

Exhibit No.: 109
Issue(s): Insurance Expense,
Rate Case Expense, and
Employee Awards
Witness: Caroline Newkirk
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2017-0285
Date Testimony Prepared: January 17, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

CAROLINE NEWKIRK

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

*Jefferson City, Missouri
January, 2018*

Exhibit No. 109
Date 3/16/18 Reporter MM
File No. WR-2017-02-85

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TABLE OF CONTENTS OF
REBUTTAL TESTIMONY
OF
CAROLINE NEWKIRK
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2017-0285

INSURANCE EXPENSE 1
RATE CASE EXPENSE 2
EMPLOYEE AWARDS 2

1 REBUTTAL TESTIMONY

2 OF

3 CAROLINE NEWKIRK

4 MISSOURI-AMERICAN WATER COMPANY

5 CASE NO. WR-2017-0285

6 Q. Please state your name and business address.

7 A. My name is Caroline Newkirk. My business address is 200 Madison Street,
8 Jefferson City, Missouri 65101.

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

10 A. I am employed by the Missouri Public Service Commission ("Commission")
11 as a Utility Regulatory Auditor II in the Auditing Department, Commission Staff Division.

12 Q. Are you the same Caroline Newkirk that previously sponsored sections of
13 Staff's Revenue Requirement – Cost of Service Report ("Report") in this rate case that was
14 filed on November 30, 2017?

15 A. Yes, I am.

16 Q. What is the purpose of your rebuttal testimony in this proceeding?

17 A. The purpose of my rebuttal testimony is to describe changes made to Staff's
18 proposed insurance other than group expense and rate case expense. I will also discuss Staff's
19 proposed adjustment to remove employee awards from the cost of service.

20 INSURANCE EXPENSE

21 Q. Have there been any modifications to Staff's position on insurance other than
22 group?

1 A. Yes. After discussions with the Company, and review of treatment in prior
2 rate cases, Staff has changed the capitalization rate for all categories other than
3 Workers' Compensation to 10% from the 42.1% proposed in its direct filing.

4 Q. What is the reasoning behind the change in the capitalization rate?

5 A. The insurance policies in this category (other than Workers' Compensation)
6 cannot necessarily be tied to the cost of placing utility assets into service. According to the
7 Company, it is estimated that over 90% of the claims for liability relate to either main breaks
8 or trip and fall accidents, both of which are events that are non-capital in nature.

9 **RATE CASE EXPENSE**

10 Q. Have there been any modifications to Staff's position on rate case expense?

11 A. Yes, there have been two modifications. The first modification is an update of
12 the total amount to be included for the depreciation study from the estimated amount of
13 \$51,435 to the actual invoiced amount of \$63,614. This amount continues to be normalized
14 over five years. Secondly, the "Percentage proposed vs percentage requested" has risen from
15 8.05% to 23.68% due to Staff's most currently revised revenue requirement calculation.

16 **EMPLOYEE AWARDS**

17 Q. Has there been any change to Staff's position on employee awards?

18 A. Yes. On November 17, 2017, Staff submitted Data Request No. 0218 to the
19 Company requesting additional information on charges associated with the employee awards
20 account, specifically those paid to Engage2Excel. MAWC responded to the data request on
21 November 30, 2017 (the date of filing of the Staff Report) stating "Engage2Excel is the
22 vendor from which MAWC purchases awards for recognition of employee service." A CD

Rebuttal Testimony of
Caroline Newkirk

1 containing copies of the Engage2Excel invoices was subsequently received and reviewed by
2 Staff.

3 Q. What is Staff's position on the charges for employee awards after reviewing
4 the response to Data Request No. 0218?

5 A. In reviewing the invoices from Engage2Excel, Staff found the vendor's prices
6 for the awards to be above market. Staff agrees that acknowledging employees' service is
7 important; however, Staff does not agree with the inclusion of these expenses because they
8 are excessive in amount and are not strictly necessary for providing safe and reliable service
9 to customers. Staff's adjustment is to disallow all \$36,245 of Engage2Excel employee award
10 expense.

11 Q. Does this conclude your testimony?

12 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American)
 Water Company's Request for Authority)
 to Implement General Rate Increase for)
 Water and Sewer Service Provided in)
 Missouri Service Areas)

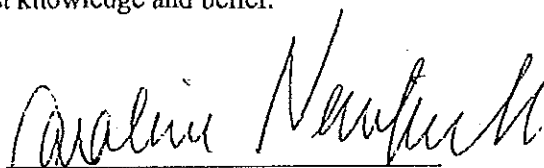
Case No. WR-2017-0285

AFFIDAVIT OF CAROLINE NEWKIRK

STATE OF MISSOURI)
)
 COUNTY OF COLE) ss.

COMES NOW CAROLINE NEWKIRK and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

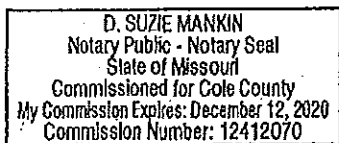
Further the Affiant sayeth not.

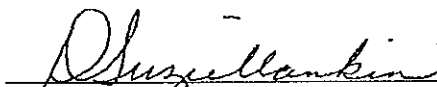


 CAROLINE NEWKIRK

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of January, 2018.





 Notary Public