

FILED
September 1, 2023
Data Center
Missouri Public
Service Commission

Exhibit No. 213

OPC – Exhibit 213
Schaben Rebuttal
File No. WR-2023-0006

Exhibit No.: _____
Issue(s): Executive Salaries/Governance
Deficiencies/Allocations
Witness/Type of Exhibit: Schaben/Rebuttal
Sponsoring Party: Public Counsel
Case No.: WR-2023-0006

REBUTTAL TESTIMONY
OF
ANGELA SCHABEN

Submitted on Behalf of the Office of the Public Counsel

**CONFLUENCE RIVERS UTILITY
OPERATING COMPANY, INC.**

CASE NO. WR-2023-0006

** _____ **
Denotes Confidential Information that has been redacted

June 29, 2023

PUBLIC

TABLE OF CONTENTS

Testimony	Page
Introduction	1
Staff Corporate Allocation Recommendation	2
Update to Executive Compensation Calculations	3

REBUTTAL TESTIMONY
OF
ANGELA SCHABEN
CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.
CASE NO. WR-2023-0006

1 **INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public
4 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Angela Schaben who filed direct testimony for the OPC in this case?**

6 A. Yes.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to respond to Staff witness Ashley Sarver’s direct testimony
9 regarding the calculation of Confluence Rivers corporate allocations.

10 **Q. Please summarize your recommendations as presented in the subsequent testimony.**

11 A. First, I agree with Ms. Sarver’s recommendation that, since Central States Water Resources’
12 (CSWR) system acquisitions expands at a rapid pace, Confluence Rivers should provide the
13 CSWR general ledger and Confluence Rivers’ general ledger for quarterly surveillance and
14 maintain a report showing what the monthly allocations are by CSWR and/or Utility
15 Operating Company (“UOC”) for each allocation factor. Second, I update my executive
16 compensation calculations to be consistent with the customer count employed by Staff when
17 calculating Confluence Rivers’ corporate allocation factor, as opposed to the misleading
18 figures advertised on CSWR’s website.

1 **STAFF CORPORATE ALLOCATION RECOMMENDATION**

2 **Q. What did Staff witness Ms. Sarver recommend to the Commission regarding CSWR and**
3 **Confluence Rivers corporate allocations?**

4 A. Ms. Sarver, on behalf of Staff, recommends the following:

5 [T]he Commission order Confluence to provide the CSWR general ledger and
6 Confluence general ledger for quarterly surveillance as well as order Confluence to
7 maintain a report showing what the monthly allocations are by CSWR and/or UOC
8 for each allocation factor. These items will allow Staff to monitor to ensure that as
9 systems are acquired, the allocation factors are adjusting accordingly.

10 **Q. Do you agree?**

11 A. Yes. Additionally, OPC also requests copies of the quarterly CSWR and Confluence general
12 ledgers submitted to Staff for quarterly surveillance purposes, in addition to the report showing
13 each CSWR monthly allocation factor.

14 **Q. Do you have any additional comments on Staff's recommendation?**

15 A. Yes. Since CSWR acquires systems throughout the country at a rapid pace, the corporate
16 allocation factor between CSWR and its utility operating companies should be re-evaluated,
17 and potentially recalculated, on a monthly basis, rather than quarterly.

18 **Q. Why is an accurate corporate allocation important?**

19 A. Corporate allocations are generally used to allocate overhead costs that cannot otherwise be
20 directly assigned. Calculating a precise corporate allocation is imperative in order to properly
21 assign overhead costs, through appropriate and timely calculated cost causation methods, to
22 captive ratepayers who do not have a choice in utility providers.

1 **UPDATE TO EXECUTIVE COMPENSATION CALCULATIONS**

2 **Q. Did you submit direct testimony in this case regarding a comparison between the highest**
3 **six CSWR employee base salaries compared to similar positions within other investor**
4 **owned Missouri utilities?**

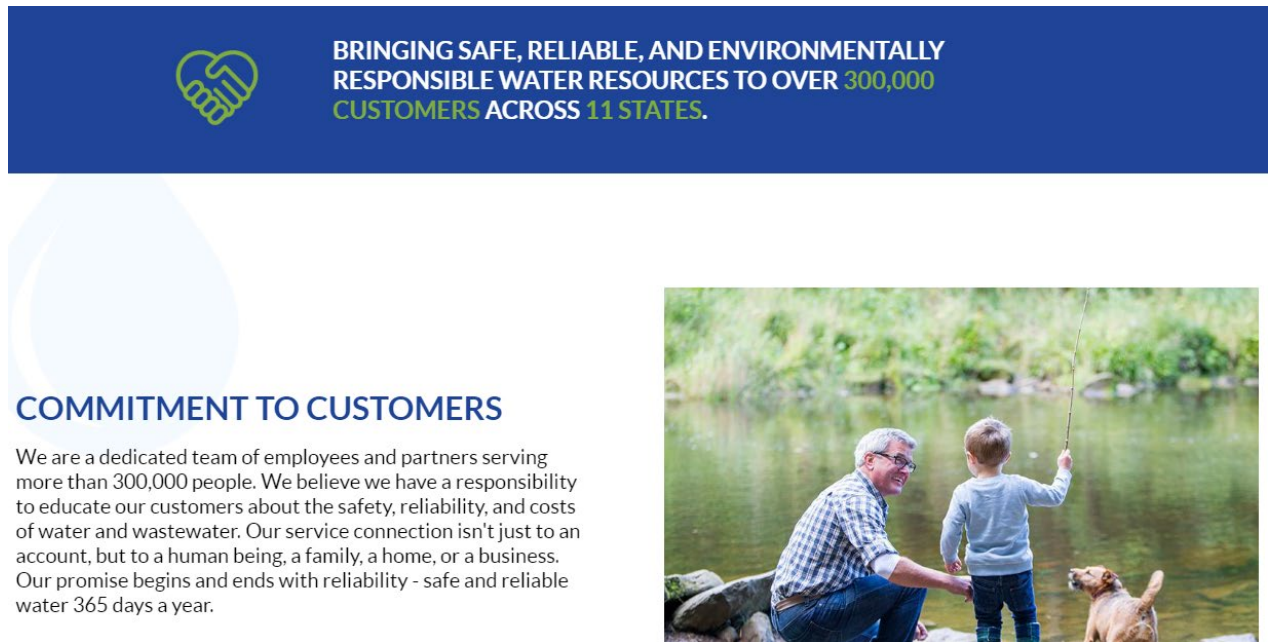
5 A. Yes. My direct testimony in this case shows that the base salaries of CSWR's highest paid
6 employees greatly exceed those base salaries of those in similar positions within the four
7 largest Missouri investor owned utilities. Table 2 included in my direct testimony shows that
8 CSWR's high level employee base salaries average around \$1.41 per customer, with other
9 Missouri investor owned utilities ranged from \$0.32 to \$0.43 per customer.

10 **Q. What customer count did you use for this calculation?**

11 A. My calculations were based on the CSWR's customer count advertised on its website.
12 Specifically, I relied on CSWR's claims to serve "over 300,000 customers across 11 states."
13 Please see figure 1, below.

1

Figure 1: Screenshot from CSWR's Webpage



2

3 **Q. Did anything you found in your review of Staff's direct testimony cause you to second-**
4 **guess your calculations?**

5 A. Yes. Staff witness Ms. Sarver recommended a corporate allocation factor of 7.97%. This
6 was based on a three factor average which includes Utility Plant in Service, Direct Expense,
7 and Customers. Staff used a total of 137,052 CSWR customers across eleven states as the
8 denominator and 9,883 Missouri customers to determine Confluence Rivers' customer ratio of
9 7.21%. This 137,052 CSWR customer number is significantly lower than my 300,000 number.

10 **Q. Were you able to determine why there was a difference between Staff's number and the**
11 **Company's website?**

12 A. Yes. I sent a data request to Confluence Rivers asking them to clarify the obvious discrepancy.
13 Confluence's response was as follows:

1 The customer count used for allocations in the current filing is simply a
2 summation of the number of connections across CSWR's service areas.
3 The number of customers served, as stated on the Company's website
4 and in the ESG report, are rounded approximations based on the number
5 of people served by each connection, including an estimate of the
6 number of people per household and commercial customers. The use of
7 equivalent residential units is an industry standard concept and is also
8 used for the purposes of rate design. The number of customers served
9 as reported on the website and in the ESG report have no bearing on
10 allocations in the current case.¹

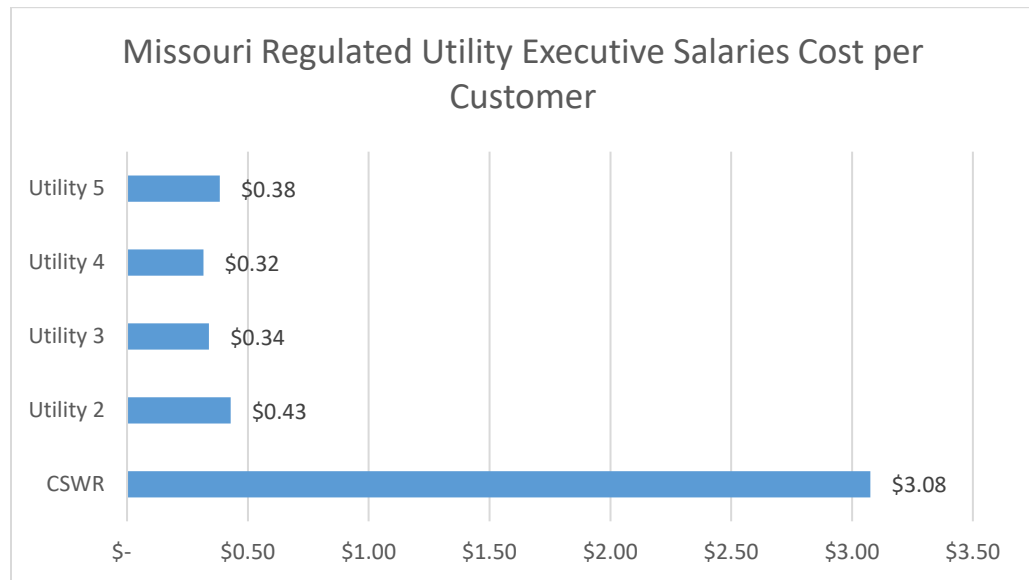
11 **Q. Given this new information, would the executive compensation calculations included in**
12 **your direct testimony change if CSWRs customers were limited to the 137,052 customers**
13 **included in Staff's direct testimony in this case?**

14 **A. Yes. Please see the updated Table 2 below. Updating the number of customers from 300,000**
15 **to 137,052 increases the cost of CSWR's top employee base salaries, by over double, to \$3.08**
16 **per customer from \$1.41 per customer.**

¹ Confluence Rivers' response to OPC DR 1172.

1

Table 2:



2

3 **Q. Did you also compare CSWR’s President salary to the Presidential salaries of the other**
4 **Missouri utilities?**

5 A. Yes, I did.

6 **Q. Would updating the total number of CSWR customers in this case also change the CSWR**
7 **President’s base salary cost per customer?**

8 A. Yes. The CSWR President’s base salary cost per customer would increase from **** ____ ****
9 **per customer to **** ____ **** per customer as shown in Table 3 below. In comparison, the**
10 **president salary cost per customer for the remaining four investor owned utilities ranges from**
11 **** _____**

1

Table 3:

2

3 **

4 **Q. Does this conclude your testimony?**

5 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for)
Authority to Implement a General Rate Increase) Case No. WR-2023-0006
for Water Service and Sewer Service Provided in)
Missouri Service Areas)

AFFIDAVIT OF ANGELA SCHABEN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Angela Schaben, of lawful age and being first duly sworn, deposes and states:

1. My name is Angela Schaben. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Angela Schaben
Utility Regulatory Auditor

Subscribed and sworn to me this 28th day of June 2023.



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121



Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.