 4 through page 21, line 20 of Mr. Mason's rebuttal  
21 testimony, MAWC seeks to include all expenses classified as membership dues for all  
22 Chambers of Commerce, (both local and state organizations), company sponsorship of  
23 Chamber of Commerce events, and all amounts paid for dues to all organizations, including

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Sherrye Lesmes

1 those portions of dues paid that are used for lobbying and or political activities by those  
2 organizations.

3 Q. Mr. Mason states on page 20, lines 13 through 14 of his rebuttal testimony:  
4 “Staff removed Chamber of Commerce dues and delineated lobbying activities that are done by  
5 professional organizations in which MAWC pays membership dues.” In your calculation of  
6 dues and donations adjustments, did you exclude all of these expenses?

7 A. No. On pages 2 through 4 of my direct testimony, I explained what costs were  
8 excluded. I included some dues and membership costs MAWC incurred to join organizations  
9 and pay for various subscriptions. However, as explained further below, I excluded the part of  
10 dues and membership related to lobbying or political activities.

11 Q. Can you explain what types of dues and membership costs were included and  
12 how they were determined?

13 A. Yes. Costs for such organizations as local Chambers of Commerce and state and  
14 national water utility organizations (such as American Water Works Association - AWWA and  
15 National Association of Water Companies - NAWC) were included. In addition, costs were  
16 included for several professional organizations that provide utility employees the benefits of  
17 maintaining their professional certifications. Staff also included membership costs in  
18 organizations that allow utility employees to receive valuable industry information that can be  
19 applied to current water treatment practices, improving the service and quality of the water  
20 MAWC delivers and thus, providing a direct benefit to ratepayers.

21 Q. Did you previously explain why the membership dues paid for certain  
22 organizations are delineated with portions disallowed?

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1           A.     Yes. I addressed that on page 3, line 18 through page 4, line 7 of my direct  
2 testimony. Only the portion of dues paid that go directly towards lobbying or political activities  
3 by certain organizations (such as AWWA and NAWC) and membership dues for lobbying  
4 groups were excluded. Since lobbyists are hired by companies, individuals, or corporations to  
5 represent their interests, and the lobbyists' purpose is to try to influence legislation, regulation,  
6 or other government decisions, actions, or policies on behalf of the people, organizations, or  
7 companies who hired them, it is appropriate in this case to remove that portion. While it is  
8 theoretically possible for the ratepayers to receive some ancillary benefit from lobbying  
9 activities, a company lobbyist's primary responsibility is to benefit the company or industry it  
10 represents.

11           Q.     Can you please explain why the costs for certain Chamber of Commerce  
12 membership dues were excluded and how the excluded amount was determined?

13           A.     As with prior rate cases, Staff's position on the inclusion of Chamber of  
14 Commerce is that membership dues in either the local Chambers (aggregated) or the State of  
15 Missouri Chamber may be included in rates, not both. In fact, in total, MAWC's membership  
16 dues for the local Chambers of Commerce exceed that of its State Chamber membership;  
17 therefore, Staff allowed the greater expense.

18           Additionally, among the many expenses classified as Chamber of Commerce  
19 "Membership Dues", the copies of invoices MAWC provided in its response to Staff Data  
20 Request ("DR") No. 0099 showed that numerous test year expenses were not for membership  
21 dues but rather for sponsorship of dinners, breakfasts, and various events (including  
22 participation in several local golf tournaments), and MAWC advertising for other community  
23 events. As these activities do not constitute membership dues of an organization, these expenses

1 were re-classified as sponsorship and advertising, which do not contribute a benefit to  
2 ratepayers by providing safe and adequate water and sewer services. Furthermore, sponsorships  
3 (similar to charitable contributions) represent an involuntary contribution by ratepayers and,  
4 therefore, should not be permitted recovery in rates. Thus, these re-classified expenses were  
5 excluded.

6 **MATERIALS AND SUPPLIES**

7 Q. What is MAWC's position on materials and supplies?

8 A. According to page 4, lines 9 through 20 of Ms. Grisham's rebuttal testimony,  
9 MAWC seeks to use the ending test year balance for materials and supplies rather than a 13-  
10 month average. Utilizing the ending test year balance would increase this category by  
11 approximately \$1.8 million.

12 Q. Has Ms. Grisham's rebuttal testimony changed Staff's opinion on the calculation  
13 of materials and supplies for rate base?

14 A. No. As shown in MAWC's response to Staff DR No. 0096, the monthly ending  
15 balances for the test year did not reflect a steady trend due to fluctuations between August and  
16 September 2021, October and November 2021, and, as noted in Ms. Grisham's rebuttal  
17 testimony, March and April 2022. For this reason, Staff determined that a 13-month  
18 normalization to account for those fluctuations is more accurate.

19 Q. Will Staff reexamine materials and supplies as part of its true-up audit?

20 A. Yes.

21 Q. Does this conclude your surrebuttal testimony?

22 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 General Rate Increase for Water )  
and Sewer Service Provided in Missouri )  
Service Areas )

Case No. WR-2022-0303

**AFFIDAVIT OF SHERRYE LESMES**

STATE OF MISSOURI     )  
  )  
COUNTY OF COLE     )     ss.

**COMES NOW SHERRYE LESMES** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Sherrye Lesmes*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**SHERRYE LESMES**

**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 3<sup>rd</sup> day of February 2023.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: April 04, 2025 Commission Number: 12412070
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Notary Public