

Exhibit No.:
Issue(s): Rate Base
Witness: Christopher L. Boronda
Sponsoring Party: MoPSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

CHRISTOPHER L. BORONDA

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WA-2026-0072

Jefferson City, Missouri
May 2026

**** Denotes Confidential Information ****

Rebuttal Testimony of
Christopher L. Boronda

1 Q. What is the purpose of your rebuttal testimony?

2 A. The purpose of my rebuttal testimony is to respond to the direct testimony
3 of Missouri-American Water Company's ("MAWC") witness Brian W. LaGrand regarding
4 Staff's proposed conditions 7 and 8.

5 Condition 7 states: "MAWC shall initially establish NBV for the Neosho systems
6 as of December 31, 2024, utilizing Staff's calculation of NBV for water and sewer assets

7 ** ([REDACTED]) **. ¹

8 Condition 8, as clarified in Ashley Sarver's direct testimony, states:
9 "MAWC shall establish an acquisition regulatory asset in the amount of ** ([REDACTED]) **.
10 This asset will be included in rate base. The amortization period of this regulatory asset
11 will be determined in MAWC's next general rate case."²

12 Q. Did Mr. LaGrand's direct testimony identify what portion of the appraisal
13 method, 393.320, RSMo, is relevant to conditions 7 and 8?

14 A. Yes. On page 8, lines 13-16 of Mr. LaGrand's direct testimony he quotes the
15 appraisal method in Section 393.320.5(1), RSMo which states "The lesser of the purchase
16 price or the appraised value, together with the reasonable and prudent transaction,
17 closing, and transition costs incurred by the large water public utility, shall constitute the
18 ratemaking rate base for the small water utility as acquired by the acquiring large water
19 public utility."

¹ WA-2026-0072 Item 15 Staff Report and Recommendation, page 23 of 24.

² WA-2026-0072 Item 41 Direct Testimony of Ashley Sarver (Public and Confidential).

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1 Q. Do conditions 7 and 8 comply with the rate base requirements laid out in
2 Section 393.320, RSMo?

3 A. Yes. Staff included the appraisal value/purchase price as rate base.

4 Q. What is ratemaking rate base?

5 A. Ratemaking develops the utility's revenue requirement (cost of service).
6 A part of the ratemaking process is to determine the appropriate rate base. Rate base
7 represents the amount of net capital investment made by a utility in order to provide safe
8 and adequate service to its customers. A reasonable rate of return is applied to a
9 company's rate base to determine the utility's required net operating income.

10 Q. What are the components of rate base and will condition 8
11 (regulatory asset) be included in rate base?

12 A. Yes. Rate base includes plant in service, accumulated depreciation
13 reserve, cash working capital, prepayments, materials and supplies,
14 customer advances, customer deposits, accumulated deferred income tax, and various
15 regulatory assets and liabilities. The regulatory asset recommended by Staff will receive
16 rate base treatment as explained on page 2, lines 4-6, of Ashley Sarver's direct testimony.

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1 Q. What would the rate base total be if Staff conditions 7 and 8 were approved
2 by the Commission?

3 A. For Neosho’s water and sewer values, see the table below:

| | Water | Sewer | Combined |
|-------------------------------|---------------------|---------------------|---------------------|
| Original Plant in Service | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| Accumulated Depreciation | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| Net Book Value | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| Regulatory Asset ³ | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| Net Rate Base | \$17,400,000 | \$17,100,000 | \$34,500,000 |
| Rate Base required by 393.320 | \$17,400,000 | \$17,100,000 | \$34,500,000 |

4 Q. How did Staff determine Net Book Value (“NBV”) for Neosho’s plant assets
5 for condition 7?⁴

6 A. Staff reviewed information provided within MAWC’s application to perform
7 calculations to determine the original cost of the plant. Staff also calculated the
8 accumulated depreciation as of December 31, 2024, using the depreciation rates from
9 MAWC’s most recent rate case, Case No. WR-2024-0320. Staff calculated the NBV of
10 plant in service as of December 31, 2024.

³ The breakdown of the regulatory asset by water and sewer as recommended by Staff.

⁴ WA-2026-0072 Item 15 Staff Report and Recommendation, page 23 of 24.

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1 Q. How did Staff determine the amount of the regulatory asset to recommend
2 for condition 8?⁵

3 A. The regulatory asset recommended by Staff is the difference between the
4 purchase price of \$34,500,000 and the NBV. The difference between the purchase price
5 and the NBV resulted in the regulatory asset of ** [REDACTED] **.

6 Q. Does Staff agree with the statement on page 9, lines 4-8 of Mr. LaGrand's
7 direct testimony, "[t]he amount in condition 8 will not be a part of MAWC's ratemaking
8 rate base until the Company's next general rate case, at best. This is counter to the
9 statutory requirement that the ratemaking rate base be established in this case as the
10 lesser of the purchase price or the appraised value, together with reasonable and prudent
11 transaction, closing, and transition costs." Has staff recommended that rate base not be
12 established in this case?

13 A. No. Staff reviewed multiple Commission decisions to ensure prior orders
14 were not contradicted in addition to maintaining compliance with Section 393.320,
15 RSMo. In the Report and Order in Case No. WA-2021-0376, Staff reviewed the following
16 statement made by the Commission regarding the purchase of Eureka water and sewer
17 utilities, "the Commission finds that the statute mandates that the Commission set the
18 ratemaking rate base for the acquired assets."⁶ If the Commission approves the Neosho
19 water and sewer acquisition with conditions 7 and 8, rate base will be established in this
20 case in the amount of \$34.5 million.

⁵ WA-2026-0072 Item 15 Staff Report and Recommendation, page 23 of 24.

⁶ WA-2021-0376 Item No. 114 Amended Report and Order, page 33

1 Q. Does Staff agree with Mr. LaGrand's direct testimony statement
2 "MAWC would ultimately record the \$34.5 million purchase price in utility plant in
3 service, as that is MAWC's original cost."⁷

4 A. No, Staff does not agree that \$34.5 million would be the original cost of the
5 plant. As stated on page 11, lines 15-16, of Mr. LaGrand's direct testimony,
6 "Original Cost, as applied to utility plant, means the cost of such property to the person
7 first devoting it to public service."⁸ (Internal quotations omitted). The City of Neosho
8 would be the "first person devoting it to public service". The ratepayers for the City of
9 Neosho are currently paying for the original cost of the utility plant. The original cost
10 minus the accumulated depreciation should match the NBV.

11 Q. What are Staff's reasons for recommending the Commission establish a
12 regulatory asset?

13 A. The establishment of a regulatory asset for this purchase will
14 address the following:

- 15 • As stated in Staff's Memorandum, the sales comparison approach is the
16 method the appraisal used to calculate an average cost per customer
17 based on the sale price of other systems. The appraisal method used in this
18 case does not assess value of plant assets which are depreciated based

⁷ Direct Testimony of Brian W. LaGrand, page 10, lines 3-4.

⁸ Uniform System of Accounts for Class A and B Water Utilities 1976, Definitions, Page 13.

1 on the expected life. Creating a regulatory asset will isolate the increased
2 valuation, due to appraisal, from the original plant value.⁹

- 3 • The age and condition of the plant assets. A large portion of the water
4 system and the pipes in the ground were installed in 1942 when
5 Camp Crowder was opened in Neosho during World War II. According to
6 MAWC witness Stephen C. Kadyk’s direct testimony on page 3, lines 9-11,
7 “Neosho has had a significant problem with water loss for many years,
8 and at times this loss has been as high as 60%. City Council minutes dating
9 back to 1989 refer to the water loss problem in Neosho.” The depreciation
10 of assets set by the Commission are based on the expected life of an asset
11 or asset class. If the Commission adopts condition numbers 7 and 8,
12 the Commission would be able to specifically choose an amortization
13 period for the regulatory asset.

- 14 • The need for funds to re-invest in a distressed system and the overall cost
15 to the ratepayers. MAWC plans on completing over \$35 million of
16 improvements to the water and sewer systems within the first five years of
17 ownership.¹⁰ A regulatory asset and setting a rate of return in the following
18 general rate case would allow the Commission to review more accurate
19 reports of what improvements are planned or already made.

⁹ Uniform Standards of Professional Appraisal Practice Definition: Appraisal: (noun) the act or process of developing an opinion of value; an opinion of value.

¹⁰ Stephen C. Kadyk, Direct Testimony, Schedule SCK-1 (SCK-1-Neosho-Application-Final for Filing.pdf). Application and Motion for Waiver, Page 6.

- 1 • Affordability concerns for the ratepayers. Mr. LaGrand identified concerns
2 for cost to customers.¹¹ Since the rate base value will be set at \$34.5 million
3 due to the appraisal method, the only other way to control cost to
4 customers is by determining the appropriate length of time (amortization
5 for the regulatory asset) the customers are required to pay the regulatory
6 asset.

7 Q. Does Staff’s methodology consider affordability for the ratepayers?

8 A. Yes. In addition to ensuring compliance with both the USOA and
9 Section 393.320, RSMo, Staff’s method takes into account the cost to customers while
10 ensuring MAWC can still earn a reasonable return.

11 Q. Is overall cost of service is accurately represented on page 12, line 19,
12 through page 13, line 8, of Mr. LaGrand’s direct testimony?

13 A. No. Under both Staff and MAWC methods, rate base will be set
14 at \$34.5 million therefore increasing overall cost of service. Determining monthly cost
15 would require evaluating all relevant factors to determine the impact.
16 A proper determination of revenue requirement is dependent upon matching the
17 components of rate base, return on investment, revenues and operating costs at a point
18 in time. This is referred to as the “matching” principle. It has been standard practice in
19 Missouri for ratemaking to utilize a period that is beyond the established test year in which
20 to match the major components of a utility’s revenue requirement.

¹¹ Direct Testimony of Brian W. LaGrand, page12, line 19 through page 13, line 7.

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1 Q. On page 13, lines 2-8, in Mr. LaGrand's direct testimony he used a 10-year
2 amortization period for the regulatory asset. Does Staff agree?

3 A. No. At this time, Staff has not determined an appropriate amortization
4 period. In the next rate case, Staff will examine all relevant factors as described above
5 to determine the appropriate amortization period.

6 Q. On page 13, lines 11-15 of Mr. LaGrand's direct testimony, he identifies
7 issues with retirement of the regulatory asset and states "[t]he regulatory asset would not
8 be reduced when retirements occur. This can create a mismatch over time." Does Staff
9 agree a regulatory asset would lead to a mismatch in retirement of plant?

10 A. No. If MAWC retires water or sewer plant assets they will not retire the
11 regulatory asset. All plant retirements would only affect related plant accounts which
12 assets were retired from. The regulatory asset would amortize at a rate determined by the
13 Commission and MAWC would earn a return on the rate base and a return of the
14 amortization expense, unaffected by retirements of plant in service.

15 Q. On page, 12 lines 3-5, Mr. LaGrand's direct testimony answers "no" to the
16 question "Does either Instruction 2 or Instruction 5 of the USOA call for the recording of
17 any part of the purchase price as a regulatory asset?" Does Staff agree with his
18 assessment?

19 A. No. Staff has identified the steps within Instruction 5 (Utility Plant
20 Purchased or Sold) which gave Staff guidance in making the recommendation to the
21 Commission to establish a regulatory asset. If all steps of USOA Instruction 5 B are
22 followed to completion, the USOA directs "[t]he amounts recorded in this account with

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1 respect to each property acquisition shall be amortized, or otherwise disposed of, as the
2 Commission may approve or direct.”¹² Staff has concluded that any amount greater than
3 the NBV must have Commission approval or direction to ensure rate base can be
4 established in accordance with Section 393.320, RSMo. Please see Schedule CB-r2 for
5 full USOA Instruction 5.¹³

6 Q. Does this conclude your rebuttal testimony?

7 A. Yes it does.

¹² Uniform System of Accounts for Class A and B Water Utilities 1973, page 49, Account 114.

¹³ Schedule CB-r2 USOA Utility Plant Instructions

Christopher Boronda

Educational, Employment Background and Credentials

I am employed by the Missouri Public Service Commission (“Commission” or “PSC”) as a Utility Regulatory Auditor. I have been employed by the Commission since October 2024.

I graduated from Washington State University in 2021 with a Bachelor’s degree in Business Administration, majoring in Accounting. Prior to working for the PSC, I worked for the Missouri State Auditor’s Office from 2021 through 2024.

Case Participation

| Company Name | Case Number(s) | Testimony/Issues |
|----------------------------------|----------------|--|
| Missouri-American Water Company | WR-2024-0320 | Material and Supplies, Customer Advances, Credit Card Fees, Property Taxes, and PSC Assessment |
| Empire District Electric Company | ER-2024-0261 | Plant in Service, Depreciation Reserve, Operations & Maintenance Normalization, Software Maintenance Expense, and LTM Contract Accounting |
| Spire Missouri Inc. (Gas) | GR-2025-0107 | Materials & Supplies, Prepayments, Customer Deposits and Interest on Customer Deposits, Customer Advances, Rents and Leases Expense including Communication Equipment, Natural Gas Inventory, Insurance Expense, and Fuel Expense – Equipment and Vehicles |
| Raytown Water Company | WR-2025-0294 | Office Supplies Expense, Communications Expense, Education Expense, Lab Fees Chemical Expense, and Leases Expense |

UTILITY PLANT INSTRUCTIONS

so delivered. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly includible in other accounts.

(b) The expenses shall consist of the cost of operating the water plant, and other costs incident to the production and delivery of the water for which construction is credited under paragraph (a), above, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

4. Overhead Construction Costs.

A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

C. The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

5. Utility Plant Purchased or Sold.

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the cost of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 106, Utility Plant Purchased or Sold.

B. The accounting for the acquisition, shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 106, Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and to account 104, Utility Plant Leased to Others, account 105, Property Held For Future Use, and account 107, Construction Work in Progress, as appropriate.

(2) The requirements for accumulated provision for depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility, determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see paragraph C), shall be charged to account 106, Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.

(3) The cost to the utility of any property includible in account 121, Nonutility Property, shall be transferred thereto.

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 106, Utility Plant Purchased or Sold, and concurrently credited to account 271, Contributions in Aid of Construction.

(5) The amount remaining in account 106, Utility Plant Purchased or Sold, shall then be closed to account 114, Utility Plant Acquisition Adjustments.

C. If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as part of the purchase price of the property.

D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114, Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 252, Advances for Construction, and account 271, Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 106, Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any, between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 422, Gains (Losses) From Disposition of Property. (See account 106, Utility Plant