

Exhibit No.:
Issues: WSIRA
Witness: Brian W. LaGrand
Exhibit Type: Direct
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2025-0345
Date: December 30, 2025

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2025-0345

DIRECT TESTIMONY

OF

BRIAN W. LAGRAND

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Brian W. LaGrand, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am the Director of Rates & Regulatory Support for American Water Works Service Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.



Brian W. LaGrand

December 30, 2025
Dated

**DIRECT TESTIMONY
BRIAN W. LAGRAND
MISSOURI-AMERICAN WATER COMPANY
CASE NO.: WR-2025-0345**

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DIRECT TESTIMONY

BRIAN W. LAGRAND

I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Brian LaGrand, and my business address is 727 Craig Road, St. Louis, MO,
4 63141.

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

6 A. I am employed by American Water Works Service Company (“AWWSC”, “Service
7 Company” or the “Company”) as the Director of Rates and Regulatory Support.

8 Q. Please summarize your educational background and business experience.

9 A. I received a Master of Business Administration degree from Washington University in St.
10 Louis in 1998, with a concentration in Finance, and a Bachelor of Science in Business
11 Administration degree from the University of Dayton in 1993, with a major in Accounting.
12 After graduation from the University of Dayton, I was licensed in Ohio as a Certified Public
13 Accountant, and was employed as an Auditor by J.D. Cloud and Associates until 1996.
14 After graduating from Washington University, I spent two years at May Department Stores
15 Company in the Capital Planning & Analysis department, focusing on the evaluation of
16 capital investments. In 2000, I began working for Anheuser-Busch Companies as a
17 Financial Analyst in the Treasury Group. My responsibilities included managing the
18 foreign currency derivative portfolio in Risk Management and running the commercial
19 paper and share repurchase programs in Corporate Finance. In 2005, I moved into the
20 Business & Wholesaler Development Group as a Sr. Business Analyst, where I worked on

1 acquisitions of craft breweries and competitive analysis. In 2010, I joined AWWSC as a
2 Manager in the Corporate Finance Group. My focus included evaluation of acquisition
3 opportunities across the country and the execution of many acquisitions, including several
4 in Missouri. In November of 2016, I was promoted to my current position as Director of
5 Rates and Regulatory Support for Missouri-American Water (“MAWC”). Beginning in
6 2025, my role was transitioned from MAWC to AWWSC, and in July 2025 I also became
7 responsible for the rates and regulatory functions of Iowa-American Water.

8 **Q. What are your current employment responsibilities?**

9 A. My responsibilities as Director of Rates and Regulatory Support include the following: 1)
10 preparing and presenting all rate change applications and supporting documents and
11 exhibits as prescribed by management policies, guidelines and regulatory commission
12 requirements; 2) preparing rate analyses and studies to evaluate the effect of proposed rates
13 on the revenues, rate of return and tariff structures; 3) executing the implementation of rate
14 orders, including development of the revised tariff pricing necessary to produce the
15 proposed revenue level; 4) overseeing the preparation of revenue and capital requirements
16 analyses; and 5) providing support for financial analyses, including preparation of
17 applicable regulatory commission filings.

18 **Q. Are you generally familiar with the operations, books and records of MAWC?**

19 A. Yes.

20 **Q. Have you previously testified before the Missouri Public Service Commission?**

21 A. Yes, I have provided testimony before the Missouri Public Service Commission
22 (“Commission”) in several cases. Additionally, I have testified before the Illinois

Commerce Commission. A list of the cases is attached as **Schedule BWL-1**.

Q. What is the purpose of your Direct Testimony in this proceeding?

A. The purpose of my Direct Testimony is primarily to support MAWC's proposed revenue requirement in WSIRA Case No. WR-2025-0345. The revenue requirement determines the level of revenues required to pay operating expenses, to provide for depreciation and taxes, and to afford MAWC's investors an opportunity to earn a reasonable return on their investment. Additionally, I will be addressing issues related to the WSIRA return and the WSIRA statute.

Q. Are any other Company witnesses providing Direct Testimony?

10 A. Yes. Linda Schlessman, Director – Tax Regulatory, will be providing testimony about the
11 tax gross up and related tax matters.

II. WSIRA REVENUE REQUIREMENT

16 A. Staff's total recommended revenue requirement is \$15,567,151.¹ This includes
17 \$12,927,651 of revenue requirement on new investments and \$2,639,500 of under
18 collection from the WSIRA reconciliation. Please see **Schedule BWL-2** for the detailed
19 calculations.

20 Q. Does the Company agree with Staff's recommended revenue requirement?

¹ WR-2025-0345 – Staff Recommendation, p. 3

1 A. Yes.

2 **Q. Did Staff subsequently file an Amended Recommendation?**

3 A. Yes. On December 9, 2025, Staff filed an Amended Recommendation to modify the tariff
4 calculation for Rate B. The Amended Recommendation did not change the total
5 recommended revenue requirement.

6 **Q. Does the Company agree with the Staff's Amended Recommendation?**

7 A. Yes.

8 **Q. Did the Office of Public Counsel (“OPC”) respond to Staff’s Recommendations in this
9 case?**

10 A. Yes. On December 9, 2025, OPC filed a response in which they disagree with Staff’s
11 inclusion of the gross-up on income taxes.

12 **Q. Does OPC oppose any other parts of Staff’s calculations?**

13 A. No. OPC stated that they do “not dispute Staff’s calculation of rate base, depreciation, or
14 it’s exclusion of property taxes from the WSIRA revenue requirement calculations.”²

15 **Q. Did the Company propose to include property taxes in the WSIRA revenue
16 requirement?**

17 A. No. Property taxes are only included if they are payable within 12 months of the filing of
18 a WSIRA application. In this case, the WSIRA investments were placed in service between
19 June 2025 and October 2025. Property tax on those investments would not be due until
20 December 2026. Staff did not “exclude” property taxes, as the Company never requested

² WR-2025-0345 – OPC’s Memorandum, p. 2, attached to OPC’s *Response to Staff Recommendation*

them.

2 Q. What is OPC's recommended reduction to Staff's revenue requirement?

3 A. OPC recommends a reduction of \$430,535, or a total revenue requirement of \$15,136,615.

4 Q. Does the Company agree with OPC's proposed adjustment?

5 A. No. As discussed below, OPC's proposed adjustment would result in a lower after-tax
6 return than what was agreed to in the Stipulation and Agreement in the Company's most
7 recent rate case. This would result in a lower revenue requirement than is appropriate.

III. WSIRA RETURN

11 A. Yes. In the Revenue Requirement Stipulation and Agreement, parties agreed that “For
12 purposes of the WSIRA, the overall post-tax weighted average cost of capital shall be
13 7.00%.”³ That Stipulation and Agreement was approved by the Commission on May 7,
14 2025.⁴

15 Q. What return did the Company use for purposes of the WSIRA in this case?

16 A. The Company used a pre-tax return of 8.47%, and a post-tax return of 7.00%.

17 Q. How did the Company arrive at a pre-tax return of 8.47%?

18 A. Please see **Schedule BWL-3** for the Company's calculation of the pre-tax return. This
19 information was also provided in response to OPC Discovery Request 1200.

20 Q. Did Staff utilize the same return for their recommended WSIRA revenue

³ WR-2024-0320 – *Revenue Requirement Stipulation and Agreement*, p. 2.

⁴ WR-2024-0320 – *Report and Order*, pp. 8-9

1 **requirement?**

2 A. Yes.

3 **Q. What return did OPC recommend?**

4 A. OPC recommends a pre-tax return of 8.12%.

5 **Q. Does using a pre-tax return of 8.12% result in an after-tax return of 7.00%?**

6 A. No, it does not. As shown in the Direct Testimony of Company witness Schlessman, using
7 a pre-tax return of 8.12% results in an after-tax return of 6.73%, which is less than the
8 return approved by the Commission for WSIRA purposes in Case No. WR-2024-0320.

9 **IV. RATE CASE INCOME TAXES**

10 **Q. Does OPC reference the income taxes included by Staff in the Company's most recent
11 rate case?**

12 A. Yes. OPC notes that Staff's Total Company Accounting Schedules show required current
13 income tax of -\$13,142,418, and claims that demonstrates the Company "MAWC will not
14 pay income taxes during the time that it will collect these WSIRA revenues . . ."⁵

15 **Q. Is this an accurate characterization of the income tax expense that Staff included in
16 its accounting schedules?**

17 A. No. It is an extreme mischaracterization of the income taxes in the rate case.

18 **Q. Why do you believe this is a mischaracterization?**

19 A. OPC has selectively included components that they mistakenly believe support their
20 argument that the tax gross-up should be excluded from the WSIRA return. While OPC

⁵ WR-2025-0345 – OPC's Memorandum, p. 3, attached to OPC's *Response to Staff Recommendation*

1 has correctly noted the value of the current income taxes in the Staff Accounting Schedules,
2 they have conveniently excluded the deferred income taxes. As shown below in **Table**
3 **BWL-1**, the deferred income taxes included in Staff's Accounting Schedules is
4 \$49,184,183. When combined with current income taxes and the amortization of excess
5 accumulated deferred income taxes, the Total Income Tax expense included by Staff is
6 \$27,079,969⁶. Please see the Direct Testimony of Company witness Schlessman for
7 discussion of why the deferred income taxes must be included to accurately reflect the
8 necessary taxes in a revenue requirement.

Table BWL-1

	St. Louis Water (p 68)	All Other Water (p 92)	Arnold Sewer (p 112)	All Other Sewer (p 134)	Total
Current Income Tax (line 43)	(\$11,241,824)	(\$2,057,700)	\$168,903	(\$11,797)	(\$13,142,418)
Deferred Income Tax (line 45)	37,495,618	10,726,711	41,832	920,022	49,184,183
Amortization of Deferred ITC (line 46)	(98,028)	(3,900)	0	0	(101,928)
Amortization of Protected Exess ADIT (line 47)	(1,062,446)	(361,799)	(10,049)	(37,368)	(1,471,662)
Amortization of Unprotected Excess ADIT (line 48)	(5,333,814)	(1,816,344)	(50,448)	(187,600)	(7,388,206)
Total Income Tax (line 50)	\$19,759,506	\$6,486,968	\$150,238	\$683,257	\$27,079,969

10 **Q. OPC claims that the Company will not pay income taxes during the time that it will
11 collect these WSIRA revenues. How does the Company respond?**

12 **A.** See the Direct Testimony of Company witness Schlessman for a discussion of the payment
13 of income taxes.

V. WSIRA STATUTE

15 **Q. What does the WISRA statute say about the revenue requirement in a WSIRA?**

16 **A.** The statute states that an eligible utility "... may file a petition and proposed rate schedules
17 with the commission to establish or change a WSIRA that will provide for the recovery of

⁶ WR-2024-0320 - *Staff's Corrected Accounting Schedules*, docket entry 145. The page references and line numbers in Table BWL-1 are in reference to the Accounting Schedules.

1 the appropriate pre-tax revenues associated with the eligible infrastructure system projects

2 ”⁷

3 **Q. Does the statute define “appropriate pre-tax revenues”?**

4 A. Yes. The statute defines appropriate pre-tax revenues as the revenues necessary to produce
5 net operating income equal to:

6 (a) **The water or sewer corporation's pretax weighted cost of capital** multiplied by the
7 net original cost of eligible infrastructure system projects, including recognition of
8 accumulated deferred income taxes and accumulated depreciation associated with
9 eligible infrastructure system projects which are included in the petition to establish or
10 change a WSIRA, plus accumulated deferred income taxes and accumulated
11 depreciation associated with any eligible infrastructure system projects in a currently
12 effective WSIRA implemented pursuant to sections 393.1506 and 393.1509;

13 (b) **The state, federal, and local income or excise taxes applicable to such revenues;**

14 (c) The depreciation expense applicable to the eligible infrastructure system project less
15 annual depreciation expense associated with any related facility retirements; and

16 (d) The property taxes applicable to the eligible infrastructure that will be due within twelve
17 months of the filing of a request to implement a water and sewer infrastructure rate
18 adjustment pursuant to sections 393.1506 and 393.1509, less any property taxes
19 associated with any related facility retirements.⁸

20 **VI. CONCLUSION**

21 **Q. What is your recommendation for the Commission?**

⁷ Section 393.1506(1), RSMo

⁸ Section 393.1503(1)(a) through (d), RSMo (emphasis added)

1 A. I recommend the Commission reject OPC's proposed 8.12% pre-tax cost of capital and
2 adopt the 8.47% pre-tax cost of capital utilized by the Company and Staff.

3 Q. Does this conclude your Direct Testimony?

4 A. Yes.

Brian W. LaGrand
Missouri American Water
Director of Rates & Regulatory Support

Case Participation

Case Number	Case Type	Testimony Issues
Cases Before Missouri Public Service Commission		
WR-2024-0320	General Rate Case	<p>Direct: Test Year, Regulatory Lag, Production Cost Tracker, Revenue Requirement, Company Accounting Schedules, Minimum Filing Requirements, Acquisitions, Rate Case Expense, Allowance for Funds Used During Construction, Expired Amortizations, Prior Rate Case Matters.</p> <p>Supplemental Direct: Test Year, Discrete Adjustments, Revenue Requirement, Corrections</p> <p>Rebuttal/Surrebuttal/Sur-Surrebuttal: Revenue Requirement, Test Year & True Up, Discrete Adjustments, Rate Case Expense, Acquisitions & Divestitures, Certain Tax Matters, Deferral Mechanisms, Trackers, Low-Income Programs, Expired Amortizations, EADIT Amortizations, District Allocations, Tariff Matters, Customer Notices, Return on Meters</p>
WR-2022-0303	General Rate Case	<p>Direct: Test Year, Regulatory Lag, Production Cost Tracker, Revenue Requirement, Company Accounting Schedules, Minimum Filing Requirements, Acquisitions, Rate Case Expense, Excess ADIT Stub Period</p> <p>Rebuttal: Revenue Requirement, Acquisitions, Test Year & Discrete Adjustments, Rate Case Expense, Certain Tax Matters, Customer Late Fees, Affiliate Transactions, Deferral Mechanisms, Low-Income Programs, EADIT Stub Period Amortization, District Allocations</p> <p>Surrebuttal: Discrete Adjustments, Deferral Mechanisms, Engineered Coatings, Lead Service Lines, City of Purcell, Rate Case Expense, WSIRA Pre-Tax Return, Earned ROE, Expense Trackers, Affiliate Transactions</p>
WA-2021-0376	Application for Certificate	<p>Direct: Eureka Acquisition</p> <p>Surrebuttal: Eureka Acquisition</p>
WU-2020-0417	Accounting Authority Order	<p>Direct: COVID-19 Deferral, Accounting Authority Order</p>
WR-2020-0344	General Rate Case	<p>Direct: Company Accounting Schedules, Acquisitions, Revenue Requirement, Capital Structure, Revenues, Rate Base, Depreciation Expense, Rate Case Expense, Minimum Filing Requirements, Pension and OPEB Expense, Pension and OPEB Tracker, Property Taxes, Credit Card Fees</p> <p>Revenue Requirement Rebuttal: Revenue Requirement, Capital Structure, Present Rate Revenues, Rate Base, Engineered Coatings, Allowance for Funds Used During</p>

Case Number	Case Type	Testimony Issues
		<p>Construction, Depreciation Expense, Amortization Expense, OPEB Expense, Rate Case Expense, Affiliate Transactions, Credit Card Fees, and Property Taxes</p> <p>Rate Design Rebuttal: Corporate Allocations, Special Contracts, Customer Classifications</p> <p>Surrebuttal: Rate Design, Revenues AFUDC, Amortization of Regulatory Assets, Affiliate Transactions, COVID-19 AAO Deferral, Working Capital, Capital Spending Projections, Engineered Coatings, Lead Service Lines, Property Tax Tracker, Credit Card Fees, Rate Case Expense</p>
WO-2020-0190	ISRS	<p>Direct: Infrastructure System Replacement Surcharge</p>
WO-2018-0184	ISRS	<p>Direct: Infrastructure System Replacement Surcharge</p> <p>Rebuttal: Infrastructure System Replacement Surcharge</p>
WO-2017-0393	ISRS	<p>Direct: Infrastructure System Replacement Surcharge</p>
WR-2017-0285	General Rate Case	<p>Direct: Company Accounting Schedules, Acquisitions, Revenue Requirement, Revenues, Rate Design, Rate Base, Depreciation Expense, Amortization Expense, Rate Case Expense, Minimum Filing Requirements</p> <p>Revenue Requirement Rebuttal: Revenue Requirement, Present Rate Revenues, Rate Base, Depreciation Expense, Amortization Expense, Rate Case Expense</p> <p>Rate Design Rebuttal: Water & Sewer Cost Allocations, Arnold Rates, Miscellaneous Fees, Fire Tariffs</p> <p>Surrebuttal: Water Rate Design, Fixed Charge, Offset Mechanism, Sewer Rate Design, Miscellaneous Fees, Low Income Tariff, Property Taxes, Customer Usage, Depreciation Expense, Negative Depreciation Reserves, Regulatory Deferrals, Rate Case Expense, Working Capital</p>
WU-2017-0351	Accounting Authority Order	<p>Direct: Property Tax Expense, Accounting Authority Order</p> <p>Surrebuttal: Property Tax Expense, Accounting Authority Order</p>
WU-2017-0296	Accounting Authority Order	<p>Direct: Lead Service Line Replacement program, Cost Recovery, Accounting Authority Order</p> <p>Rebuttal: Accounting Authority Order, Cost Recovery</p> <p>Surrebuttal: Accounting Treatment</p>
WA-2012-0066	Application for Certificate	<p>Direct: Financial Analysis of Saddlebrooke Acquisition</p>
Cases Before Illinois Commerce Commission		
15-0458	Acquisition of the City of Grafton Sewer	<p>Direct: Rate, Financial and Accounting aspects of the acquisition</p>
14-0105	Acquisition of Hardin County Water	<p>Direct: Rate, Financial and Accounting aspects of the acquisition, Illinois Small Systems Viability Act</p>
13-0073	Acquisition of the City of Grafton Water	<p>Direct: Rate, Financial and Accounting aspects of the acquisition</p>

Missouri-American Water Company
WSIRA Revenue Requirements Calculation

1	WSIRA Revenue Requirement	2	STL County Water	3	Other Water	4	Arnold Sewer	5	Other Sewer	6	Total
7	Utility Plant Projects--Replacement	8		9		10		11		12	
13	Utility Plant in Service--Replacement	14	\$104,168,644	15	\$31,170,709	16	\$74,080	17	\$1,692,381	18	\$137,105,814
19	Net Contributions in Aid of Construction	20	2,166	21	(47,587)	22	(8,922)	23	(12,682)	24	(67,026)
25	Deferred Taxes	26	(12,802,502)	27	(4,032,072)	28	(9,459)	29	(262,997)	30	(17,107,029)
31	Accumulated Depreciation	32	(1,010,656)	33	(323,611)	34	(1,863)	35	(19,302)	36	(1,355,432)
37	Total Net Replacement Rate Base	38	\$90,357,652	39	\$26,767,439	40	\$53,837	41	\$1,397,400	42	\$118,576,327
43	Utility Plant Projects--Facilities Relocations	44		45		46		47		48	
49	Utility Plant in Service--Relocations	50	\$3,074,101	51	\$3,755,676	52	\$0	53	\$0	54	\$6,829,777
55	Net Contributions in Aid of Construction	56	(553,860)	57	(402,768)	58	0	59	0	60	(956,628)
61	Deferred Taxes	62	(600,296)	63	(799,301)	64	0	65	0	66	(1,399,597)
67	Accumulated Depreciation	68	(17,120)	69	(22,704)	70	0	71	0	72	(39,823)
73	Total Net Relocation Rate Base	74	\$1,902,826	75	\$2,530,904	76	\$0	77	\$0	78	\$4,433,729
79	Utility Plant Projects--Total	80		81		82		83		84	
85	Utility Plant in Service--Total	86	\$107,242,745	87	\$34,926,386	88	\$74,080	89	\$1,692,381	90	\$143,935,591
91	Net Contributions in Aid of Construction	92	(551,694)	93	(450,356)	94	(8,922)	95	(12,682)	96	(1,023,653)
97	Deferred Taxes	98	(13,402,798)	99	(4,831,373)	100	(9,459)	101	(262,997)	102	(18,506,626)
103	Accumulated Depreciation	104	(1,027,775)	105	(346,315)	106	(1,863)	107	(19,302)	108	(1,395,255)
109	Accumulated Depreciation and Deferred Taxes on Investment in Current WSIRA	110		111		112		113		114	
115	Accumulated Depreciation - Prior WSIRA	116	0	117	0	118	0	119	0	120	0
121	Deferred Taxes - Prior WSRIA	122	0	123	0	124	0	125	0	126	0
127	Total Adjustment	128	\$0	129	\$0	130	\$0	131	\$0	132	\$0
133	Total WSIRA Rate Base	134	\$92,260,478	135	\$29,298,342	136	\$53,837	137	\$1,397,400	138	\$123,010,057
139	Overall Pre-Tax Rate Of Return per Last Order	140	8.47%	141	8.47%	142	8.47%	143	8.47%	144	8.47%
145	Revenue Requirement on Capital	146	\$7,814,462	147	\$2,481,570	148	\$4,560	149	\$118,360	150	\$10,418,952
151	Depreciation Expense	152	1,865,036	153	610,129	154	2,599	155	30,935	156	2,508,699
157	Property Taxes	158	0	159	0	160	0	161	0	162	0
163	Total Revenue Requirement	164	\$9,679,498	165	\$3,091,699	166	\$7,159	167	\$149,294	168	\$12,927,651
169	Adjustments:	170		171		172		173		174	
175	Under collection from WSIRA reconciliation	176	2,599,717	177	(12,393)	178	(5,298)	179	57,474	180	2,639,500
181	Revenue Cap Adjustment	182	0	183	0	184	0	185	0	186	0
187	Total WSIRA Revenue Requirement	188	\$12,279,215	189	\$3,079,305	190	\$1,861	191	\$206,769	192	\$15,567,151
193	Allocation of Revenue by Class	194		195		196		197		198	
199	Rate A	200	\$11,733,791	201	\$2,700,743	202		203		204	\$14,434,534
205	Rate B	206	173,869	207	103,803	208		209		210	277,672
211	Rate J	212	371,556	213	274,759	214		215		216	646,315
217	Sewer	218		219		220	1,861	221	206,769	222	208,630
223	Total WSIRA Revenue Requirement	224	\$12,279,215	225	\$3,079,305	226	\$1,861	227	\$206,769	228	\$15,567,151

Missouri-American Water Company

Pre-Tax Cost of Capital for WSIRA

WSIRA 7 - OPC 1200 Attachment 1

Class of Capital	Weighted		
	Percent of Total	Cost Rate	Cost of Capital
Short-Term Debt	0.00%	0.00%	0.00%
Long-Term Debt	50.50%	4.55%	2.30%
Preferred Stock	0.00%	0.00%	0.00%
Common Equity	49.50%	9.50%	4.70%
Total Capitalization	100.00%		7.00%
ISRS Pre-Tax Return			8.47%

Gross Revenue Conversion Factor

Revenue	1,000.0
Uncollectibles Rate	0.0000%
Uncollectibles	0.0
PSC Assessment Rate	0.0000%
PSC Assessment	0.0
Before Tax Amount	1,000.000
SIT Rate	3.5951%
State Income Taxes	35.951
FIT Rate	20.2450%
Federal Income Taxes	202.450
Total Taxes and Expenses	238.401
Net Amount	761.599
Conversion Factor	1.313030