

Exhibit No.:
Issues: Neosho Acquisition
Witness: Brian W. LaGrand
Exhibit Type: Surrebuttal
Sponsoring Party: Missouri-American Water Company
Case No.: WA-2026-0072
Date: May 29, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WA-2026-0072

SURREBUTTAL 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 29, 2026

Dated

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

BRIAN W. LAGRAN

I. INTRODUCTION

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Q. Please state your name and business address.

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

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

A. Yes.

II. OVERVIEW

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

A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony filed by the Missouri Public Service Commission (“Commission”) Staff (“Staff”). Specifically, I will respond to the Rebuttal Testimony of Staff witnesses Jarrod Robertson and Christopher Boronda.

III. STAFF CONDITION #2

Q. Can you summarize the Rebuttal Testimony of Staff witness Jarrod Robertson?

A. Yes. In his testimony, Mr. Robertson essentially argues that traditional CCN cases are treated differently than cases using the appraisal statute when it comes to establishing a rate, and that only past cases that used the appraisal statute are relevant to this case.

1 **Q. Do you agree with Mr. Robertson?**

2 A. No. The portion of the statute relevant to this issue specifically indicates that it is not
3 limited to situations where the appraisal process has been used. The statute, which Mr.
4 Robertson himself references in his testimony, states the following:

5 Upon the date of the acquisition of a small water utility by a large water public
6 utility, whether or not the procedures for establishing ratemaking rate base provided
7 by this section have been utilized, the small water utility shall, for ratemaking
8 purposes, become part of an existing service area, as defined by the public service
9 commission, of the acquiring large water public utility that is either contiguous to
10 the small water utility, the closest geographically to the small water utility, or best
11 suited due to operational or other factors. This consolidation shall be approved by
12 the public service commission in its order approving the acquisition.¹

13
14 **Q. Is this the only portion of the statute that addresses the need for an acquired utility
15 to be part of an existing service area for ratemaking purposes?**

16 A. Yes. It appears to state that any small utility that is acquired by a large utility is required
17 to become part of an existing service area for ratemaking purposes. MAWC has completed
18 34 acquisitions of small water utilities. Mr. Robertson’s claim that only the 10 transactions
19 that utilized the appraisal method to establish the ratemaking rate base are relevant seems
20 to ignore the statute’s declaration that this portion of the statute will apply “. . . whether or
21 not the procedures for establishing ratemaking rate base provided by this section have been
22 utilized. . . .”

23 **Q. Does the statute make any statement about a specific rate to be used at closing?**

24 A. It does not. The “rate” at closing is not specifically addressed.

25 **Q. Do you agree with Mr. Robertson’s assertion that the rates MAWC has requested in**

¹ Section 393.320.6, RSMo (emphasis added).

1 **Q. Do you agree with Mr. Boronda’s assertion that a regulatory asset is necessary in this**
2 **case?**

3 A. No. As described extensively in my Direct Testimony³, the regulatory asset approach is
4 flawed.

5 **Q. In his Rebuttal Testimony, what are the reasons Staff witness Boronda cites for**
6 **recommending the Commission establish a regulatory asset?**

7 A. Mr. Boronda cites four reasons for recommending the use of a regulatory asset. First, that
8 a regulatory asset will allow the isolation of the increase over the net book value. Second,
9 because of the age and condition of the plant assets. Third, the need for future investment.
10 Lastly, because of affordability concerns for ratepayers.⁴

11 **Q. How do you respond to Mr. Boronda’s reasons?**

12 A. I’ll address his points individually.

13 • First, Mr. Boronda states that “The appraisal method used in this case does not assess
14 the value of plant assets which are depreciated based on the expected life.”⁵ This is
15 true – the appraisal statute does not require the consideration of the net book value of
16 the acquired assets. In fact, the statute provides large utilities a valuation method that
17 is an alternative to net book value when the assets are being acquired from a small
18 utility that is not a public utility. If the appraisal is performed in compliance with the
19 statute, then the lesser of the purchase price or the appraised value, plus reasonable and
20 prudent transaction, closing, and transition costs incurred by the large utility, shall

³ LaGrand DT, p 7 – 9.

⁴ Boronda RT, pp. 6 – 8.

⁵ Boronda RT, pp. 6 – 7.

1 constitute the ratemaking rate base for the small water utility. There is no need for
2 Staff to consider the net book value of the assets when the appraisal method is utilized
3 in conjunction with the acquisition of municipal assets such as those of Neosho.

- 4 • Second, Mr. Boronda claims, without explanation, that the regulatory asset is needed
5 due to the age and condition of the plant assets. It's unclear how the use of a regulatory
6 asset is linked to the age and condition of the plant assets. He further notes that the
7 Commission would be able to set the amortization period for the regulatory asset. Of
8 course, at the earliest, this would occur in the Company's next general rate case, not in
9 this acquisition case.

- 10 • Third, Mr. Boronda claims that the planned future investment warrants the use of a
11 regulatory asset as it "... would allow the Commission to review more accurate reports
12 of what improvements are planned or already made."⁶ Again, it is unclear what future
13 investments have to do with the proposed regulatory asset. The Commission will be
14 able to review all future capital investment in a general rate case. The existence of a
15 regulatory asset has no bearing on that ability.

- 16 • Lastly, Mr. Boronda raises affordability concerns. He says that the only way to control
17 costs to customers is through the amortization period for the regulatory asset⁷. While
18 that is true, the regulatory asset adds a needless complexity. If the entire rate base is
19 treated as plant, it will be depreciated over the established life of the assets. Having a
20 separate regulatory asset introduces uncertainty about the future treatment of that

⁶ Boronda RT, p. 7.

⁷ Boronda RT, p. 8.

1 portion of the transaction. If the goal is to amortize the regulatory asset over the same
2 life as the assets, then there is no need for the regulatory asset.

3 **Q. Mr. Boronda criticizes your calculation of the cost of service in your Direct**
4 **Testimony. How do you respond?**

5 A. The purpose of my cost of service calculation⁸ was to demonstrate that Staff's proposal
6 would lead to a higher cost for customers. It did not purport to represent a full rate case,
7 which would include more factors. I assumed a 10-year amortization for Staff's proposed
8 regulatory asset, but longer amortization period would still result in a higher cost per
9 customer than MAWC's proposal.

10 **Q. Mr. Boronda says that Staff has not determined an appropriate amortization period**
11 **for their proposed regulatory asset.⁹ Would Staff typically be the party to establish**
12 **the amortization period?**

13 A. No. Staff would make a recommendation for the Commission's consideration.

14 **Q. Mr. Boronda challenges your assertion that Staff's proposed treatment could result**
15 **in problems when it comes to retirements. How do you respond?**

16 A. I believe the possible problems are easy to see. Take an extreme example where a ten year
17 amortization period is used for the regulatory assets and 100% of the acquired assets are
18 retired and taken out of service after five years. In that case, the regulatory asset would
19 continue to be on the books and included in the cost of service well after the subject assets
20 are no longer providing service.

⁸ LaGrand DT – Schedule BWL-4 – Confidential.

⁹ Boronda, RT, p. 9

1 **Q. Mr. Boronda disagrees with your statement that neither Instruction 2, nor**
2 **Instruction 5, of the USOA call for the recording of any part of the purchase price as**
3 **a regulatory asset. How do you respond?**

4 A. While Mr. Boronda says he disagrees with me, he does not point to any part of USOA
5 Instruction 2 or Instruction 5 that expressly discusses the use of a regulatory asset.

6 **Q. Do either Instruction 2 or Instruction 5 of the USOA reference a regulatory asset?**

7 A. No, they do not.

8 **Q. In conclusion, Mr. Boronda says that “Staff has concluded that any amount greater**
9 **than the [net book value (“NBV”)] must have Commission approval or direction to**
10 **ensure rate base can be established In accordance with Section 393.320, RSMo.” Do**
11 **you agree with him?**

12 A. Partially. I agree that if the Commission finds this transaction to be in the public interest,
13 it must approve the rate base to be recorded in order to address Section 393.320, RSMo.
14 However, I disagree that there needs to be a regulatory asset to capture any amount greater
15 than the NBV.

16 **IV. CONCLUSION**

17 **Q. What does the Company recommend the Commission decide in this case?**

18 A. The Company recommends the Commission reject Staff’s and OPC’s positions in this case,
19 a grant the Company’s request to allow Neosho customer to remain on their current rates
20 until the Company’s next rate case, order that the water customers be placed in the Other
21 Missouri Service Areas Outside St. Louis County service area and the sewer customers be
22 placed in the Other Missouri service area, and order the Company to record rate base of

1 \$34.5 million using a method consistent with how the Company has recorded prior
2 appraisal transactions.

3 **Q. Does this conclude your Surrebuttal Testimony?**

4 **A. Yes.**