

Exhibit No.:
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Witness: Brian W. LaGrand
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Sponsoring Party: Missouri-American Water Company
Case No.: WA-2026-0072
Date: May 7, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WA-2026-0072

REBUTTAL TESTIMONY

OF

BRIAN W. LAGRAN

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 Director of Rates for Missouri-American Water, 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

May 7, 2026

Dated

**REBUTTAL TESTIMONY
BRIAN W. LAGRAN
MISSOURI-AMERICAN WATER COMPANY
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REBUTTAL TESTIMONY

BRIAN W. LAGRAND

I. INTRODUCTION

1

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. Are you the same Brian LaGrand who previously submitted Direct Testimony in this
6 proceeding on behalf of Missouri-American Water Company (“MAWC” or
7 “Company”)?**

8 A. Yes.

II. OVERVIEW

9

10 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

11 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony filed by the
12 Missouri Public Service Commission (“Commission”) Staff (“Staff”), and to the Direct
13 Testimony filed by the Office of the Public Counsel (“OPC”). Specifically, I will respond
14 to the Direct Testimony of Staff witness Ashley Sarver and to the Direct Testimony of OPC
15 witnesses Angela Schaben and Dr. Geoff Marke.

III. RATE BASE AMOUNT

16

17 **Q. Can you summarize the proposed rate base treatment from Staff witness Ashely
18 Sarver?**

19 A. Yes. Ms. Sarver proposes that the \$34.5 million purchase price of the Neosho water and
20 sewer systems be considered rate base for ratemaking purposes. However, she proposes

1 that the purchase price be recorded in two parts: 1) A net book value of \$24,608,160, and,
2 2) A regulatory asset of \$9,891,840. She further clarifies that it is Staff's intention that the
3 regulatory asset portion of the \$34.5 million purchase price receive full rate base treatment
4 in the Company's next general rate case, with the amortization of that regulatory asset to
5 be determined in the Company's next general rate case.

6 **Q. Does Ms. Sarver's clarification address the Company's objection to this proposed**
7 **treatment?**

8 A. No. As I stated in my Direct Testimony, the statute requires the "ratemaking rate base" to
9 be established in this acquisition case. The recovery of regulatory assets are most
10 commonly established in a general rate case.¹

11 **Q. Can you provide an example where the Commission deferred the ratemaking**
12 **treatment of a regulatory asset to a rate case?**

13 A. Yes. In its Report and Order in File No. WU-2017-0296, the Commission stated:

14 The appropriate account to which MAWC should book this AAO is NARUC
15 Account 186, with ratemaking treatment not addressed in this case but in MAWC's
16 pending general rate case, which will likely result in new rates being established in
17 May, 2018.²

18 19 **IV. TRANSACTION COSTS**

20 **Q. Can you summarize the proposal contained in the Direct Testimony of OPC witness**
21 **Angela Schaben?**

22 A. Yes. OPC witness Schaben proposes that all transaction, closing, and transition costs from

¹ LaGrand DT, p. 9.

² *In the Matter of the Application of Missouri-American Water Company for an Accounting Order Concerning MAWC's Lead Service Line Replacement Program*, Report and Order, p. 8, File No. WU-2017-0296 (Issued November 30, 2017).

1 the Neosho acquisition be tracked in a regulatory asset to be reviewed during the
2 Company's next rate case.

3 **Q. What is the basis stated for her recommendation?**

4 A. Ms. Schaben states that "Including the transaction, closing, and transition costs in an
5 established regulatory asset separates these expenses from routine operational expenses."³

6 **Q. Will these items otherwise be recorded as "routine operational expenses"?**

7 A. No. Under established practice, they would be allocated proportionally across the assets,
8 and recorded in Utility Plant in Service (UPIS).

9 **Q. Ms. Schaben also states that "Without the regulatory asset, it would be challenging to
10 audit these costs for consideration by the Commission in a subsequent rate case, and
11 challenging for the Commission to comply with the statutory requirement that only
12 prudently incurred costs be recovered."⁴ If a regulatory asset is not used for the
13 transaction, closing, and transition costs, would they still be available for evaluation
14 in a future rate case?**

15 A. Yes. By asking a data request, the prudence or reasonableness of any of these costs can be
16 evaluated by any party in a general rate case.

17 **V. OPC RECOMMENDATION TO REJECT THE APPLICATION**

18 **Q. Does the OPC believe the Company's proposed acquisition of Neosho's water and
19 sewer systems is in the public interest?**

³ Schaben DT, p. 3.

⁴ Schaben DT, p. 3.

1 A. No. In the Direct Testimony of Dr. Geoff Marke, he lists several reasons why he believes
2 the acquisition is not in the public interest. I will address several of these reasons below,
3 and Company witness Steve Kadyk will address others.

4 **a. Appraisal vs. Net Book Value**

5 **Q. Dr. Marke claims the acquisition cost represents a large delta between the purchase**
6 **price and the net book value.⁵ Is that difference relevant?**

7 A. No. Any difference between the appraised value and the net book value is irrelevant. The
8 statute is clear - the lesser of the purchase price or the appraised value, together with the
9 reasonable and prudent transaction, closing and transition costs incurred by the large water
10 public utility shall constitute the ratemaking rate base.⁶ The net book value is not a factor
11 in this process.

12 **Q. Has the Commission acknowledged this in any prior cases?**

13 A. In Commission File No. WA-2021-0376, the Commission’s Amended Report and Order
14 stated, in part:

15 . . . although the gap between Staff’s \$18 million net book value and the \$28 million
16 appraised value is concerning, MAWC’s election to use Section 393.320 to establish the
17 rate base for the Eureka system means that net book value is not relevant to a determination
18 of a small water utility’s fair market value under Section 393.320, 32 RSMo, because if its
19 provisions are complied with, the statute requires the use of the lesser of the appraised
20 value or the purchase price to establish the rate base.⁷

21

⁵ Marke DT, p. 3

⁶ Section 393.320.5(1), RSMo

⁷ *In the Matter of the Application of Missouri American Water Company for a Certificate of Convenience and Necessity Authorizing it to Install, Own, Acquire, Construct, Operate, Control, Manage and Maintain a Water System and Sewer System in and Around the City of Eureka, Missouri*, Amended Report and Order, pp. 31-32, File No. WA-2021-0376 (Issued June 29, 2022).

1 **Q. Dr. Marke concludes that in this case, the delta between the appraised value and the**
2 **net book value is “too rich,” and that the “Neosho assets do not fit the archetypical,**
3 **small private distressed water/wastewater systems burdened by federal regulatory**
4 **compliance challenges....”⁸ How do you respond?**

5 A. First, as stated above, the net book value is not relevant within the context of Section
6 393.200, RSMo. As to the second point, Dr. Marke is attempting to introduce requirements
7 that are not found in the statutory language. The statutory language does not require the
8 acquired utility to be “distressed,” “private,” or “burdened by federal regulatory
9 compliance challenges.”

10 **Q. Does that mean Neosho’s water and sewer systems are without issue?**

11 A. No. Neosho has explained in both the local public hearing in this case and in its direct
12 testimony the obstacles and difficulties that have led it to seek to sell its systems.

13 **b. Customer Impacts**

14 **Q. Dr. Marke claims that the approval of this acquisition forces MAWC’s current**
15 **customers “to pay for costs they did not cause and will not benefit from....”⁹ How do**
16 **you respond to that statement?**

17 A. Generally speaking, there are two customer bases that could potentially be impacted as a
18 result of an acquisition – the acquired customers and the existing MAWC customers.

19 **Q. What are the impacts associated with the customers of the system(s) to be acquired?**

20 A. While the specific impacts will vary with each transaction, by becoming part of the MAWC

⁸ Marke DT, p. 4.

⁹ Marke DT, p. 3

1 system, the customers of the acquired system will enjoy many benefits, including
2 consistent safe and reliable water and wastewater service, professional water and
3 wastewater operational and engineering management, improved customer service, and
4 future rate stability.

5 Moreover, there are times when a smaller system simply cannot afford certain items to
6 efficiently run their system. For example, MAWC has access to some of the top chemists
7 and scientists to test and treat the water system. An acquired system would now have
8 access to those capabilities whereas before the acquisition they likely would not.

9 **Q. What typically happens to the rates of customers of a system acquired by MAWC?**

10 A. In the Application for a CCN, MAWC will generally provide its proposal as to what rates
11 the acquired customers should be placed on at the time of closing. Typically, this would
12 be either the existing rates for those customers or an existing MAWC rate. The
13 Commission will then determine the appropriate rates for the acquired customers as part of
14 the CCN case.

15 **Q. Do MAWC's current customers benefit from acquisitions of other water and
16 wastewater utilities?**

17 A. Yes. Adding customers to the MAWC system enables the Company to spread operating
18 costs across a wider base. By adding additional customers, MAWC's customers as a whole
19 can recognize greater economies of scale by allowing the impacts of operating costs and
20 investments to be distributed over a broader customer base. This is particularly true of
21 those operating costs incurred regardless of the number of customers served, water
22 produced or delivered, or gallons of wastewater treated, such as the labor and benefits costs

1 of MAWC's management employees, or the rent on office buildings. These costs would
2 then be spread over a greater base, lowering the per unit or per customer costs for everyone.

3 **Q. Does Section 393.320, RSMo, contemplate the consolidation of larger existing and**
4 **smaller acquired systems?**

5 A. Yes. Section 393.320.6, RSMo, states: "Upon the date of the acquisition of a small water
6 utility by a large water public utility, whether or not the procedures for establishing
7 ratemaking rate base provided by this section have been utilized, the small water utility
8 shall, for ratemaking purposes, become part of an existing service area, as defined by the
9 public service commission, of the acquiring large water public utility that is either
10 contiguous to the small water utility, the closest geographically to the small water utility,
11 or best suited due to operational or other factors. This consolidation shall be approved by
12 the public service commission in its order approving the acquisition."

13 **Q. What would that mean for Neosho customers?**

14 A. It is proposed that Neosho water customers would become part of the Outside St. Louis
15 County tariff group and Neosho sewer customers would become part of the Other Sewer
16 tariff group.

17 **Q. Does that mean that after the next general rate case existing MAWC customers would**
18 **pay for capital investments made in Neosho?**

19 A. To a certain extent, yes. However, it would also be reciprocal, and Neosho customers
20 would to a certain extent pay for capital investments made for existing MAWC customers.
21 In MAWC's next rate case, the cost of service would consider the utility plant investments
22 and expenses incurred by the tariff group as a whole.

1 **Q. What would the impact of this transaction be to MAWC overall?**

2 A. The rate base per customer for the Other MO Water tariff group is \$6,005, and for the Other
3 MO Sewer tariff group it is \$5,277. The Neosho acquisition rate base is \$3,000 per
4 customer. Combining the lower rate base per customer of the Neosho system will lower
5 the rate base per customer for existing MAWC water and sewer customers. This is the
6 very type of efficiency that acquisitions can accomplish for the benefit of current
7 customers. Please see Table BWL-1 for the details.

Table BWL-1

	Rate Base 5/31/25	Customers 5/31/25	Rate Base per Customer
STL County Water	\$2,226,323,361	349,103	\$6,377
Other MO Water	816,329,816	135,948	6,005
Arnold Sewer	19,610,498	7,102	2,761
Other MO Sewer	89,941,689	17,043	5,277
Total	\$3,152,205,364	509,196	\$6,191

	Neosho Rate Base	Neosho Customers	Rate Base per Customer
STL County Water	\$0	0	\$0
Other MO Water	17,400,000	5,783	3,000
Arnold Sewer	0	0	0
Other MO Sewer	17,100,000	5,700	3,000
Total	\$34,500,000	11,483	\$3,000

	Pro-Forma Rate Base	Pro-Forma Customer	Pro-Forma RB/Customer
STL County Water	\$2,226,323,361	349,103	\$6,377
Other MO Water	833,729,816	141,731	5,882
Arnold Sewer	19,610,498	7,102	2,761
Other MO Sewer	107,041,689	22,743	4,707
Total	\$3,186,705,364	520,679	\$6,120

8

9 **Q. What does that mean for MAWC's existing customers?**

10 A. For existing customers this will result in a lower revenue requirement on that rate base than
11 it would be without the Neosho customers, all else being equal.

1 **c. Public Interest Determination**

2 **Q. Dr. Marke notes that a recent change to Section 393.320, RSMo provides that the**
3 **utility's choice to use the fair market value provisions does not automatically ensure**
4 **that the transaction is in the public interest. Does the Company agree with Dr.**
5 **Marke?**

6 A. Yes. In fact, Section 393.170, RSMo, has always required the Commission to address
7 whether a requested Certificate of Convenience and Necessity is “necessary or convenient
8 for the public service” or in the public interest .¹⁰

9 **Q. Does this conclude your Rebuttal Testimony?**

10 A. Yes.

¹⁰ “When considering a request for a new CCN, the Commission applies criteria originally developed in a CCN case filed by the Tartan Energy Company and referred to now as the “Tartan criteria.” The Tartan criteria contemplate 1) the need for service; 2) the utility’s qualifications; 3) the utility’s financial ability; 4) the economic feasibility of the proposal; and, 5) promotion of the public interest.” Robertson DT, Sched. JJR-d2, p. 19 of 33. *See also In the Matter of the Application of Tartan Energy Company, LC*, Commission File No. GA-94-127.