

Exhibit No.: _____
Issue(s): Establishing a Regulatory Asset for
Transaction/Closing/Transition Costs
Witness/Type of Exhibit: Schaben/Direct
Sponsoring Party: Public Counsel
Case No.: WA-2026-0072

DIRECT TESTIMONY

OF

ANGELA SCHABEN

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

FILE NO. WA-2026-0072

April 7, 2026

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OF
ANGELA SCHABEN
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WA-2026-0072

1 **INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public
4 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. What are your qualifications and experience?**

6 A. Please refer to the Schedule ADS-D-1 attached hereto.

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

8 A. Yes.

9 **Q. What is the purpose of your testimony?**

10 A. Missouri American Water Company (“MAWC”), in its Application and Motion for Waiver
11 (“Application”) requesting a Certificate of Convenience and Necessity (“CCN”) in the
12 acquisition of water and sewer systems currently operated by the City of Neosho (“Neosho”)
13 seeks to establish ratemaking rate base according to provisions outlined in §393.320, RSMo (“the
14 appraisal statute”). Though the OPC’s main recommendation is that the Public Service
15 Commission of the State of Missouri (the “Commission”) reject the CCN as not in the public
16 interest, as explained in Dr. Geoff Marke’s Direct Testimony, should the Commission grant the
17 CCN, the purpose of my testimony is to recommend that the transaction, closing, and transaction
18 costs incurred by MAWC resulting from the purchase of the Neosho water and sewer systems
19 (“systems”) be tracked in a regulatory asset for review in the general rate case where MAWC
20 seeks recovery of these costs.

1 **Q. What is the appraisal statute?**

2 A. The appraisal statute outlines general procedures for determining ratemaking rate base
3 resulting from the acquisition of a small water utility¹ by a large water public utility².

4 **Q. Which provision(s) of the appraisal statute are applicable to your testimony?**

5 A. §393.320.5(1), RSMo. which states, “[t]he lesser of the purchase price or the appraised value,
6 together with the reasonable and prudent transaction, closing, and transition costs incurred by the
7 large water public utility, shall constitute the ratemaking rate base for the small water utility as
8 acquired by the acquiring large water public utility....”

9 **Q. Does your testimony address the “lesser of the purchase price or the appraised value” or
10 “the reasonable and prudent transaction, closing, and transition costs”, or both?**

11 A. This testimony only addresses the transaction, closing, and transition costs.

12 **Q. If the Commission approves the CCN, what is your recommendation regarding the
13 transaction, closing, and transition costs of MAWC’s acquisition of the Neosho systems?**

14 A. Though the OPC is recommending that the Commission reject the CCN as not in the public
15 interest, if the Commission approves the CCN, I am recommending that the transaction,
16 closing, and transition costs resulting from MAWC’s acquisition of the Neosho systems be
17 tracked in a regulatory asset to be reviewed during MAWC’s next general rate case where
18 these expenses are presented for recovery.

¹ §393.320.1(2), RSMo identifies a small water utility as “a public utility that regularly provides water service or sewer service to eight thousand or fewer customer connections; a water district established under the provisions of [chapter 247](#) that regularly provides water or sewer service to eight thousand or fewer customer connections; a sewer district established under the provisions of [chapter 204, 249, or 250](#) that regularly provides sewer service to eight thousand or fewer customer connections; or a water system or sewer system owned by a municipality that regularly provides water service or sewer service to eight thousand or fewer customer connections; and all other entities that regularly provide water service or sewer service to eight thousand or fewer customer connections.”

² §393.320.1(1), RSMo identifies a large water public utility as “a public utility: (a) [t]hat regularly provides water service to more than eight thousand customer connections, regularly provides sewer service to more than eight thousand customer connections, or regularly provides a combination of either to more than eight thousand customer connections; and (b) [t]hat provides safe and adequate service but shall not include a sewer district established under Section 30(a), Article VI of the Missouri Constitution, sewer districts established under the provisions of [chapter 204, 249, or 250](#), public water supply districts established under the provisions of [chapter 247](#), or municipalities that own water or sewer systems.”

1 **Q. Why?**

2 A. Though I am not a lawyer, my understanding is that the appraisal statute allows MAWC to
3 recover only “reasonable and prudent” transaction, closing, and transition costs to be included
4 in rate base. Including these expenses in a regulatory asset for review during a general rate
5 case, allows the Commission and other parties the opportunity to review these costs to
6 determine if they are, in fact, reasonable and prudent, as required by the appraisal statute.
7 Without the regulatory asset, it would be challenging to audit these costs for consideration by
8 the Commission in a subsequent rate case, and challenging for the Commission to comply
9 with the statutory requirement that only prudently incurred costs be recovered.

10 **Q. Please explain the importance of establishing a regulatory asset for transaction, closing,
11 and transition costs incurred by MAWC resulting from purchasing the Neosho systems.**

12 A. Including the transaction, closing, and transition costs in an established regulatory asset
13 separates these expenses from routine operational expenses. By tracking the transaction,
14 closing, and transition costs in a regulatory asset, determining the reasonableness and
15 prudence of these transactions could be completed with greater accuracy during a subsequent
16 general rate case.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

