

*Exhibit No.:*  
*Issue(s):* Rate Base  
*Witness:* Keith D. Foster  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* WM-2022-0186  
*Date Testimony Prepared:* September 23, 2022

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**KEITH D. FOSTER**

**OZARK CLEAN WATER COMPANY AND  
FOX FIRE UTILITY COMPANY**

**CASE NO. WM-2022-0186**

*Jefferson City, Missouri*  
*September 2022*



1 testimony on ratemaking matters numerous times before the Commission. I have performed  
2 and led rate audits and prepared miscellaneous filings as ordered by the Commission.  
3 In addition, I reviewed all exhibits and testimony on assigned issues, developed accounting  
4 adjustments, and issued positions supported by workpapers and written testimony. For cases  
5 that did not require prepared testimony, I prepared Staff Recommendation Memorandums.  
6 I have also been responsible for the supervision of other Commission employees in rate cases  
7 and other regulatory proceedings.

8 Q. Are you the same Keith D. Foster who contributed to Staff's Recommendation  
9 filed on June 28, 2022, in this case?

10 A. Yes, I am.

11 **EXECUTIVE SUMMARY**

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to rebut the Direct Testimony of Foxfire Utility  
14 Company ("Foxfire") witness Garah F. (Rick) Helms' comment regarding Staff's rate base  
15 number.

16 **RATE BASE**

17 Q. On lines 7-12 on page 7 of Mr. Helms' Direct Testimony he alleges "there are  
18 investments that are not included in the [rate base] numbers used by Staff..." Is it your belief  
19 that the costs of investments identified by Mr. Helms were not included in the rate base used in  
20 Staff's Recommendation?

21 A. No, I do not. Based on a review of the invoices provided on July 26, 2022, by  
22 Foxfire's legal counsel, all of the costs Mr. Helms stated as not being included were incurred  
23 in 2016-2017 and 2019.

1 Q. Why is that important?

2 A. Pursuant to Commission Rule 20 CSR 4240-10.145(1) “All electric, gas, water,  
3 sewer and steam heating utilities shall submit an annual report to the commission on or before  
4 April 15 of each year...” [emphasis added] Page 3 of the Water and/or Sewer Annual Report  
5 form for a Small Company (fewer than 8,000 customers) requires the submitting utility to  
6 “describe MAJOR transactions occurring during the year ... of \$250 or more.” This includes  
7 the “replacement of major equipment.” The dollar amounts are then to be recorded as  
8 Additions to Plant on pages W-5 and S-4 for water and sewer plant in service, respectively.  
9 Therefore, if there were major plant expenditures over \$250 that were incurred in 2016 and  
10 2019, these amounts should be reported in the Annual Report for the year in which the plant  
11 additions were placed in service.

12 Q. Did Foxfire report these expenditures in its Annual Reports it filed with the  
13 Commission?

14 A. Yes, in my opinion.

15 Q. Please explain.

16 A. Foxfire’s Annual Report for 2016 (File No. BMAR-2017-1413) does not report  
17 any major transactions on page 3, nor are there any additions for the water and sewer systems on  
18 pages W-5 and S-4. However, Foxfire’s Annual Report for 2017 (File No. BMAR-2018-1451)  
19 reports several plant additions. Page 3 describes, “major plant improvements of 74482.84 were  
20 completed and placed in service in 2017” and “transportation equipment of 39647.17 was  
21 purchased and placed in service in 2017.” This represents a total of \$114,130 in plant additions  
22 for 2017. It is reasonable to assume that the plant expenditures incurred in 2016 would not be  
23 reported until 2017 when the results of those expenditures are put into service and considered

1 used and useful. The total plant additions for water reported on page W-5 are \$62,320, and the  
2 total reported for sewer on page S-4 is \$57,065, for a total of the combined plant additions of  
3 \$119,385 which is over the “some \$78,000 in other various maintenance and improvement  
4 projects” identified on page 7 of Mr. Helms’ Direct Testimony.

5 Q. What are your findings on amounts for 2019?

6 A. Foxfire’s Annual Report for 2019 (File No. BMAR-2020-1773) also reports  
7 several plant additions. Page 3 describes “update of transportation equipment,” “repair and/or  
8 replacement of multiple pressure regulating valves,” and “replace effluent valves and UV lamps  
9 at sewer plant.” [emphasis added] The total plant additions for water reported on page W-5 are  
10 \$26,842, which is slightly over the \$23,878.37 Mr. Helms identifies on page 7 of his Direct  
11 Testimony as “costs relating to repairing, replacing, and installing new pressure regulation  
12 valves.” [emphasis added]

13 Q. Is it fair to say that, in your opinion, the \$23,878.37 and \$78,000 in costs that  
14 Mr. Helms alleges in his testimony were not included in Staff’s rate base numbers were, in fact,  
15 included in Staff’s rate base numbers?

16 A. Yes. Staff used its numbers from Foxfire’s 2021 Annual Report for the calendar  
17 year ending December 31, 2021. Staff was provided copies of invoices for 2016-2017 and 2019  
18 to support the costs that Mr. Helms has claimed were excluded. Foxfire is required to report  
19 the costs associated with any changes to plant in its Annual Reports filed with the Commission,  
20 which it did for 2017 and 2019. Foxfire has remained current with its Annual Reports over the  
21 years. It is fair for Staff to expect that Foxfire has already reported the \$23,878.37 and \$78,000  
22 in costs in its Annual Reports that are reflected in the plant balances reported at December 31,

Rebuttal Testimony of  
Keith D. Foster

1 2021. If, in fact, these amounts were not reported, then Foxfire would have filed erroneous  
2 Annual Reports that need to be revised and resubmitted.

3 Q. What is your conclusion?

4 A. Based on Staff's review of the submitted Annual Reports, its Staff's conclusion  
5 the \$23,878.37 and \$78,000 amounts are reflected in the December 31, 2021, plant balances  
6 used in Staff's analysis.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of )  
Foxfire Utility Company for Authority to ) Case No. WM-2022-0186  
Transfer Certain Water and Sewer Assets )  
Located in Stone County, Missouri to )  
Ozark Clean Water Company, and in )  
Connection Therewith, Certain Other )  
Related Transactions )

**AFFIDAVIT OF KEITH D. FOSTER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

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

Further the Affiant sayeth not.



\_\_\_\_\_  
**KEITH D. FOSTER**

**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 22<sup>nd</sup> day of September 2022.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

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

## Keith D. Foster

Summary of case participation:

Case/Tracking Number	Company Name - Issue
QW-2008-0010	<b>Tri-States Utility, Inc.</b> - Property Taxes; Fuel & Electricity Expense; Telephone Expense; Rent Expense; Plant in Service; Depreciation Schedule, Reserve, Rates, and Expense; Transportation Expense; Chemicals Expense; Waste Disposal; Insurance Expense; Contractual Services; Bad Debt Expense; Miscellaneous Expenses
WR-2008-0311	<b>Missouri-American Water Company</b> - Advertising & Promotional Items; Dues and Donations; Cash Working Capital; Plant in Service; Depreciation Expense; Depreciation Reserve; Franchise Tax; Property Taxes; Fuel & Electricity Expense; Telephone Expense; Postage Expense; Purchased Water; Prepayments; Materials & Supplies; Customer Advances; Contributions in Aid of Construction (CIAC)
WR-2009-0098	<b>Raytown Water Company</b> - Materials & Supplies; Prepayments; Customer Deposits; Revenues; Insurance Expense; Utilities Expense; Directors Fees; Office Supplies Expense; Postage Expense; Laboratory Fees; Transportation Expenses; Rate Case Expense; Regulatory Commission Expense
GO-2009-0302	<b>Missouri Gas Energy</b> - Infrastructure Service Replacement Surcharge (ISRS)
SA-2009-0319	<b>Mid-MO Sanitation, LLC</b> – Certificate Case; All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
GR-2009-0355	<b>Missouri Gas Energy</b> – Payroll, Payroll Taxes, 401(k), and Other Employee Benefit Costs; Incentive Compensation and Bonuses; Medical and Dental Expense; Bad Debt Expense; Rate Case Expense; Pension Expense; FAS106/OPEBs; Prepaid Pension Asset (PPA); Franchise Tax Expense; Income Tax Expense
SR-2010-0095	<b>Mid-MO Sanitation, LLC</b> – Full Audit of All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
ER-2010-0130	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Off-System Sales; Transmission Revenue; Payroll, Payroll Taxes, and 401(k) Benefit Costs; Incentive Compensation; Maintenance Normalization Adjustments



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Case/Tracking Number	Company Name - Issue
WR-2010-0304	<b>Raytown Water Company</b> – Revenues; Rate Case Expense; Regulatory Commission Expense; Utilities Expense; Purchased Water; Insurance Expense; Laboratory Fees; Communication Expense; Transportation Expense
GO-2011-0003	<b>Missouri Gas Energy</b> - Infrastructure Service Replacement Surcharge (ISRS)
ER-2011-0004	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Maintenance Normalization Adjustments; Miscellaneous Revenues (SO2 Allowances and Renewable Energy Credits); Operations and Maintenance (O&M) Expenses for Iatan 2 and Plum Point; Transmission Revenue; Entergy Transmission Contract; Reconciliation
WR-2011-0337	<b>Missouri-American Water Company</b> – Belleville Lab Allocations; Chemical Expense; Corporate and District Allocations; Fuel & Electricity Expense; Service Company Management Fees; Business Transformation Program; Reconciliation
WR-2012-0300	<b>Empire District Electric (Water)</b> – Plant-in-Service; Depreciation Reserve; Depreciation Expense; Materials and Supplies; Property Tax Expense; Customer Advances; Operations and Maintenance (O&M) Adjustment
WM-2012-0335	<b>Moore Bend Water Company</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense
ER-2012-0345	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Maintenance Normalization Adjustments (Operations and Maintenance Expense); Operations and Maintenance (O&M) Expense Trackers for Iatan 2, Iatan Common, and Plum Point; Entergy Transmission Contract; Reconciliation
WR-2013-0461 SR-2013-0459	<b>Lake Region Water &amp; Sewer</b> – Executive Management Fees; Current Income Taxes; Deferred Income Taxes; Payroll and Benefits; Payroll Taxes; Allocation Factors; Sludge Removal; Accounting Fees; Legal Fees (Other Than Rate Case Expense); Billing Expense; Outside Services; Travel & Entertainment Expense; Transportation Expense
GR-2014-0086	<b>Summit Natural Gas</b> – Acquisition Costs; Affiliate Transactions; Fuel Expense; Property Taxes; Other Miscellaneous Expenses; Income Taxes; Deferred Taxes; and Reconciliation
Case/Tracking Number	Company Name - Issue

**Keith D. Foster**

WA-2015-0049 SA-2015-0107	<b>Branson Cedars Resort</b> – Certificate Case - All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
WA-2015-0108	<b>Missouri-American Water Company (Redfield Water)</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense
WO-2015-0077	<b>Woodland Manor Water Company</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense; CIAC; Customer Deposits
WR-2015-0192	<b>Ozark International, Inc.</b> – Plant-in-Service; Depreciation Reserve; Depreciation Expense; CIAC; Customer Deposits; Chemicals Expense; Legal Expense; Office Expense; Postage; Water Testing Expense; Gas & Oil Expense
ER-2016-0023	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Software Maintenance Expense; Corporate Allocations; Outside Services; Iatan and Plum Point Carrying Costs
WR-2017-0110 SR-2017-0109	<b>Terre Du Lac Utilities Corporation</b> – Maintenance Expense; Rate Case Expense; Internet Service Expense; Telephone Expense; Payroll and Benefits; Payroll Taxes; Outside Services; Mileage Expense
WR-2017-0285 SR-2017-0286	<b>Missouri-American Water Company</b> – Central Lab Allocations; Corporate, Service Company, and Jurisdictional Allocations; Hydrant Painting; Income Taxes; Main Break Expense
HR-2018-0341	<b>Veolia Energy Kansas City</b> – Plant in Service; Accumulated Deferred Income Taxes; Fuel Expense; Consumables Expense; Insurance Expense; Outside Services; Property Taxes.
GO-2019-0115 GO-2019-0116	<b>Spire Missouri</b> – Infrastructure Service Replacement Surcharge (ISRS)
SA-2019-0334	<b>Missouri-American Water Company (Hillers Creek Sewer)</b> – Acquisition Case – Lead Auditor
SA-2020-0132	<b>Missouri-American Water Company (Clinton Estates Sewer)</b> – Acquisition Case – Lead Auditor
SA-2020-0067	<b>Liberty Utilities (Saver’s Farm Sewer)</b> – Acquisition Case – Lead Auditor

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Case/Tracking Number	Company Name - Issue
ER-2019-0374	<b>Empire District Electric</b> – Accumulated Deferred Income Tax (ADIT); Current and Deferred Income Tax; Southwest Power Pool (SPP) Revenues and Expenses; Corporate Allocations; Corporate Expenses.
WM-2020-0156	<b>Liberty Utilities (Missouri Water), LLC (Empire District Electric (Water))</b> – Acquisition Case – Lead Auditor
ER-2020-0311	<b>Empire District Electric</b> – FAC Case
WR-2020-0344 SR-2020-0345	<b>Missouri-American Water Company</b> – Pensions & OPEBs; Defined Contribution Plan (DCP) Expense; Accumulated Deferred Income Taxes (ADIT); Income Taxes
SA-2021-0120	<b>Missouri-American Water Company (City of Taos Sewer)</b> – Acquisition Case – Lead Auditor
WA-2021-0116	<b>Missouri-American Water Company (Table Rock Estates Water)</b> – Acquisition Case – Lead Auditor
SR-2021-0372	<b>Mid-MO Sanitation, LLC</b> – Lead Auditor
WO-2021-0343	<b>Missouri-American Water Company</b> – Infrastructure Service Replacement Surcharge (ISRS)
ET-2020-0259	<b>Empire District Electric</b> – Community Solar Application
ER-2021-0312	<b>Empire District Electric</b> - Accumulated Deferred Income Tax (ADIT); Current and Deferred Income Tax; Southwest Power Pool (SPP) Revenues and Expenses; Low Income Pilot Program (LIPP) Amortization; Plant in Service Accounting (PISA) Amortization.
GR-2021-0320	<b>Empire District Gas</b> – Co-Case Coordinator - Accumulated Deferred Income Tax (ADIT); Current and Deferred Income Tax; Rate Case Expense Sharing.