Exhibit No.: Keith D. Foster Issue(s): Witness: Pension and Other *Post-Employment* Benefits (OPEBs) Trackers, OPEB Expense; Accumulated Deferred Income Tax (ADIT) Sponsoring Party: MoPSC Staff *Type of Exhibit:* Surrebuttal Testimony Case No.: WR-2020-0344 Date Testimony Prepared: February 9, 2021

### MISSOURI PUBLIC SERVICE COMMISSION

### FINANCIAL & BUSINESS ANALYSIS DIVISION

### AUDITING DEPARTMENT

### SURREBUTTAL TESTIMONY

### OF

### **KEITH D. FOSTER**

### MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

Jefferson City, Missouri February 2021

1	SURREBUTTAL TESTIMONY
2	OF
3	KEITH D. FOSTER
4	MISSOURI-AMERICAN WATER COMPANY
5	CASE NO.WR-2020-0344
6	Q. Please state your name and business address.
7	A. Keith D. Foster, 200 Madison Street, Suite 440, Jefferson City, Missouri 65101.
8	Q. Are you the same Keith D. Foster who contributed to Staff's Cost of Service
9	Report filed on November 24, 2020, and sponsored Rebuttal Testimony filed
10	on January 15, 2021, in this case?
11	A. Yes, I am.
12	EXECUTIVE SUMMARY
13	Q. Please summarize your rebuttal testimony in this proceeding.
14	A. In this testimony, I will respond to Missouri-American Water Company
15	(MAWC) witnesses Brian W. LaGrand's rebuttal testimony regarding Pension and Other
16	Post-Employment Benefits (OPEBs) trackers and OPEB expense and John R. Wilde's rebuttal
17	testimony regarding Accumulated Deferred Income Tax (ADIT) for rate base.
18	PENSION AND OPEB TRACKERS
19	Q. Do you agree with page 27 of Mr. LaGrand's rebuttal testimony that Staff's
20	calculation of the pension tracker balance was overstated by \$79,984?
21	A. Yes, with a minor difference that can be attributed to rounding.
22	Q. Did you make a correction to address this difference?

# Surrebuttal Testimony of Keith D. Foster

1	A. Yes. As I addressed on pages 5-6 of my rebuttal testimony, "I updated the start
2	of the stipulated expense and amortization calculations from May 2018 to June 2018, because
3	the effective date of the order in Case No. WR-2017-0285 was May 28, 2018, and starting in
4	May calculated a full month of expense for a month in which the order was in effect for only
5	four (4) days." After applying this correction, the difference between my calculation and
6	MAWC's was \$4.
7	Q. Do you agree with pages 27-28 of Mr. LaGrand's rebuttal testimony that Staff's
8	calculation of the OPEB tracker balance was understated by \$237,201 and there was a minor
9	error that understated the balance by \$10,003?
10	A. Yes, approximately.
11	Q. Did you make a correction to address these differences?
12	A. Yes, as I addressed above for the pension tracker. After applying this correction,
13	the difference between my calculation and MAWC's was \$6,844.
14	Q. Please respond to Mr. LaGrand's rebuttal testimony on page 28 where he stated
15	that Staff excluded OPEB retiree reimbursements from the OPEB tracker balance.
16	A. As part of the monthly expense calculation that is made to compute the
17	OPEB tracker balance, Retiree Medical Reimbursements are included as a credit. Per the
18	Stipulation and Agreement from MAWC's previous rate Case No. WR-2017-0285, the
19	cumulative OPEB tracker amount was as of December 31, 2017, which constitutes the starting
20	point from which a new OPEB tracker balance would be calculated in the next rate case.
21	Therefore, in the current case, Staff and MAWC calculated the new OPEB tracker balance
22	starting with January 1, 2018 and ending June 30, 2020, the end of the update period.
23	Staff's calculation for this same period includes a total Retiree Medical Reimbursements credit

Surrebuttal Testimony of Keith D. Foster

amount of \$369,616. If Staff had truly "excluded" OPEB retiree reimbursements from the 1 2 OPEB tracker balance, then the difference would be \$369,616 rather than \$6,844. 3 Q. What do you think this means? 4 A. Perhaps, Mr. LaGrand misstated what was causing the difference as it can't be 5 due to excluding OPEB retiree reimbursements. As I stated above, after making corrections previously brought to my attention by Mr. LaGrand, I also show a difference of \$6,844. So, I 6 7 agree with the difference but not the cause of the difference. MAWC's OPEB tracker 8 workpaper only provided the balance beginning in December 2019 rather than starting with 9 January 2018, and there is a consistent difference between Staff's amount and MAWC's amount 10 for each month from December 2019 to June 2020 of \$6,882 to \$6,884. This means the 11 difference in our balances started prior to December 2019. Q. 12 What do you show as a difference in your calculation? My workpaper shows a difference of \$6,896 for premium reimbursements from 13 A. 14 Hancock Financial based on MAWC's general ledger entries in February and May 2018. 15 There are smaller differences throughout the 30-month period that could account for 16 the \$52 difference between it and the \$6,844. 17 Q. How do you propose to address this issue? Pension and OPEB trackers are issues to be trued-up. As Staff trues up these 18 A. 19 numbers, it will work with MAWC to gain an understanding of the difference and determine if 20 it requires an adjustment to be included with Staff's true-up filing. 21 **OPEB EXPENSE** 22 Q. Do you agree with page 40 of Mr. LaGrand's rebuttal testimony that Staff should 23 exclude Union medical in its calculation of OPEB expense?

## Surrebuttal Testimony of Keith D. Foster

A. Staff is unsure at this time, as it is a new issue to us. The document provided to
 me on January 6, 2021, by Mr. LaGrand to support his recommendation has an execution date
 of September 1, 2020. Since OPEB expense is an issue to be trued-up, Staff will work with
 MAWC to further understand the issue and, if an adjustment is warranted, include it with Staff's
 true-up filing.

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### ACCUMULATED DEFERRED INCOME TAX (ADIT)

Q. Do you agree with page 3 of Mr. Wilde's rebuttal testimony that the correct
ADIT balance at June 30, 2020, to include in rate base is \$453,671,105?

9 A. Yes. I addressed this in my rebuttal testimony and included that amount in the
10 rebuttal accounting schedules.

Q. Does this conclude your surrebuttal testimony in this case?

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	)	Case No. WR-2020-0344
Implement General Rate Increase for	)	
Water and Sewer Service Provided in	)	
Missouri Service Areas	)	

### **AFFIDAVIT OF KEITH D. FOSTER**

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

**COME NOW KEITH D. FOSTER** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Keith D. Foster*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Keith D. Foster KEITH D. FOSTER