

Exhibit No. 33

Exhibit No.:
Issues: Property Tax Issues
Witness: Wesley E. Selinger
Exhibit Type: Rebuttal
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2022-0303
SR-2022-0304
Date: January 18, 2023

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2022-0303

CASE NO. SR-2022-0304

REBUTTAL TESTIMONY

OF

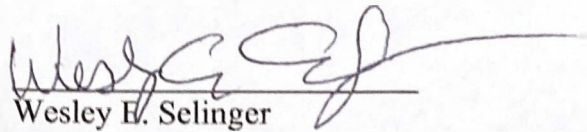
WESLEY E. SELINGER

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Wesley E. Selinger, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am Director, Rates and Regulatory for American Water Works Service Company Inc. 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.



Wesley E. Selinger

January 18, 2023

Dated

**REBUTTAL TESTIMONY
WESLEY E. SELINGER**

**MISSOURI-AMERICAN WATER COMPANY
CASE NO.: WR-2022-0303
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REBUTTAL TESTIMONY

WESLEY E. SELINGER

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Wesley E. Selinger and my business address is 727 Craig Road, Saint Louis,
3 Missouri 63141.

4 **Q. Are you the same Wesley E. Selinger who previously submitted Direct Testimony in
5 this proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your Rebuttal Testimony?**

8 A. The purpose of my Rebuttal Testimony is to address the property tax recommendations of
9 Missouri Commission Staff (“Staff”) witness Courtney Horton.

II. PROPERTY TAX EXPENSE

11 **Q. Please explain the Staff’s calculation of Missouri-American Water Company’s
12 (“MAWC” or “the Company”) annual property tax expense included within Staff’s
13 revenue requirement.**

14 A. Staff has recommended an annual level of property tax expense based on the property taxes
15 paid by MAWC in December 2021 for plant levels through December 2020. Staff witness
16 Horton states that the level of property tax expense included within Staff’s June 30, 2022,
17 revenue requirement is \$29,750,494.¹

18 **Q. What level of property tax expense did MAWC include within its filed revenue
19 requirement?**

¹ Horton DR, p. 11.

1 A. MAWC included an annual level of property tax of \$39,433,322 based on property taxes
2 to be paid through the end of 2022 along with a discrete adjustment for property taxes
3 related to select investments through May 31, 2023.

4 **Q. Will the Staff's annual level of property tax be trued-up in this case?**

5 A. The Company fully expects Staff's level of property tax to be trued-up later in this case.
6 In addition, the Company proposes a discrete adjustment to property tax expense as
7 supported in my Direct Testimony.

8 **Q. What factors typically drive increases to property tax expense?**

9 A. A significant driver of increases to property tax levels is capital investment. As described
10 in the Direct Testimony of MAWC witness Brian LaGrand, since the Company's last rate
11 case through the discrete adjustment period ending May 31, 2023, MAWC will have
12 invested approximately \$770 million in capital investments. A significant amount of this
13 investment has been to replace aging facilities and infrastructure, advancing the policy
14 objectives of the Missouri General Assembly and the Commission.

15 **Q. Has MAWC's property tax expense increased in recent history?**

16 A. Yes, due to MAWC's level of capital investment, the Company's property tax has
17 increased approximately 60% over the past five years.

18 **Q. Has the Missouri General Assembly taken actions to address fluctuations in property
19 tax expense?**

20 A. Yes, As described in my Direct Testimony, on May 5, 2022, the Missouri General
21 Assembly passed Senate Bill 745 enacting Section 393.1275 RSMo. Section 393.1275
22 RSMo, which became effective on August 28, 2022, authorized MAWC to defer to a
23 regulatory asset or liability the difference in state or local property tax expense incurred

1 with the property tax expense established as part of MAWC's base rates with the asset or
2 liability included within the Company's rate base.

3 **III. PROPERTY TAX DEFERRAL**

4 **Q. Please describe the property tax deferral included within MAWC's proposed revenue**
5 **requirement.**

6 A. To derive its proposed property tax deferral, MAWC used its actual 2020 property tax
7 payment, plus a prorated amount of property tax expense recovered through its WSIRA
8 mechanism since its last rate case, as its baseline of property tax expense currently being
9 recovered in rates. The 2020 property tax payment aligns with the true-up date in MAWC's
10 last general rate case and it is appropriate to recognize any additional expense recovered
11 past that date through the WSIRA mechanism. The Company has taken the difference
12 between this baseline level and its projected 2022 property tax expense, which will be
13 trued-up later in this proceeding, and deferred that amount to a regulatory asset per the
14 statute. MAWC has proposed to amortize the deferral over five years beginning with the
15 effective date in this case.

16 **Q. Has Staff included a property tax deferral within its revenue requirement?**

17 A. Staff's workpapers contain an amount related to a property tax deferral, however, Staff
18 notified the Company that this amount was included inadvertently, and that Staff is not
19 supporting recovery of a property tax deferral in this case.

20 **Q. Why is the inclusion of a property tax deferral appropriate in this case?**

21 A. MAWC's calculated property tax deferral is made in accordance with the actions taken by
22 the State of Missouri to address fluctuations in property tax expense due to additional
23 investments, tax rate changes, or changes to assessment methodologies.

24 **Q. Does this conclude your Rebuttal Testimony?**

1 A. Yes.