

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 STATE OF MISSOURI

3 TRANSCRIPT OF PROCEEDINGS

4

5 EVIDENTIARY HEARING

6

7 In the Matter of the Petition)

8 Of Missouri-American Water)

9 Company for Approval to) Case No. WR-2025-0345

10 Establish a Water and Sewer)

11 Infrastructure Rate)

12 Adjustment (WSIRA))

13

14 WEDNESDAY, JANUARY 28, 2026

15 1:30 p.m. - 2:56 p.m.

16 Governor Office Building
17 200 Madison Street
Jefferson City, Missouri 65101

18

VOLUME 2

19 KEN SEYER, Presiding
DEPUTY CHIEF REGULATORY LAW JUDGE

20 MAIDA J. COLEMAN,
21 GLEN KOLKMEYER,
JOHN MITCHELL,
COMMISSIONERS

22

23 Reported By:

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Job No.: 202430

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1 Proceedings began at 1:30 p.m.:

2 JUDGE SEYER: All right. Let's bring
3 this proceeding to order and go on the record. Good
4 afternoon. Today is January 28th, 2026. The time
5 is 1:30 p.m. The Commission has set this time for an
6 evidentiary hearing in the case captioned as: In the
7 Matter of the Petition of Missouri-American Water
8 Company for Approval to Establish a Water and Sewer
9 Infrastructure Rate Adjustment. The acronym for that
10 is W-S-I-R-A, and we often refer to that as WSIRA.
11 It's our Case No. WR-2025-0345.

12 My name is Ken Seyer and I am the
13 regulatory law judge presiding over this hearing.
14 The hearing is taking place in the Public Service
15 Commission hearing room, room 310 of the Governor
16 Office Building in Jefferson City, Missouri.

17 Before we get too far into this, let's
18 have counsel for the parties make their entries of
19 appearance beginning with Missouri-American Water
20 Company.

21 MR. COOPER: Thank you, your Honor. Dean
22 Cooper from the law firm of Brydon, Swearengen &
23 England, P.C., appearing on behalf of Missouri-
24 American Water Company along with Ms. Rachel Neimeier
25 of Missouri-American Water Company.

1 JUDGE SEYER: All right. Thank you. For
2 the Staff of the Commission.

3 MS. ASLIN: Casi Aslin for Commission
4 Staff.

5 JUDGE SEYER: All right. And for the
6 Office of Public Counsel.

7 MS. VANGERPEN: Good afternoon. Lindsay
8 VanGerpen on behalf of the OPC.

9 JUDGE SEYER: Thank you. For those in
10 the hearing room, I ask that everyone silence their
11 cell phones and mobile devices. If you are connected
12 via Webex, ask that you mute your microphone when not
13 speaking.

14 We do have -- I know we will have a
15 witness appearing via Webex today, and there are
16 commissioners that are participating via Webex today.
17 Let me ask the parties, is there anything, any
18 preliminary matters we need to take up? Okay. Do
19 the parties wish to give opening statements?

20 MR. COOPER: Yes, your Honor.

21 JUDGE SEYER: All right. Then,
22 Mr. Cooper, go ahead.

23 MR. COOPER: Just a minute, your Honor.
24 We're going to hand out copies of the Power Point
25 presentation.

1 May it please the Commission. The issue
2 before you today is fairly isolated. Should the tax
3 gross-up on income taxes be included in the WSIRA
4 revenue requirement. This kind of goes without
5 saying that there's nothing like income tax
6 calculation and Accumulated Deferred Income Taxes to
7 spice up an afternoon, so here we go.

8 Just to kind of set the stage for where
9 this disagreement figures into the process, the
10 revenue requirement, of course, is, at a high level,
11 the rate base times the pre-tax return plus expenses.
12 And again, that equals the revenue requirement. In
13 this case there's no disagreement amongst the parties
14 as to the rate base or the expenses to be included.
15 The only disagreement is over the proper pre-tax
16 return to be applied to the rate base. Missouri-
17 American and the Staff agree the pre-tax return
18 should be 8.47 percent. OPC believes the pre-tax
19 return should be 8.12 percent. The difference is
20 fully attributable to the income tax gross-up that
21 was referenced previously. Missouri-American and
22 Staff use a tax gross-up of 1.3130. OPC uses a tax
23 gross-up of 1.2384.

24 In ratemaking, income tax expense is
25 included in the revenue requirement. The revenues

1 included to cover these income taxes are treated as
2 taxable income. Because the income taxes are not
3 themselves tax deductible, an additional amount is
4 added to the utility's revenue requirement to ensure
5 there is enough revenue for the income tax expense.
6 We provide an example on this slide of what happens
7 if the commission were to authorize a hundred dollars
8 of income tax expenses using both the Company's
9 gross-up percentage or gross-up of 1.3130 versus what
10 would happen using the OPC's tax gross-up of 1.2384.
11 Ultimately it would result -- the OPC calculation
12 would result in only \$94 being available for tax
13 expense. The tax gross-up supported by the Company
14 and Staff ensures the utility retains the
15 Commission-authorized amount of income tax expense.

16 Now, what are the deferred taxes. Any
17 revenue requirement must include income tax expense
18 for the utility to earn, again, the authorized
19 return. The income tax expense will be primarily
20 made up of both current income tax expense, tax
21 payable now, and deferred income tax expense, tax
22 payable later. Deferred income taxes are primarily
23 created due to the significant differences in
24 depreciation of utility plant for income tax purposes
25 versus depreciation rates for book purposes. For

1 Missouri-American, this is driven by the tax repairs
2 deduction as well as accelerated tax depreciation.
3 Ultimately the current income taxes plus the deferred
4 income taxes are included in the revenue requirement.

5 Again, deferred income tax expense is the
6 recognition of the taxes to be paid in the future.
7 When a company incurs deferred income tax expense,
8 these amounts are accumulated in what we referred to
9 before as the Accumulated Deferred Income Taxes, or
10 ADIT. ADIT ultimately is a reduction to rate base
11 resulting in a lower revenue requirement for the
12 customer. In this case, ADIT reduces the rate base
13 by about \$18.5 million which translates into a
14 benefit to customers of a reduction in the revenue
15 requirement of over \$1.5 million.

16 The tax gross-up is a fundamental part of
17 the ratemaking process and the calculation of income
18 taxes. The WSIRA statutes require inclusion of the
19 state, federal, and local income or excise taxes as
20 applicable to the WSIRA revenues. You'll see below
21 we've provided some excerpts from those WSIRA
22 statutes both talking in terms of the pre-tax
23 weighted cost of capital involvement in the
24 determination of appropriate pre-tax revenues as well
25 as the state, federal, and local income or excise

1 taxes applicable to such revenues that are required
2 as part of appropriate pre-tax revenues. And then
3 lastly, the identification of the factor of the
4 current state, federal, and local income or excise
5 tax rates that would be used in determining the
6 appropriate pre-tax revenues.

7 I would mention that in OPC Witness
8 Riley's rebuttal testimony he attempts to provide an
9 additional definition of appropriate in this context
10 by citing to some dictionary definitions which is
11 really not -- not anything that needs to be done in
12 this case. As exhibited here, the statute already
13 defines appropriate pre-tax revenues. There's no
14 reason for any further definitional reference.

15 I would also point out that in the
16 not-too-distant past, in the Confluence Rivers rate
17 case WR-2023-0006, and this is the Report and Order,
18 on page 16 the Commission recognized that income tax
19 expense said a hypothetical construct used in
20 ratemaking is the result of multiplying the rate base
21 by the Commission-authorized rate of return and then
22 the statutory tax rate. This provides the utility
23 recovery of the income tax expense associated with
24 its authorized return on its investment. The
25 Commission also noted that this is the only income

1 tax expense included in rates, and there is no
2 component within that methodology that considers the
3 actual revenues or deductions reported on federal or
4 state income tax returns.

5 One last point we'd like to make is that
6 in Missouri-American's last rate case, WR-2024-0320,
7 the Commission approved a 7.00 percent after tax
8 return for use in Missouri-American's WSIRA. By not
9 including the full tax gross-up, OPC would have the
10 company earn 6.73 percent after tax return. And the
11 calculation of that's provided on this slide as well
12 as in the direct testimony of Ms. Schlessman who will
13 testify later today. Because of the statutory
14 definitions, because of the Order in the last rate
15 case identifying the after tax return, the Commission
16 should order the pre-tax return of 8.47 percent
17 that's been agreed to by Missouri-American and Staff
18 and again, as a part of the statute, as part of the
19 Stipulation and Agreement approved by the Commission
20 in that case and supported by OPC in the Company's
21 last rate case. And that's all I have at this time.

22 JUDGE SEYER: All right. Thank you,
23 Mr. Cooper. Are there any questions from the
24 commissioners for Mr. Cooper? All right. Thank you.
25 Ms. Aslin, would you like to make an opening

1 statement?

2 MS. ASLIN: Good afternoon, and may it
3 please the Commission. My name's Casi Aslin and I am
4 here representing Commission Staff. Mr. Cooper just
5 explained very well the issue at hand today so I'm
6 going to try and keep this as brief as possible.

7 There's just one issue before you today.
8 Should the gross-up on income taxes be included in
9 the WSIRA revenue requirement. Staff's position and
10 that of the Company is yes. The tax gross-up factor
11 is used to calculate additional taxes needed on the
12 overall revenue requirement in both general rate
13 cases and WSIRA cases. Taxes included in Staff's
14 WSIRA recommendation include both current and
15 deferred income taxes. Therefore, it is Staff's
16 position that if taxes are to be included in rates,
17 there should be a tax gross-up applied to the overall
18 revenue requirement, whether in a general rate case
19 or a WSIRA case. Including taxes in the revenue
20 requirement is not dependent on whether Missouri-
21 American is currently making tax payments to the IRS,
22 and this is a common approach.

23 As Mr. Cooper stated, as part of
24 the approved Stipulation and Agreement in
25 Missouri-American's most recent rate case, which

1 was WR-2024-0320, the parties, including the Office
2 of Public Counsel, agreed to an overall post-tax --
3 post-tax weighted average cost of capital of 7
4 percent and agreed to using this for WSIRA purposes.
5 Public Counsel's position of excluding the tax gross-
6 up factor from the WSIRA revenue requirement changes
7 the post-tax return to 6.73 percent which is less
8 than the 7 percent Commission-approved post-tax
9 return.

10 While he did not file testimony in this
11 case, Staff has Keith Majors here today to answer any
12 questions that you may have on Staff's position.
13 Thank you.

14 JUDGE SEYER: All right. Thank you. Do
15 the commissioners have any questions for Ms. Aslin?

16 COMMISSIONER MITCHELL: If I may, Judge.

17 JUDGE SEYER: Go ahead, Commissioner
18 Mitchell.

19 COMMISSIONER MITCHELL: Thanks so much
20 for your opening. Just want to make sure that I
21 understand what's been said. The primary difference
22 in what the Company and Staff recommend for the tax
23 gross-up multipliers lies in the difference between
24 accelerated depreciation used for tax purpose and
25 depreciation that is used for book purpose? Is that

1 where the difference in the two multipliers is?

2 MS. ASLIN: I'm not certain, but maybe
3 you could ask Keith Majors or another witness that
4 question. I'm sorry.

5 COMMISSIONER MITCHELL: Okay. I will.

6 JUDGE SEYER: All right. Thank you.

7 Ms. VanGerpen.

8 MS. VANGERPEN: Yes, your Honor. I'm
9 going to pass out our presentation first as well.

10 Good afternoon, Commissioners, and may it
11 please the Commission. My name is Lindsay VanGerpen
12 and I'm here this afternoon on behalf of the OPC. So
13 I'd like to begin this afternoon by posing a simple
14 question. If a company does not remit payment for
15 income taxes to the IRS, does the Commission still
16 need to gross-up the current income taxes. The OPC's
17 answer to this question is simply no. The Commission
18 does not need to include a tax gross-up when payments
19 are not actually being remitted to the IRS.

20 So to understand the OPC's position, we
21 need to dive a little deeper into two concepts:
22 Income taxes and the tax gross-up. So let's look at
23 income taxes first. Now, when I refer to income
24 taxes, I'm referring to the amount included in a
25 utility's revenue requirement to pay income taxes to

1 the IRS. Now, the WSIRA statutes require recovery of
2 income taxes. So to be clear the OPC is not
3 challenging Missouri-American's recovery of the
4 income taxes in this case. Rather, our argument is
5 strictly limited to the tax gross-up, and the WSIRA
6 statutes don't explicitly require recovery of an
7 income tax gross-up.

8 So what is an income tax gross-up. So
9 the income tax gross-up exists because of a problem.
10 The IRS considers the income tax included in the
11 revenue requirement to be taxable income to the
12 utility. So the solution to that problem was to
13 include an additional amount to pay the income taxes
14 collected in the revenue requirement. And that
15 additional amount is the tax gross-up. Now, because
16 it's collected to pay the income taxes on the income
17 taxes, this is sometimes called tax on tax.

18 So that's a little bit difficult to
19 understand, so let's look at an example. And so
20 for this simplified example we can say that
21 the Commission has authorized a utility to
22 recover \$100,000 in revenue. To calculate the
23 income taxes on those revenues, we simply multiply
24 that 100,000 by the composite tax rate of 23.84
25 percent, and we find that the utility would need

1 to collect \$23,840 to pay the income taxes on
2 the \$100,000 in revenue. So as I mentioned, the IRS
3 sees that \$23,840 as income to the utility, so it
4 generates additional taxes. So to calculate that we
5 multiply the \$23,840 by the composite tax rate again
6 and we see that the utility now needs to collect an
7 additional about \$5,600. So the IRS will also see
8 that amount as additional income, so we continue the
9 process, again, multiplying that \$5,600 by the
10 composite tax rate to get approximately \$1,355.

11 Now, this process continues again and
12 again and again and again until the amount is de
13 minimis and we ultimately find that the utility needs
14 to collect \$131,300, and that would allow it to
15 realize its \$100,000 in revenues, to pay the \$23,840
16 in taxes, and then the remaining \$7,460 is the tax
17 gross-up. So to be clear, the \$7,460 exists only
18 because the IRS considers the additional taxes to be
19 additional income to the utility. So the key here is
20 if the utility does not actually remit the \$23,840 to
21 the IRS, it doesn't have to pay the gross-up.

22 So that brings me to the core of the
23 OPC's position, Missouri-American's tax position. So
24 as Mr. Riley pointed out in his prefilled testimony,
25 based on information from its most recent rate case,

1 Missouri-American does not currently remit payment to
2 the IRS for income taxes. So because Missouri-
3 American does not currently remit payment for any
4 taxes to the IRS, it's made whole when it recovers
5 its WSIRA plant costs plus the income taxes. So if
6 the Commission still allows Missouri-American to
7 collect the income tax gross-up, the tax gross-up
8 will be profit to Missouri-American at that point.

9 So that brings me to the OPC's position,
10 and really our position is pretty simple. Missouri-
11 American does not remit payment for income taxes to
12 the IRS and because there's no remittance for
13 payment, no gross-up is required to make Missouri-
14 American whole. And for that reason the Commission
15 should exclude the gross-up on the income tax
16 calculation and should reduce the WSIRA revenue
17 requirement by \$430,535.

18 So Mr. Riley will be appearing on behalf
19 of the OPC this afternoon. Mr. Riley has years of
20 experience in utility regulation and is also a
21 certified public accountant or CPA. So I encourage
22 you to ask him any questions that you have. And I
23 will also attempt to answer any questions that you
24 have at this time.

25 JUDGE SEYER: All right. Thank you. Are

1 there questions from the commissioners? All right.

2 Hearing none. Thank you, Ms. VanGerpen.

3 MS. VANGERPEN: Thank you.

4 JUDGE SEYER: All right. Mr. Cooper,
5 would you like to call your first witness.

6 MR. COOPER: We would. We would call
7 Mr. Brian LaGrand.

8 (Witness sworn.)

9 BRIAN LAGRAND

10 the witness, having been first duly sworn,
11 testified as follows:

12 JUDGE SEYER: All right. Thank you.

13 MR. COOPER: Judge, we're going to have
14 two pieces of testimony from Mr. LaGrand, his direct
15 and rebuttal. Do you want to just -- and we have not
16 premarked any of the testimony in this case. Do we
17 just want to do that sequentially and start with
18 numbers 1 and 2 and go from there?

19 JUDGE SEYER: Yes.

20 MR. COOPER: Okay. So I would -- I would
21 take it then that his direct testimony would be
22 Exhibit 1 and his rebuttal testimony would be
23 Exhibit 2.

24 JUDGE SEYER: Yes. That's -- that makes
25 sense to me.

1 DIRECT EXAMINATION

2 BY MR. COOPER:

3 Q. Would you state name, Mr. LaGrand.

4 A. Yes. Brian LaGrand, L-a-G-r-a-n-d.

5 Q. And by whom are you employed and in what
6 capacity?

7 A. Employed by American Water Works Service
8 Company. I'm the director of rates and regulatory
9 for Missouri-American Water.

10 Q. Have you caused to be prepared for the
11 purposes of this proceeding certain direct and
12 rebuttal testimony in question and answer form?

13 A. I have.

14 Q. And it's your understanding I suppose that
15 that testimony has been marked as Exhibits 1 and 2
16 for identification?

17 A. Yes, it is.

18 Q. Do you have any changes that you would
19 like to make to that testimony at this time?

20 A. I do not.

21 Q. If I were to ask you the questions
22 contained in Exhibits 1 and 2 today, would your
23 answers be the same?

24 A. They would.

25 Q. And are those answers true and correct to

1 the best of your information, knowledge, and belief?

2 A. Yes, they are.

3 MR. COOPER: Your Honor, I would offer
4 Exhibits 1 and 2 into evidence and tender Mr. LaGrand
5 for cross-examination.

6 JUDGE SEYER: All right. Are there any
7 objections to the admission of those exhibits into
8 evidence? All right. Exhibits 1 and 2 are admitted.

9 (Company Exhibits 1 and 2 were admitted
10 and made a part of the record.)

11 JUDGE SEYER: Ms. Aslin, do you have
12 cross for the witness?

13 MS. ASLIN: No questions.

14 JUDGE SEYER: Ms. VanGerpen?

15 MS. VANGERPEN: Yes, your Honor, just
16 briefly. And to begin, we would like to mark an
17 exhibit. So I think we're 300 per the procedural
18 order. Okay. So I would like to mark this as 302 if
19 that's okay.

20 CROSS-EXAMINATION

21 BY MS. VANGERPEN:

22 Q. Good afternoon, Mr. LaGrand.

23 A. Good afternoon.

24 Q. Would you agree with me that this is an
25 excerpt of Missouri-American Water Company's 2024

1 annual report filed before the commission?

2 A. It appears to be, yes.

3 Q. And this is the most recent annual report
4 that Missouri-American has filed before the
5 commission. Is that right?

6 A. Yeah, that's correct. 2025 won't be filed
7 until later this year.

8 MS. VANGERPEN: Thank you. Your Honor,
9 that's the only questions I have, and I'd like to
10 offer this Exhibit 302 for admittance into the
11 record.

12 JUDGE SEYER: Any objections? All right.
13 Exhibit 302 is admitted.

14 (OPC Exhibit 302 was admitted and made a
15 part of the record.)

16 MS. VANGERPEN: Thank you, your Honor.
17 No further questions.

18 JUDGE SEYER: Thank you. Are there any
19 questions from the commissioners? All right. I have
20 a few questions myself.

21 QUESTIONS

22 BY JUDGE SEYER:

23 Q. Mr. LaGrand, would you agree that in
24 determining income tax to be paid in any year for
25 both federal and state income tax returns, allowable

1 expense deductions subtracted from gross revenues to
2 determine taxable income?

3 A. I would say -- well, first I would say the
4 Company's Witness Schlessman is the tax expert, but
5 conceptually, yes, I would agree with that.

6 Q. Okay. Would you agree that for
7 determining taxable income if allowable expense
8 deductions exceed gross revenue, a negative net
9 taxable income is allowed to be carried forward for
10 income tax purposes?

11 A. That's getting out of my area of
12 expertise. I would defer to Ms. Schlessman for
13 that --

14 Q. Fair enough.

15 A. -- that question.

16 Q. Referring to the Company's application, do
17 you have that application in an appendices?

18 A. I don't have the application in front of
19 me. I know one of the appendices is attached to my
20 testimony, but just one page of one of them, so we
21 may get lucky, but.

22 Q. Okay. The appendix that I would like to
23 ask a couple of questions about is Appendix C. And
24 it's -- the first page is headed WSIRA Revenue
25 Requirements Calculation.

1 A. Yes. That's actually attached to my
2 testimony.

3 Q. Okay.

4 A. Schedule BWL-2.

5 Q. Okay. For the -- for the sake of
6 expediency, do any of the parties need a copy of that
7 appendix?

8 MR. COOPER: Judge, if you're -- if
9 you're working off page 1 that's included in
10 Mr. LaGrand's testimony, I think we're good. But if
11 you go beyond page 1, it's going to --

12 JUDGE SEYER: Right. It is --

13 MR. COOPER: -- get a different answer.

14 JUDGE SEYER: -- actually page 2.

15 It's page 2, so.

16 BY JUDGE SEYER:

17 Q. Do you, Mr. LaGrand, need a copy of that?

18 A. I do.

19 Q. Mr. LaGrand, you're familiar with that
20 page of the appendix?

21 A. I am.

22 Q. Okay. Since the time that the application
23 was filed, would there be any changes to this page?

24 A. No.

25 Q. Okay.

1 A. Well, excuse me. Let me -- let me --
2 actually, let me rephrase that. When we filed the
3 application, at the time that includes three months
4 of actual and three months of estimated expenses. We
5 true that up during the course of the case. So there
6 is a final version that -- if this is the one from
7 the original application, the final version actually
8 will be a little bit different than this.

9 Q. Okay. I want to draw your attention to
10 line 62. It's labeled Total Tax Deductions.

11 A. Yes.

12 Q. And that amount in the far right column,
13 the total amount is 78,853,300. Correct?

14 A. Correct.

15 Q. All right. Is that related to accelerated
16 depreciation applicable to WSIRA plant additions in
17 this case?

18 A. Yeah. So that -- that's actually made up
19 of two -- two components. The first one you'd see on
20 line 34 which is the repairs deduction. And then
21 the -- the -- then on line 53 you see the regular tax
22 depreciation. Those two taken together are the total
23 of the tax deductions.

24 Q. You said line 53?

25 A. Yeah. Line -- line 34 --

1 Q. Uh-huh.

2 A. -- and line 53 and then I guess plus
3 line 60 which kind of reduced that a little bit, but.

4 But those are what make up line 62.

5 Q. Okay. Farther down that page on line 90
6 there's a line labeled Book, slash, Tax Depreciation
7 Temporary Difference.

8 A. Yes.

9 Q. And that shows a negative amount
10 of \$77,352,522. Correct?

11 A. Yes.

12 Q. Does that amount represent the difference
13 between the WSIRA plant additions straight-line
14 depreciation expense that will be used for ratemaking
15 and accelerated depreciation expense deduction used
16 for income tax purposes?

17 A. Yes. Yes. That's the difference between
18 line 83 and line 62.

19 Q. All right. Thank you. And then even
20 farther down on that page the very last line 103
21 labeled Net Deferred Income Taxes, that shows a total
22 of negative 18,440,941.

23 A. Yes.

24 Q. Would you -- okay. Does that amount
25 represent the amount of income taxes Missouri-

1 American will be required to pay in the future to
2 compensate for the accelerated depreciation income
3 tax deduction that it will take for the WSIRA plant
4 additions?

5 A. Well, that's the -- that's the deferred
6 taxes -- the deferred tax liability that reduces rate
7 base. In his opening Mr. Cooper referenced that.
8 And in the final number is -- it's a little bit
9 different than that, but it's approximately 18
10 million or so. And so that Accumulated Deferred
11 Income Tax amount reduces the rate base and lowers
12 the customer revenue requirement by about a million
13 and a half dollars or so.

14 JUDGE SEYER: All right. Those are all
15 the questions I have. Ms. Aslin, do you have any
16 follow-up questions?

17 MS. ASLIN: No questions, thank you.

18 JUDGE SEYER: And, Ms. VanGerpen?

19 MS. VANGERPEN: Could we have just one
20 moment, your Honor? No questions, your Honor.

21 JUDGE SEYER: All right. Mr. Cooper, do
22 you have redirect?

23 MR. COOPER: I do not. Thank you, your
24 Honor.

25 JUDGE SEYER: Thank you, Mr. LaGrand.

1 You're excused.

2 MR. LAGRAND: Okay. Thank you, your
3 Honor.

4 JUDGE SEYER: Mr. Cooper, you can call
5 your next witness.

6 MR. COOPER: We would call Linda
7 Schlessman who is appearing via Webex.

8 MS. SCHLESSMAN: Good afternoon. Can you
9 hear me?

10 JUDGE SEYER: I can.

11 MS. SCHLESSMAN: Great.

12 (Witness sworn.)

13 LINDA SCHLESSMAN

14 the witness, having been first duly sworn,
15 testified as follows:

16 JUDGE SEYER: Thank you.

17 MR. COOPER: Judge, my plan is to
18 identify Ms. Schlessman's direct testimony as
19 Exhibit 3 and her rebuttal as Exhibit 4. And I'd
20 note that her rebuttal has both public and
21 confidential versions.

22 JUDGE SEYER: All right. That would be
23 fine.

24 DIRECT EXAMINATION

25 BY MR. COOPER:

1 Q. Ms. Schlessman, would you state your name
2 for us again.

3 A. Linda Schlessman.

4 Q. And spell your last name.

5 A. S-c-h-l-e-s-s-m-a-n.

6 Q. And by whom are you employed and in what
7 capacity?

8 A. I'm the director for taxes regulatory for
9 American Water Works Service Company.

10 Q. And you're appearing on behalf of
11 Missouri-American Water Company in this case?

12 A. Yes.

13 Q. And have you caused to be prepared for the
14 purposes of this case certain direct and rebuttal
15 testimony in question and answer form?

16 A. Yes.

17 Q. And is it your understanding that that
18 testimony has been marked as Exhibits 3 and 4 for
19 identification?

20 A. Yes.

21 Q. Do you have any changes that you would
22 like to make to that testimony at this time?

23 A. No.

24 Q. If I were to ask you the questions which
25 are contained in Exhibits 3 and 4 today, would your

1 answers be the same?

2 A. Yes.

3 Q. And are those answers true and correct to
4 the best of your information, knowledge, and belief?

5 A. Yes.

6 MR. COOPER: Your Honor, I would offer
7 Exhibits 3 and 4. I guess really 3P and -- or I'm
8 sorry, 4P --

9 JUDGE SEYER: 4P.

10 MR. COOPER: -- and 4C into evidence and
11 tender the witness for cross-examination.

12 JUDGE SEYER: Any objections? All right
13 Exhibits 3, 4P and 4C are admitted into evidence.

14 (Company Exhibits 3, 4P and 4C were
15 admitted and made a part of the record.)

16 JUDGE SEYER: Ms. Aslin, do you have any
17 questions?

18 MS. ASLIN: No, thank you.

19 JUDGE SEYER: Ms. VanGerpen?

20 MS. VANGERPEN: No, thank you, your
21 Honor.

22 JUDGE SEYER: All right. Any questions
23 from the commissioners? All right. Hearing none.

24 QUESTIONS

25 BY JUDGE SEYER:

1 Q. Ms. Schlessman, I assume you're on and
2 heard my questions earlier to Mr. LaGrand and he --

3 A. Yes, I did.

4 Q. -- he kind of deferred those to you.

5 So I'll go ahead and repeat those two
6 questions. In determining income tax to be paid in
7 any year from both federal and state income tax
8 returns, would you agree that allowable tax expense
9 deductions are subtracted from gross revenues to
10 determine taxable income?

11 A. Yes. I would agree with that.

12 Q. Would you also agree that for determining
13 taxable income, if allowable expense deductions
14 exceed gross revenue, a negative net taxable income
15 is allowed to be carried forward for income tax
16 purposes?

17 A. I do agree with that. And I would add to
18 that that for Missouri-American Water specifically
19 because it is a part of the American Waters Group and
20 a consolidated return, that when looking at Missouri-
21 American Water specifically, we would -- their losses
22 would be -- go to the entire group and be used
23 towards the consolidated taxable income. And because
24 of that, Missouri-American Water alone does not carry
25 forward those losses to be used. And generally in

1 tax accounting, one would record a deferred tax asset
2 to use those later, but because it's able to be used
3 by the bigger group, there is no recording of a
4 deferred tax asset on a standalone basis.

5 Q. Okay. So another way to think about this
6 if I understand this correctly is the Company doesn't
7 lose its allowable expense deduction in a given year
8 if its revenues don't exceed the allowable tax
9 deductions. Would that be correct?

10 A. Yes. I agree with that, that it will be
11 able to use that on the consolidated tax return and
12 will not lose that.

13 JUDGE SEYER: Okay. Those are the only
14 questions I had. Ms. Aslin, do you have any
15 follow-up questions?

16 MS. ASLIN: No, thank you.

17 JUDGE SEYER: And, Ms. VanGerpen?

18 MS. VANGERPEN: No, thank you.

19 JUDGE SEYER: All right. Mr. Cooper, do
20 you have redirect.

21 MR. COOPER: Very, very briefly.

22 REDIRECT EXAMINATION

23 BY MR. COOPER:

24 Q. It was mentioned earlier or there was a
25 discussion about if the deductions exceed gross

1 income whether there's a loss. Correct? That was
2 from the regulatory law judge.

3 A. Yes.

4 Q. And --

5 A. I recall that.

6 Q. And the implication I think is that there
7 would be no income tax in that situation. Is that
8 correct?

9 A. There would be no current income tax, but
10 there is tax expense because that is a timing
11 difference of deduction. Deduction in totality is no
12 different between book and tax, only the timing of
13 it. So the tax expense is in total, both current and
14 deferred does not change. Only the current is what
15 is affected in that scenario when there is a loss
16 situation.

17 Q. And the piece that's not current, where is
18 that identified on identified on the Company's
19 records?

20 A. That's identified in deferred tax expense,
21 and that is, you know, presented or booked into
22 Accumulated Deferred Income Taxes and to be paid
23 later. That is what is, you know, the Company
24 acknowledging that we'll be paying that later is
25 reducing rate base with that Accumulated Deferred

1 Income Tax, you know, as a credit to revenue
2 requirement.

3 Q. And there's this implication that there's
4 no current income tax, but I think you discuss in
5 your testimony that there will be tax due with the
6 next American Water and, in turn, Missouri-American
7 Water tax returns. Correct?

8 A. Yes. I do discuss that under the
9 Corporate Alternative Minimum Tax regime that there
10 is, you know, cash payments to the government because
11 of that alternative minimum tax and Missouri-American
12 Water has a share in that as well as the greater
13 group.

14 Q. And again, you don't believe that that is
15 determinative to the issue in this case. Correct?

16 A. No, I do not. I do not think that the
17 fact that we pay the government in one year or not in
18 another should be what is driving the need for a
19 gross-up. The gross-up is, you know, inseparable
20 from the tax expense because along with the tax
21 expense comes the inability to deduct that tax
22 expense. So whether or not we're making cash
23 payments is not relevant to that ratemaking practice.

24 Q. So ultimately those taxes because the
25 dollars associated with taxes are not deductible and

1 they're their own, at least it's the Company's
2 position, that the gross-up factor needs to be taken
3 into account?

4 A. Yes. And, you know, I also want to, you
5 know, point out that through the reduction to rate
6 base which is Accumulated Deferred Income Taxes
7 which, you know, provide a credit benefit in rate
8 base for taxes we have not yet remitted to the
9 government, you know, those are also grossed up, that
10 credit is also grossed up. So, you know, customers
11 are not harmed by the fact that we includes a gross-
12 up in our revenue requirement because they're
13 receiving a credit for those taxes that haven't been
14 remitted, the gross-up on the taxes that haven't been
15 remitted in ADIT or Accumulated Deferred Income
16 Taxes.

17 MR. COOPER: Your Honor, I'd like to mark
18 an exhibit if we could, and this will be, let's call
19 it gross-up example how about. And I believe it'll
20 be Exhibit 5.

21 JUDGE SEYER: Okay.

22 BY MR. COOPER:

23 Q. Ms. Schlessman, do you have in front of
24 you a document that in the upper right-hand corner
25 says Case No. WR-2025-0345, an MAWC hearing exhibit?

1 A. Yes, I do.

2 Q. What is that?

3 A. This is an example of how the gross-up is
4 incorporated into the revenue requirement on the
5 Accumulated Deferred Income Taxes portion of rate
6 base.

7 Q. And was that prepared by you?

8 A. It was, yes.

9 Q. And again, this relates back to what you
10 were just describing, correct, in terms of how the
11 gross-up is ultimately a part of the -- or there's a
12 benefit associated with the ADIT that includes the
13 gross-up in a general rate case. Is that correct?

14 A. That's correct. What -- what is being
15 demonstrated here is that the piece of ADIT that is
16 reducing rate base, if we were to look at the pieces
17 separately between what's in rate base and we have
18 our property plant equipment and our ADIT, if you
19 look at the ADIT in isolation which is reducing rate
20 base and we're multiplying that by rate of return, we
21 are also grossing up that credit. And what that
22 signifies is, and what the Company's acknowledging,
23 is that there's a piece of the gross-up that's been
24 collected that has not yet been remitted to the
25 government. And we acknowledge that and so we

1 provide for those deferred taxes, the piece that
2 hasn't been remitted yet, we provide a gross-up
3 credit to that piece in the revenue requirement. And
4 this is showing what those pieces look like in this
5 example if we were to pull apart rate base.

6 MR. COOPER: Your Honor, I would offer
7 Exhibit 5 into evidence.

8 JUDGE SEYER: Are there any objections?

9 MS. VANGERPEN: Your Honor, I'm not sure
10 what the objection would be. We certainly have not
11 had a chance to review this document and certainly
12 have no opportunity to respond to it. So that I
13 would like at least to be noted.

14 JUDGE SEYER: Right. And I do not have
15 to rule on admission at this time. We can discuss
16 this at the end of the hearing today as far as how
17 much time you might need.

18 MS. VANGERPEN: Thank you, your Honor.

19 JUDGE SEYER: All right. Anything
20 further, Mr. Cooper?

21 MR. COOPER: No, nothing else your Honor.

22 JUDGE SEYER: All right. Given this
23 introduction of this exhibit, do the parties need any
24 follow-up questions for the witness?

25 MS. VANGERPEN: Your Honor, could we have

1 just maybe a five-minute recess?

2 JUDGE SEYER: Sure.

3 MS. VANGERPEN: Thank you.

4 JUDGE SEYER: Let's go off the record and
5 reconvene at 2:25. Going off the record.

6 (Off the record.)

7 JUDGE SEYER: All right. Let's go back
8 on the record. Ms. VanGerpen, do you have questions?

9 MS. VANGERPEN: Yes, briefly. Thank you,
10 your Honor.

11 JUDGE SEYER: Let's make sure -- okay.
12 There she is.

13 MS. SCHLESSMAN: Hello.

14 RECROSS-EXAMINATION

15 BY MS. VANGERPEN:

16 Q. Hello. Good afternoon, Ms. Schlessman.

17 A. Good afternoon.

18 Q. So I have just one question. When the
19 company calculates ADIT or Accumulated Deferred
20 Income Tax, it does not include the gross-up in that
21 initial calculation. Is that correct?

22 A. That's correct because it would not be
23 proper to do so and actually this example in this
24 hearing exhibit demonstrates that fact where the
25 first step is taking the Accumulated Deferred Income

1 Tax and including that in rate base as a reduction to
2 rate base, multiplying that by the rate of return to
3 come up with the revenue requirement and then
4 applying the gross-up which is a benefit or credit to
5 the revenue required to that -- to that amount. So
6 we are grossing up that benefit only once, and so it
7 would not be appropriate to gross-up the ADIT in step
8 one because it will then be grossed up later in the
9 calculation, again as a -- as a credit to revenue
10 requirement.

11 Q. So just so I understand that, when the
12 ADIT balance is actually subtracted from rate base,
13 it is not grossed up. Correct?

14 A. Yeah, that's grossed -- that's correct
15 because it's going to be grossed up, that benefit
16 will be grossed up later in the calculation.

17 MS. VANGERPEN: No further questions.
18 Thank you, your Honor.

19 JUDGE SEYER: All right. Thank you.
20 Mr. Cooper, can this witness be excused, or do you
21 have a question?

22 MR. COOPER: Could you give me just one
23 minute?

24 JUDGE SEYER: Sure.

25 MR. COOPER: Thank you, your Honor. I do

1 have a redirect question associated with that if I
2 could.

3 JUDGE SEYER: Go ahead.

4 REDIRECT EXAMINATION

5 BY MR. COOPER:

6 Q. Ms. Schlessman, you were describing the --
7 again, the calculation that's been marked as
8 Exhibit 5. What was your purpose for creating that?
9 What was it in response to?

10 A. Right. So it was in response to a couple
11 of things. First --

12 MS. VANGERPEN: Your Honor -- your Honor,
13 I think I would object to that. I mean, we had a
14 single question on a piece of this calculation, so I
15 would say that this question kind of goes beyond the
16 scope of the cross.

17 JUDGE SEYER: Mr. Cooper.

18 MR. COOPER: I think it's all involved
19 in -- in what's flowing from the exhibit that we've
20 offered.

21 JUDGE SEYER: I think the -- all right.
22 I'll sustain that objection. All right. So at this
23 point can this witness be excused?

24 MR. COOPER: I'm going to try again in a
25 different way, your Honor.

1 JUDGE SEYER: Oh, I see.

2 | BY MR. COOPER:

3 Q. Ms. Schlessman, you had mentioned in
4 response I think to Ms. VanGerpen's question that
5 only the deferred tax expenses added to ADIT.
6 Correct? There's no gross-up in that piece?

7 | Page [What is a connector message?](#)

A. That's correct, yes.

8 Q. And --

10 Q. -- likewise when the deferred tax is paid,
11 only the deferred tax expense is removed from ADIT.
12 Correct? There's no gross-up piece removed at that
13 point in time. Correct?

14 A. That's correct as well, yes.

15 Q. And is it true that the only time there's
16 an opportunity to recover the gross-up is at the
17 point of initial ratemaking treatment?

18 A. Yes. That -- I would agree with that
19 statement.

20 MR. COOPER: That's all the questions I
21 have, your Honor.

22 JUDGE SEYER: All right. Thank you. And
23 thank you, Ms. Schlessman, for your testimony.

24 MS. SCHLESSMAN: Thank you.

25 JUDGE SEYER: Is there a need for a

1 break? Okay. It's looking like the answer is no.
2 Mr. Cooper, my understanding is those were your
3 witnesses?

4 MR. COOPER: That is correct, your Honor.

5 JUDGE SEYER: Then -- Commissioner
6 Coleman very pertinently is asking if the court
7 reporter needs a break.

8 COURT REPORTER: No.

9 JUDGE SEYER: She's indicating no. All
10 right. Then, Ms. Aslin, call your witness.

11 MS. ASLIN: Staff calls Keith Majors.

12 (Witness sworn.)

13 KEITH MAJORS

14 the witness, having been first duly sworn,
15 testified as follows:

16 MS. ASLIN: Before we begin I would want
17 to mark our exhibits, since we've not premarked
18 those, and I'll be referring to the direct testimony
19 of Keri Roth as Exhibit 200, the rebuttal testimony
20 of Amanda McMellen as Exhibit 201, and the Amended
21 Staff Recommendation as Exhibit 202.

22 DIRECT EXAMINATION

23 BY MS. ASLIN:

24 Q. Mr. Majors, could you please state and
25 spell your name for the court reporter.

1 A. Keith Majors, K-e-i-t-h, M-a-j-o-r-s.

2 Q. And how are you employed and in what
3 capacity?

4 A. I'm employed by the Missouri Public
5 Service Commission as a utility regulatory audit unit
6 supervisor in the Kansas City office.

7 Q. And you did not prepare any prefilled
8 testimony in this case. Correct?

9 A. I did not. I am adopting the testimony of
10 Ms. Roth and Ms. McMellen in this case that was --
11 that was filed.

12 Q. That was going to be my next question.

13 Have you also reviewed the Amended Staff
14 Recommendation that was filed December 9th of 2025?

15 A. Yes, I have. I have a copy of it.

16 Q. And having reviewed both the direct and
17 rebuttal testimony of Staff and the Amended Staff
18 Recommendation, do you have any changes or
19 corrections that you would make to any of those
20 documents?

21 A. No, I do not.

22 Q. And is the information contained in those
23 documents true and correct to the best of your
24 knowledge and belief?

25 A. Yes, it is.

1 MS. ASLIN: With that I would offer
2 Exhibits 200, 201, and 202, and tender Mr. Majors for
3 cross.

4 JUDGE SEYER: All right. Are there any
5 objections to the admission of those documents? All
6 right. Then Exhibits 200, 201, and 202 are admitted
7 into evidence.

8 (Staff Exhibits 200, 201, and 202 were
9 admitted and made a part of the record.)

10 JUDGE SEYER: And, Mr. Cooper,
11 Ms. Neimeier, do you have any questions for the
12 witness?

13 MR. COOPER: We do, your Honor.

14 CROSS-EXAMINATION

15 BY MR. COOPER:

16 Q. Mr. Majors, would you agree with me that
17 Staff, in prior WSIRA cases or -- and before that
18 ISRS cases, applied the same tax gross-up methodology
19 that's used by the Company and Staff in this case?

20 A. Yes, that's my understanding. I'm much
21 more familiar with the ISRS, Infrastructure System
22 Replacement Surcharge, cases that are filed before
23 the Commission, but that's my general understanding,
24 that the income tax gross-up methodology is the same
25 for both surcharge mechanisms.

1 Q. And is there any part of that methodology
2 that considers the actual revenues or deductions
3 reported on federal or state income tax returns?

4 A. No, they do not.

5 MR. COOPER: That's all the questions I
6 have, your Honor.

7 JUDGE SEYER: All right. Ms. VanGerpen,
8 do you have questions?

9 MS. VANGERPEN: I do, your Honor. And
10 again, I would like to mark an exhibit. And this I
11 believe will be Exhibit 303 for the OPC.

12 CROSS-EXAMINATION

13 BY MS. VANGERPEN:

14 Q. So good afternoon, Mr. Majors.

15 A. Good afternoon.

16 Q. I have a worksheet here that's been marked
17 as Exhibit 303 or -- yeah, 303 for the OPC that I'd
18 like to walk through with you. So, Mr. Majors,
19 you've worked on general rate cases in your position
20 with Staff. Correct?

21 A. Yes, I have.

22 Q. And you're generally familiar with how
23 Staff calculates income tax expense in the revenue
24 requirement. Is that correct?

25 A. Yes, I am.

1 Q. So looking at this worksheet, you would
2 agree with me that the first row that's labeled A,
3 it's entitled Rate Base. You see that?

4 A. Yes, I do.

5 Q. And you would see that there are then two
6 columns, one labeled OPC and one labeled Staff,
7 slash, MAWC which stands for Missouri-American Water
8 Company?

9 A. Yes.

10 Q. And you see that the number for rate base
11 is \$123,010,057 in both columns. Correct?

12 A. Yes, that's correct.

13 Q. So then moving down in row B it's labeled
14 Post-Tax Rate of Return per Last Order. You see
15 that?

16 A. Yes, I do.

17 Q. And that is 7 percent in both the OPC and
18 the Staff, slash, MAWC column?

19 A. Yes, that's correct.

20 Q. And you would agree with me that when we
21 refer to post-tax, that means after taxes. Correct?

22 A. Yes.

23 Q. So I want to move down the worksheet to
24 the next line, row C and this is Post-Tax Rate of
25 Return. And per this worksheet that is row A, the

1 rate base, times B, the post-tax rate of return, of 7
2 percent.

3 A. Yes.

4 Q. Do you see that? And again, those -- that
5 number, \$8,610,703.99 is the same in both columns?

6 A. Yes, it is.

7 Q. And so now moving down to item D which is
8 labeled Interest Expense, that is rate base times 2.3
9 percent?

10 A. Yes.

11 Q. And again, the number is the same in both
12 the OPC and the Staff, slash, Missouri-American
13 column. Correct?

14 A. Yes.

15 Q. So now we move to taxable income in row E.
16 This is item C, post-tax rate of return, minus the
17 interest expense. And again, we have the same number
18 for both OPC and Staff and Missouri-American.
19 Correct?

20 A. Yes, that's correct.

21 Q. So moving farther down we come to the
22 interest income tax expense. And to calculate that
23 per the worksheet it is the taxable income times the
24 composite tax rate of 23.84 percent. Do you see
25 that?

1 A. Yes.

2 Q. And again, you would agree with me that
3 is \$1,378,303.09 in both columns. Correct?

4 A. Yes, it is.

5 Q. So now we come to line -- or to item G
6 which is labeled Income Tax Gross-Up Missouri-
7 American. And that should really be Staff, slash,
8 Missouri-American only. And to calculate that for
9 the worksheet is item E, the taxable income,
10 times 7.46 percent. Do you see that?

11 A. Yes.

12 Q. And so again, we have a difference between
13 the two columns here where there is a zero for the
14 Office of the Public Counsel and \$431,297.86 for
15 Staff, slash, Missouri-American. Correct?

16 A. Yes, that's correct.

17 Q. So to speed things up now a little bit, we
18 come to net income, and that is simply E, item E, the
19 taxable income plus the income tax expense plus the
20 income tax gross-up and now we have differences
21 between the OPC and Staff, slash, Missouri-American
22 column. Do you see that?

23 A. Yes.

24 Q. And then again we're going to -- we have
25 the interest expense which is the same as item D

1 above which is the rate base times 2.3 percent. And
2 so that is the same in both columns. Do you see
3 that?

4 A. Yes, that's correct.

5 Q. And so to calculate the revenue
6 requirement on capital, we would add the net income
7 plus the interest expense to generate the revenue
8 requirement on capital. Do you see that?

9 A. Yes, that's correct.

10 Q. And there is a difference in the OPC
11 column and the Staff, slash, Missouri-American
12 column?

13 A. Yes.

14 Q. And so to determine the pre-tax rate of
15 return, we would divide the revenue requirement on
16 capital by the rate base. And that is the final
17 column or the final row, excuse me, of the worksheet.
18 Do you see that there?

19 A. Yes.

20 Q. And you see that the OPC's is 8.12 percent
21 and Staff, slash, Missouri-American is 8.47 percent?

22 A. Yes, I see that.

23 Q. And you would agree with me that again,
24 though those two numbers are different, we started
25 with the same post-tax rate of return in row B.

1 Correct?

2 A. Yes.

3 Q. And again, you would agree with me that
4 the difference between the two columns result in row
5 G which is the income tax gross-up?

6 A. Yes.

7 MS. VANGERPEN: Thank you, Mr. Majors.

8 Your Honor, I have no further questions, but I would
9 move to admit Exhibit 303 into the record.

10 JUDGE SEYER: Are there any objections?
11 Hearing none, Exhibit 303 is admitted.

12 (OPC Exhibit 303 was admitted and made a
13 part of the record.)

14 JUDGE SEYER: Are there any questions
15 from the commissioners for this witness?

16 COMMISSIONER KOLKMEYER: Yes, Judge.
17 Commissioner Kolkmeyer here.

18 JUDGE SEYER: Go ahead, Commissioner.

19 COMMISSIONER KOLKMEYER: Thank you,
20 Judge.

21 QUESTIONS

22 BY COMMISSIONER KOLKMEYER:

23 Q. Good afternoon, Mr. Majors.

24 A. Good afternoon.

25 Q. I want to go back and talk about the

1 question that Mr. Cooper just asked. And basically
2 what's the way the Staff calculated this is the same
3 way that they have in all other cases similar to
4 this. Correct?

5 A. Yes. The same general principle in the
6 tax gross-up is the same that we use in major rate
7 cases and Staff's accounting schedules.

8 Q. So nothing has changed the way the Staff
9 calculated this?

10 A. That's correct, nothing has changed.

11 COMMISSIONER KOLKMEYER: Okay. Thank you.
12 Thank you, Judge.

13 JUDGE SEYER: All right. Any other
14 commissioner questions? All right. Mr. Majors, I've
15 got a couple of questions that are kind of general in
16 nature and don't -- don't refer you -- or don't
17 require you to refer to Ms. McMellen's testimony
18 or -- or that of Ms. Roth.

19 QUESTIONS

20 BY JUDGE SEYER:

21 Q. During a rate case, does Staff calculate
22 the income tax gross-up for plant additions?

23 A. I -- not specifically for plant additions.
24 The income tax gross-up is calculated on the -- in
25 Schedule 11 in tax accounting schedules. It's really

1 an automatic calculation, but it's based on the
2 statutory tax rates. But it's not specifically
3 calculated on the plant additions. It's really
4 calculated on the net income as calculated on a
5 go-forward basis.

6 Q. Okay. And then a separate question, would
7 a utility be able to recover adequate revenues to
8 made whole -- be made whole in regard to its
9 Commission-authorized rate or rate of return or
10 earnings on rate base without including the
11 additional income tax gross-up dollars?

12 A. No. They would not be made whole.

13 JUDGE SEYER: All right. Mr. Cooper, do
14 you have any recross?

15 MR. COOPER: I do not.

16 JUDGE SEYER: Ms. VanGerpen?

17 MS. VANGERPEN: No, thank you, your
18 Honor.

19 JUDGE SEYER: All right. Any redirect?

20 MS. ASLIN: No redirect, thank you.

21 JUDGE SEYER: All right. Thank you,
22 Mr. Majors. You are excused. And my understanding,
23 Ms. Aslin, is you have no further witnesses
24 testifying today?

25 MS. ASLIN: That is correct.

1 JUDGE SEYER: All right. Okay.

2 Ms. VanGerpen, are you ready to call your first
3 witness?

4 MS. VANGERPEN: Yes, your Honor.

5 JUDGE SEYER: All right.

6 MS. VANGERPEN: The OPC would call
7 Mr. John Riley to the stand.

8 (Witness sworn.)

9 JOHN RILEY

10 the witness, having been first duly sworn,
11 testified as follows:

12 JUDGE SEYER: Go ahead.

13 MS. VANGERPEN: Thank you, your Honor.

14 DIRECT EXAMINATION

15 BY MS. VANGERPEN:

16 Q. Good afternoon, Mr. Riley. Could you
17 please state your name and spell it for the record.

18 A. John Riley, J-o-h-n, R-i-l-e-y.

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

21 A. I am employed with the Office of Public
22 Counsel as a utility supervisor.

23 Q. And are you the same John Riley who caused
24 to be prepared direct and rebuttal testimony in this
25 case?

1 A. Yes, I am.

2 Q. Do you have any corrections or additions
3 to your written testimony?

4 A. I have one.

5 Q. And what is that?

6 A. It was in rebuttal, page 4, second line.

7 The line reads: This 23.84 percent is the corporate
8 tax rate. It should read: This 23.84 percent is the
9 composite tax rate.

10 Q. Thank you, Mr. Riley. And if I asked you
11 the same questions that are in your written testimony
12 today, would your answers be the same with the
13 addition of that one correction in your rebuttal
14 testimony?

15 A. Yes, it would.

16 MS. VANGERPEN: Your Honor, I would offer
17 Exhibits 300, John Riley's direct, and Exhibit 301,
18 his rebuttal, for admittance and tender Mr. Riley for
19 cross.

20 JUDGE SEYER: All right. Are there any
21 objections to the admission of those two documents?
22 Exhibits 300 and 301 are admitted.

23 (OPC Exhibits 300 and 301 were admitted
24 and made a part of the record.)

25 JUDGE SEYER: Ms. Aslin, do you have

1 cross-examination?

2 MS. ASLIN: No questions.

3 JUDGE SEYER: Mr. Cooper?

4 MR. COOPER: No questions.

5 JUDGE SEYER: Any questions from the
6 commissioners? All right. I hear none. I have no
7 questions myself. Thank you, Mr. Riley.

8 Any further witnesses? All right. Now,
9 earlier, Ms. VanGerpen, you had an objection to
10 Exhibit 5 and indicated because you had not seen it
11 prior to the hearing that you may have an objection
12 to that or may need some time to look at that. Do
13 you need further time to take a look at that?

14 MS. VANGERPEN: Yes, if we could, your
15 Honor.

16 JUDGE SEYER: All right. If it is
17 acceptable to all the parties, if I do not receive an
18 objection from you by the end of the business day
19 tomorrow, I will admit that document.

20 MS. VANGERPEN: That's fine.

21 JUDGE SEYER: Mr. Cooper, do you --

22 MR. COOPER: Only that if there is an
23 objection, will you allow time for a response?

24 JUDGE SEYER: Yes.

25 MR. COOPER: Thank you.

1 JUDGE SEYER: All right. In your
2 procedural schedule that you proposed and the
3 subsequent Order setting the procedural schedule, the
4 parties had in mind expedited transcripts that would
5 be filed by next Tuesday, the 3rd. It is possible
6 that those transcripts will be filed earlier than
7 that because of the length of the hearing today, but
8 in any case I'm assured that no later than Tuesday
9 that those will be filed in EFIS. And then again
10 referring to the procedural schedule, briefs are due
11 by February 10th, and the idea would be to have an
12 Order on the February 19th agenda. Does that sound
13 reasonable, correct?

14 MR. COOPER: Correct. I think we had a
15 reply brief though in there as well, don't we?

16 JUDGE SEYER: You do. Just a second.
17 What was the date on the reply briefs?

18 MR. COOPER: It was pretty quick. It
19 may have been noon on the day before. I don't have
20 the -- I'm sorry, Judge, I don't have the schedule in
21 front of me.

22 JUDGE SEYER: I'm looking at the
23 procedural schedule, and I -- and this may be my
24 mistake, but I only have briefs due February 10th at
25 noon. I don't have a provision for reply briefs.

1 MR. COOPER: I apologize.

2 MS. VANGERPEN: I think that's correct,
3 your Honor.

4 MR. COOPER: I apologize, Judge.

5 JUDGE SEYER: All right. Is there
6 anything further? All right. I'll adjourn the
7 hearing. Let's go off the record.

8 (Whereupon, the hearing was adjourned
9 at 2:56 p.m.)

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1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI)

3 COUNTY OF CALLAWAY)

4 I, Shelley L. Bartels, a Certified Court
5 Reporter, CCR No. 679, do hereby certify that I was
6 authorized to and did stenographically report the
7 transcript of proceedings; and that the foregoing
8 transcript, pages 1 through 56, is a true record of
9 my stenographic notes.

10 I FURTHER CERTIFY that I am not a relative,
11 employee, or attorney, or counsel of any of the
12 parties, nor am I a relative or employee of any of
13 the parties' attorney or counsel connected with the
14 action, nor am I financially interested in the
15 action.

16

17 DATED this 29th day of January, 2026.

18

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Shelley L. Bartels

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Shelley L. Bartels, CCR 679

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