

Exhibit No.:

106

Issues:

Incentive Compensation;  
Lobbying; Payroll, Taxes, and  
Benefits; and Hydrant Painting

Witness:

Jennifer K. Grisham

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**

**JENNIFER K. GRISHAM**

**MISSOURI-AMERICAN WATER COMPANY**

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

*Jefferson City, Missouri  
January 2018*

**\*\* Denotes Confidential Information \*\***

Exhibit No. 106-P  
Date 3/8/18 Reporter MR  
File No. WR-2017-0285

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1 REBUTTAL TESTIMONY

2 OF

3 JENNIFER K. GRISHAM

4 MISSOURI-AMERICAN WATER COMPANY

5 CASE NO. WR-2017-0285

6 Q. Please state your name and business address.

7 A. Jennifer K. Grisham, 200 Madison Street, Suite 440, Jefferson City, MO  
8 65101.

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

10 A. I am a Utility Regulatory Auditor III for the Missouri Public Service  
11 Commission ("Commission").

12 Q. Are you the same Jennifer K. Grisham who has previously sponsored  
13 portions of the Commission Staff's ("Staff") Cost of Service Report filed for this case  
14 on November 30, 2017?

15 A. Yes.

16 Q. What is the purpose of your rebuttal testimony?

17 A. The purpose of my rebuttal testimony is to explain changes made to Staff's  
18 adjustments for incentive compensation, lobbying, payroll, payroll taxes, and other benefits  
19 included as part of Staff's Cost of Service Report.

20 Additionally, I will respond to the direct testimony of Missouri-American Water  
21 Company's ("MAWC" or "Company") witness William Andrew Clarkson regarding  
22 hydrant painting.

1 **INCENTIVE COMPENSATION**

2 Q. What changes did Staff make to incentive compensation subsequent to the  
3 filing of Staff's Direct Cost of Service Report and supporting Accounting Schedules?

4 A. The adjustment for the disallowed portion of incentive compensation attributed  
5 to American Water Works Service Company ("AWWSC") employees was inadvertently  
6 omitted from Staff's Accounting Schedules. The adjustment reduces the amount of allowed  
7 incentive compensation for AWWSC employees by \$1,022,493.

8 **LOBBYING**

9 Q. What changes did Staff make to the adjustment amounts for lobbying expense?

10 A. Two changes were made to the workpaper and adjustment amounts for this  
11 item. In Staff's Direct Cost of Service Report and Accounting Schedules, lobbying expense  
12 was removed from account numbers 930.2 and 923. Staff has since eliminated in entirety the  
13 lobbying adjustment to account number 930.2, as the adjustment was duplicated in account  
14 number 923.

15 For the second change, a calculation error was noted in the original workpaper in  
16 relation to the expense amount for contracted lobbyists. The calculation error, along with the  
17 removal of the duplicated amount, resulted in an increase to the amount of lobbying expense  
18 disallowed.

19 **PAYROLL, TAXES, AND BENEFITS**

20 Q. What changes were made by Staff for payroll, taxes, and benefits?

21 A. Changes were made to overtime, interdistrict allocation, MAWC corporate  
22 allocation adjustments, and AWWSC adjustments.

Direct Testimony of  
Jennifer K. Grisham

1 Q. What were the changes for overtime?

2 A. There were incorrect formulas on the overtime tab of Staff's workpaper. The  
3 formulas were corrected, which changed the annualized overtime amount. Additionally, the  
4 MAWC overtime adjustment tab was removed completely from the workpaper, as overtime  
5 had been annualized twice, both on the MAWC overtime adjustment tab and on the MAWC  
6 labor tab. These corrections resulted in a reduction to the amount of overtime annualized.

7 Q. What were the changes made to interdistrict allocations?

8 A. There were incorrect formulas for distributing costs from one district to  
9 another, which impacted payroll, taxes, and benefits. The formulas were corrected, which  
10 resulted in a redistribution of the corresponding amounts to more accurately reflect those  
11 values for each district.

12 Q. What were the changes for the MAWC corporate allocation adjustments?

13 A. Initially, the corporate allocation adjustments for payroll taxes and employee  
14 benefits were omitted from Staff's Accounting Schedules. These adjustments are now  
15 included in Staff's updated revenue requirement.

16 Q. What were the changes for the AWWSC adjustments?

17 A. Staff was informed by MAWC personnel that the test year dollar amounts used  
18 for employee benefits (401(k), VEBA, ESPP, and group insurance) and payroll taxes included  
19 items other than 401(k), VEBA, ESPP, group insurance, and payroll taxes, which resulted in  
20 too great of an adjustment. MAWC provided Staff with more detailed information so Staff's  
21 annualized amounts adjusted only those amounts for 401(k), VEBA, ESPP, group insurance,  
22 and payroll taxes.

1 HYDRANT PAINTING

2 Q. What is MAWC's hydrant painting expense proposal in this case?

3 A. Mr. Clarkson states on Page 26, lines 7 through 18 of his direct testimony that  
4 MAWC's plan is to paint approximately 2,000 hydrants per year. MAWC engages  
5 experienced third-party contractors to perform the painting for those hydrants that have  
6 lead-based paint, as that allows MAWC to avoid the need to purchase the equipment that  
7 would be necessary to properly remove and dispose of lead-based paint. MAWC performs  
8 the work to paint hydrants with non-lead based paint with its own employees.

9 Q. How many lead-based-painted hydrants were painted during the test year?

10 A. The Company's response to Staff Data Request No. 0065 reports a total of 446  
11 lead-based-painted hydrants were painted between January 1, 2016, and June 30, 2017. The  
12 invoices provided as part of the response indicate all 446 hydrants were painted during the test  
13 year, which ended December 31, 2016.

14 Q. How many hydrants were painted that did not have lead-based paint?

15 A. The number of hydrants painted that did not have lead-based paint is unknown.  
16 In a response to Staff Data Request 0065.1, MAWC stated that the number of hydrants  
17 painted by Company labor was estimated, while actual numbers were provided for hydrants  
18 painted by a contractor.

19 Q. Does the Company have a contract in place to substantiate the planned number  
20 of hydrants to be painted yearly with lead based paint?

21 A. No. Staff is unaware of a contract that guarantees a specific number of  
22 hydrants to be painted each year. The confidential contract provided by MAWC for Staff's  
23 review as part of Data Request 0065.3 \*\* \_\_\_\_\_  
24 \_\_\_\_\_

Direct Testimony of  
Jennifer K. Grisham

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Q. Does this conclude your rebuttal testimony?

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A. Yes, it does.

