

Exhibit No.: 113  
Issue(s): Uncollectible Expense;  
Changes to Water Usage  
Revenues  
Witness: Ashley Sarver  
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**

**ASHLEY SARVER**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2017-0285**

Jefferson City, Missouri  
January 2018

Exhibit No. 113  
Date 3/19/18 Reporter Mr  
File No. WR-2017-0285

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1 REBUTTAL TESTIMONY

2 OF

3 ASHLEY SARVER

4 MISSOURI-AMERICAN WATER COMPANY

5 CASE NO. WR-2017-0285

6 Q. Please state your name and business address.

7 A. Ashley Sarver, P.O. Box 360, Jefferson City, Missouri 65102.

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

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

11 Q. Are you the same Ashley Sarver who has previously contributed to the Staff's  
12 Cost of Service Report in File No. WR-2017-0285 filed on November 30, 2017?

13 A. Yes, I am.

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

15 A. The purpose of my testimony is to respond to the direct testimony of  
16 Missouri-American Water Company (MAWC or "Company") witness Nikole L. Bowen  
17 regarding uncollectible expense. I will also explain Staff's changes to its direct filed revenue  
18 requirement regarding residential usage for water revenues and the associated impacts on  
19 chemical expense and fuel and power expense, as well as updates for private fire usage,  
20 Triumph Food usage, and Empire District Electric usage.

21 **UNCOLLECTIBLE EXPENSE**

22 Q. How did MAWC witness Ms. Bowen adjust uncollectible expense as part of  
23 MAWC's direct filed case?

Rebuttal Testimony of  
Ashley Sarver

1           A.     MAWC calculated the percentage of net charge-offs to billed water and sewer  
2 revenue for 2014 (1.69%), 2015 (1.55%), and 2016 (1.05%), as well as a three-year average  
3 of 1.43%. The Company does not contend the uncollectible percentage in the future will  
4 reach the three-year average, rather it asserts the trend supports a reduced number of 0.75%  
5 net charge-offs to water and sewer revenue in this filing. The Company calculated its  
6 uncollectible expense amount by applying the 0.75% uncollectible percentage to the total  
7 Company projected revenues in its case.

8           Q.     What issue regarding uncollectible expense are you addressing in your  
9 testimony?

10          A.     I am addressing MAWC's proposal to tie ratemaking recovery of this item to a  
11 set percentage of revenues. Staff witness Mark L. Oligschlaeger will address MAWC's  
12 proposed use of projected financial data to set rates in his rebuttal testimony.

13          Q.     Did Ms. Bowen explain in her direct testimony or show in her supporting  
14 workpapers how the 0.75% was derived?

15          A.     No, she did not.

16          Q.     How did Staff normalize uncollectible expense?

17          A.     Staff used the actual level of net charge-offs over the 12-months ending  
18 June 30, 2017, to determine the normalized level of uncollectible expense. Staff intends to  
19 examine updated actual net charge-off amounts through December 31, 2017, as part of its  
20 true-up audit.

21          Q.     Why is Staff's method to normalize uncollectible expense more appropriate  
22 than the method used by MAWC?

Rebuttal Testimony of  
Ashley Sarver

1           A.     Staff's method is more appropriate because it uses the actual level of net  
2 charge-offs over a period of time to determine the normalized level of uncollectible expense.  
3 MAWC's method of calculating the 0.75% ratio to projected billed revenues erroneously  
4 emphasizes MAWC's assumption that there is always a direct correlation of actual net charge-  
5 offs with billed revenues.

6           Q.     Does Staff agree that the actual level of net charge-offs directly correlates to  
7 the level of revenues that MAWC billed as MAWC witness Ms. Bowen's uncollectible  
8 expense factor-up adjustment suggests?

9           A.     No. Many other factors can affect the level of uncollectible expense that a  
10 utility incurs. The state of the economy, , the impacts of weather, the existence of  
11 low-income assistance programs, and the nature of a utility's customer service policies, such  
12 as those regarding customer payment arrangements and use of debt collection agencies, are a  
13 few examples of factors that typically affect the level of uncollectible expense.

14          Q.     Has Staff compared a history of MAWC billed revenues to the actual amounts  
15 of net charge-offs recorded by MAWC?

16          A.     Yes. Please refer to the chart attached as Schedule AS-r1 that, using data  
17 MAWC provided in response to Staff Data Request No. 0032.2, shows the monthly  
18 comparison of billed revenue to net charge-offs over a ten-year period. During this time,  
19 MAWC filed five rate cases: Case No. WR-2007-0216, Case No. WR-2008-0311,  
20 Case No. WR-2011-0337, Case No. WR-2015-0301, and the present case. As shown in  
21 Schedule AS-r1, Staff's analysis does not support MAWC's position that it should be  
22 assumed that there is always a proportional or corresponding direct relationship between  
23 billed revenues and net charge-offs.

1 **CHANGES TO WATER USAGE REVENUES**

2 Q. Did Staff update its water usage calculations for residential revenues from the  
3 direct filing?

4 A. Yes. Staff witness Jarrod J. Robertson, of the Commission's Water and Sewer  
5 Department, has made changes to correct errors to the normalized average gallons of usage  
6 per customer per day for residential customers for each operating district. Please see his  
7 rebuttal testimony for more detail on the changes.

8 Q. Has Staff updated the usage per customer per day for residential revenues?

9 A. Yes. Staff used the normalized average gallons of water usage per customer  
10 per day for residential customers for Districts 1, 2, and 3 as suggested by Mr. Robertson.

11 Q. Why are Staff's changes appropriate?

12 A. In its direct filing, Staff computed residential water revenues for each  
13 operating district by using the normalized average gallons of usage per customer per day for  
14 each service area within each operating district. With the update recommended by Staff  
15 witness Robertson, Staff applied the same normalized usage for each district to all the service  
16 areas within each district. This resulted in updated annualized gallons for each district that  
17 Staff then used to calculate annualized water revenues for each water district.

18 Q. What are the updated MAWC annualized water revenues for each district?

19 A. \$227,160,410 for District 1, \$31,819,681 for District 2, and \$25,373,625 for  
20 District 3.

21 Q. Does changing the water usage for residential customers affect other expenses?

22 A. Yes. Staff has updated chemicals expense and fuel and power expense to  
23 reflect the updated usage assumptions.

Rebuttal Testimony of  
Ashley Sarver

1 Q. What is Staff's updated annualized level of chemical expense for MAWC?

2 A. \$8,749,153.

3 Q. Did Staff update the normalized percentage of water loss for fuel and power  
4 expense to reflect a five-year average?

5 A. Yes. Staff included a 5-year average for the water loss. This is the same  
6 percentage used to account for the water loss for chemicals.

7 Q. What is Staff's updated annualized level of fuel and power expense?

8 A. \$12,429,402.

9 Q. Did Staff update private fire service usage for water?

10 A. Yes. Staff analyzed the usage for private fire service (hydrants that are placed  
11 on private property and attached to public mains) for the five years ending June 30, 2017,  
12 using the data provided in the Company's response to Staff Data Request No. 0076.2. Staff  
13 used a four-year average for St. Louis County and Warrensburg since the usage within those  
14 service areas fluctuates. There was no data available for 2012 through April 2013 for the  
15 St. Louis County and Warrensburg service areas. For the other service areas, Staff used the  
16 update period usage, since the update period represented the upward or downward usage trend  
17 in the data.

18 Q. Did Staff update the metered usage for the industrial customer special contract  
19 in effect for Triumph Food?

20 A. Yes. After examining MAWC's response to Staff Data Request No. 0076.1,  
21 Staff normalized Triumph Foods' usage based on a five-year average. The usage trend  
22 fluctuates during the five-year period.

Rebuttal Testimony of  
Ashley Sarver

1           Q.     Did Staff update the metered usage for the industrial customer special contract  
2 in effect for Empire District Electric?

3           A.     Yes. After examining MAWC's response to Staff Data Request No. 0076.1,  
4 Staff did not change its method of using the update period usage for Empire District Electric.  
5 Over the 12 months, the usage trend for Empire District Electric first goes down, then up.  
6 The lowest usage for a 12-month period had a zero usage rate for one month. The highest in  
7 five years is the 12-months ending June 30, 2017. Staff determined that the update period  
8 usage is the most appropriate usage to use for Empire District Electric. Staff updated the  
9 usage for Empire District Electric to match the data provided in this data request.

10          Q.     Does this conclude your rebuttal testimony?

11          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 ) Case No. WR-2017-0285  
to Implement General Rate Increase for )  
Water and Sewer Service Provided in )  
Missouri Service Areas )

**AFFIDAVIT OF ASHLEY SARVER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

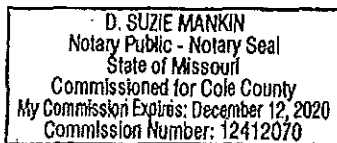
COMES NOW ASHLEY SARVER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

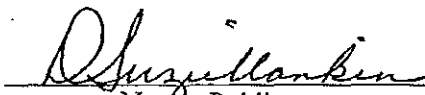
Further the Affiant sayeth not.

  
\_\_\_\_\_  
ASHLEY SARVER

**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 16<sup>th</sup> day of January, 2018.



  
\_\_\_\_\_  
Notary Public

**MAWC - Total Company**  
**Yearly Change in Billed Revenues to Change in Net Charge-Offs**

