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Sponsoring Party: Public Counsel
Case No.: WO-2020-0190

**AMENDMENT TO
REBUTTAL TESTIMONY**

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WO-2020-0190

May 29, 2020

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


In the Matter of the Petition of Missouri-American)
Water Company for Approval to Change an) Case No. WO-2020-0190
Infrastructure System Replacement Surcharge)
(ISRS))

VERIFICATION OF JOHN S. RILEY

John S. Riley, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my amendment to rebuttal testimony in the above-captioned case.

3. My answer to each question in the attached amendment to rebuttal testimony is true and correct to the best of my knowledge, information, and belief.


John S. Riley, C.P.A.
Public Utility Accountant III
Office of the Public Counsel

AMENDMENT TO REBUTTAL TESTIMONY
OF
JOHN S. RILEY
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WO-2020-0190

1 **Q. What is your name and what is your business address.**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102

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

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility
5 Accountant III.

6 **Q. Are you the same John S. Riley that filed rebuttal direct testimony in this case?**

7 A. Yes.

8 **Q. What is the purpose of this amendment to your rebuttal testimony?**

9 A. First, in my rebuttal testimony I made an argument that CIAC should be included as taxable
10 income when considering the NOL; however, I only included the CIAC schedule and NOL
11 amounts for ISRS WO-2018-0373. The purpose of my testimony is to include the CIAC and
12 NOL figures for ISRS WO-2019-0184, ISRS WO-2019-0389, and WO-2020-0190.

13 Second, as I was juggling workpapers to adjust Staff and MAWC calculations for this ISRS,
14 I inadvertently made adjustments to a different schedule than the one agreed upon by the two
15 other parties. Consequently, the \$8,872,475 found on page 8 line 15 of my previous filed rebuttal
16 testimony is incorrect. I have recalculated that number, using the correct work paper, and am
17 including the schedule that MAWC and Staff agreed upon with my adjustment.

1 **Q. How did you calculate these additional CIAC and NOL values?**

2 A. These are not independent calculations of my own. These were provided in MAWC's answer
3 to OPC data request 1301. The complete set is attached as Schedule JSR-AR-1.

4 **Q. What is the amount of CIAC and NOL for each ISRS in question?**

5 A. For the ISRS WO-2018-0373, the CIAC for the period was 1,052,050 with an NOL of
6 \$325,351¹. For the ISRS WO-2019-0184, the CIAC for the period was \$298,250 and the
7 NOL was \$327,667. For the ISRS WO-2019-0389, the CIAC for the period was \$227,477
8 and the NOL was \$190,285. For the current case, WO-2020-0190 the CIAC for the period
9 was \$235,642 and the NOL was \$280,011.

10 **Q. How did you recalculate the schedule that MAWC and Staff agree with?**

11 A. I consulted the Tax tab from the current ISRS most current workpapers to obtain the NOL
12 and calculated deferred tax asset amounts that were deducted from the ADIT balance. This
13 was \$280,011. Converted by the effective tax rate creates a Deferred Tax Asset of \$66,755.
14 This is the amount to be added back into line number 7 in the Revenue Requirement. The
15 other adjustment is to remove the Corrected Normalization from Prior Cases amount of
16 \$35,328 from line 51. The end results reduces revenue requirement from \$9,725,687 to
17 \$9,684,158; a reduction of \$41,529. This \$9,684,158 should replace the \$8,872,475 found on
18 page 8, line 15 of my previous rebuttal testimony.

19 **Q. Does this conclude the amendment to your rebuttal testimony?**

20 A. Yes.

¹ The \$325, 351 should replace the \$326,427 in lines 2 and 6 of page 6 of my rebuttal testimony

	Jan-18 - Jul-18	Aug-18 - Sep-18	Total
Mains, Valves and Hydrant Replacements			
Reimbursements	(\$2,337)	\$0	(\$2,337)
Amortization	\$19	\$0	\$19
Net CIAC	(\$2,318)	\$0	(\$2,318)
Relocations			
Reimbursements	(\$1,059,928)	\$0	(\$1,059,928)
Amortization	\$7,878	\$0	\$7,878
Net CIAC	(\$1,052,050)	\$0	(\$1,052,050)

1	Book/Tax Depreciation Temporary Difference							
2								
3		Replacements		Relocations		Total All Property		
4		2018	2019	2018	2019	2018	2019	
5	Plant Additions							
6	Plant Additions	62,895,855	-	1,263,074	-	64,158,929	-	
7	Contributions	(2,337)	-	(1,059,928)	-	(1,062,265)	-	
8	Net Plant Additions	62,893,518	-	203,146	-	63,096,664	-	
9								
10	Total Tax Depreciation Items							
11								
12	Repairs Deduction							
13	Net Plant Additions	62,893,518	-	203,146	-	63,096,664	-	
14	Repairs %	55.4%		55.4%				
15	Total Repairs Deduction	34,849,591	-	112,564	-	34,962,156	-	
16								
17	Bonus Depreciation							
18	Net Plant Additions After Repairs	28,043,927	-	90,582	-	28,134,509	-	
19	Bonus Depreciation %	0.0%		0.0%	0.0%			
20	Total Bonus Depreciation	-	-	-	-	-	-	
21								
22	Regular Depreciation							
23	Net Plant Additions After Repairs and Bonus	28,043,927	-	90,582	-	28,134,509	-	
24	Year 1 Depreciation Rate	2.0%	2.0%	2.0%	2.0%			
25	Months Included	11.0		11.0				
26	Total Regular Depreciation	514,139	-	1,661	-	515,799	-	
27								
28	Total Tax Deductions	35,363,730	-	114,225	-	35,477,955	-	
29								
30	Total Book Depreciation Items							
31								
32	Net Book Depreciation							
33	Book Depreciation	425,978	-	6,622	-	432,599	-	
34	Book Amortization	(19)	-	(7,878)	-	(7,897)	-	
35	Total Net Book Depreciation	425,959	-	(1,257)	-	424,702	-	
36								
37	Book/Tax Depreciation Temporary Difference	(34,937,771)	-	(115,481)	-	(35,053,253)	-	
38								
39	Total per Type of Property		(34,937,771)		(115,481)		(35,053,253)	
40	% per Type of Property		99.671%		0.329%		100.000%	
41								
42	Net Operating Loss							
43								
44						2018	2019	
45								
46	Net Plant Additions					63,096,664	0	
47								
48	Repairs Tax Basis					34,962,156	0	
49	Method Life Basis					28,134,509	0	
50								
51	Book Depreciation Allocated to Repairs					235,329	0	
52	Book Depreciation Allocated to Method Life					189,373	0	
53	Total Book Depreciation					424,702	0	
54								
55	Repairs Related NOL							
56	Repairs Book Depreciation					235,329	0	
57	Repairs Tax Deduction					34,962,156	0	
58	NOL Related to Repairs					(34,726,826)	0	
59								
60	Method Life Related NOL							
61	Method Life Book Depreciation					189,373	0	
62	Accelerated Tax Depreciation					515,799	0	
63	NOL Related to Method Life					(326,427)	0	
64								
65	Total NOL for ISRS Purposes							
66	Repairs Related					0	0	
67	Method Life Related					(326,427)	0	

	Oct-18 - Mar-19	Apr-19 - May-19	Total
Mains, Valves and Hydrant Replacements			
Reimbursements	(\$11,011)	\$0	(\$11,011)
Amortization	\$83	\$0	\$83
Net CIAC	(\$10,928)	\$0	(\$10,928)
Relocations			
Reimbursements	(\$238,478)	(\$61,650)	(\$300,128)
Amortization	\$1,664	\$214	\$1,878
Net CIAC	(\$236,814)	(\$61,436)	(\$298,250)

Book/Tax Depreciation Temporary Difference						
	Replacements		Relocations		Total All Property	
	2018	2019	2018	2019	2018	2019
Plant Additions						
Plant Additions	17,018,563	48,138,244	749,363	261,471	17,767,926	48,399,714
Net Plant Additions	17,018,563	48,138,244	749,363	261,471	17,767,926	48,399,714
Total Tax Items						
Repairs Deduction						
Net Plant Additions	17,018,563	48,138,244	749,363	261,471	17,767,926	48,399,714
Repairs %	55.4%	55.4%	55.4%	55.4%		
Total Repairs Deduction	9,430,065	26,673,625	415,226	144,882	9,845,291	26,818,507
Bonus Depreciation						
Net Plant Additions After Repairs	7,588,498	21,464,619	334,138	116,588	7,922,636	21,581,207
Bonus Depreciation %	0.0%	0.0%	0.0%	0.0%		
Total Bonus Depreciation	-	-	-	-	-	-
Regular Depreciation						
Net Plant Additions After Repairs and Bonus	7,588,498	21,464,619	334,138	116,588	7,922,636	21,581,207
Year 1 Depreciation Rate	2.0%	2.0%	2.0%	2.0%		
Months Included	12.0	5.0	12.0	5.0		
Year 2 Depreciation Rate	4.0%	4.0%	4.0%	4.0%		
Months Included	5.0		5.0			
Total Regular Depreciation	278,245	178,872	12,252	972	290,497	179,843
Taxable Income - Contributions	(11,011)	-	(153,828)	(146,300)	(164,839)	(146,300)
Total Tax Deductions	9,697,299	26,852,497	273,650	(447)	9,970,949	26,852,050
Total Book Items						
Net Book Depreciation						
Book Depreciation	121,248	187,773	5,967	1,516	127,215	189,289
Book Amortization	(83)	-	(1,173)	(705)	(1,257)	(705)
Total Net Book Depreciation	121,165	187,773	4,794	812	125,958	188,585
Book/Tax Depreciation Temporary Difference	(9,576,134)	(26,664,724)	(268,856)	1,258	(9,844,990)	(26,663,465)
Net Operating Loss						
					2018	2019
Net Plant Additions					17,767,926	48,399,714
Repairs Tax Basis					9,845,291	26,818,507
Method Life Basis					7,922,636	21,581,207
Book Depreciation Allocated to Repairs					69,794	104,496
Book Depreciation Allocated to Method Life					56,164	84,089
Total Book Depreciation					125,958	188,585
Repairs Related NOL						
Repairs Book Depreciation					69,794	104,496
Repairs Tax Deduction					9,845,291	26,818,507
NOL Related to Repairs					(9,775,497)	(26,714,011)
Method Life Related NOL						
Method Life Book Depreciation					56,164	84,089
Accelerated Tax Depreciation					290,497	179,843
NOL Related to Method Life					(234,332)	(95,754)
Total NOL for ISRS Purposes						
					Include?	
Repairs Related					No	0
Method Life Related					Yes	(95,754)
Total Net Operating Loss					(\$234,332)	(\$95,754)
Net Deferred Income Taxes						

	Apr-19 - Sep-19	Oct-19 - Nov-19	Total
Mains, Valves and Hydrant Replacements			
Reimbursements	(\$1,023)	\$0	(\$1,023)
Amortization	\$4	\$0	\$4
Net CIAC	(\$1,019)	\$0	(\$1,019)
Relocations			
Reimbursements	(\$228,509)	\$0	(\$228,509)
Amortization	\$1,031	\$0	\$1,031
Net CIAC	(\$227,477)	\$0	(\$227,477)

1 Book/Tax Depreciation Temporary Difference						
2						
3						
		Replacements		Relocations		Total All Property
		2019	2020	2019	2020	2019 2020
4						
5 Plant Additions						
6	Plant Additions	54,279,919	-	169,239	-	54,449,158 -
7						
8	Net Plant Additions	54,279,919	-	169,239	-	54,449,158 -
9						
10 Total Tax Items						
11						
12 Repairs Deduction						
13	Net Plant Additions	54,279,919	-	169,239	-	54,449,158 -
14	Repairs %	55.4%	55.4%	55.4%	55.4%	
15	Total Repairs Deduction	30,076,756	-	93,776	-	30,170,532 -
16						
17 Bonus Depreciation						
18	Net Plant Additions After Repairs	24,203,163	-	75,463	-	24,278,626 -
19	Bonus Depreciation %	0.0%	0.0%	0.0%	0.0%	
20	Total Bonus Depreciation	-	-	-	-	- -
21						
22 Regular Depreciation						
23	Net Plant Additions After Repairs and Bonus	24,203,163	-	75,463	-	24,278,626 -
24	Year 1 Depreciation Rate	2.0%	2.0%	2.0%	2.0%	
25	Months Included	8.0	0.0	8.0	0.0	
26	Year 2 Depreciation Rate	4.0%	4.0%	4.0%	4.0%	
27	Months Included	0.0		0.0		
28	Total Regular Depreciation	322,709	-	1,006	-	323,715 -
29						
30	Taxable Income - Contributions	(1,023)	-	(228,509)	-	(229,532) -
31						
32	Total Tax Deductions	30,398,442	-	(133,726)	-	30,264,716 -
33						
34 Total Book Items						
35						
36 Net Book Depreciation						
37	Book Depreciation	301,535	-	631	-	302,166 -
38	Book Amortization	(4)		(1,031)	-	(1,035) -
39	Total Net Book Depreciation	301,531	-	(400)	-	301,131 -
40						
41	Book/Tax Depreciation Temporary Difference	(30,096,910)	-	133,326	-	(29,963,584) -
42						
43 Net Operating Loss						
44						
		2019	2020			
45						
46						
47	Net Plant Additions	54,449,158	-			
48						
49	Repairs Tax Basis	30,170,532	0			
50	Method Life Basis	24,278,626	0			
51						
52	Book Depreciation Allocated to Repairs	166,858	0			
53	Book Depreciation Allocated to Method Life	134,273	0			
54	Total Book Depreciation	301,131	0			
55						
56 Repairs Related NOL						
57	Repairs Book Depreciation	166,858	0			
58	Repairs Tax Deduction	30,170,532	0			
59	NOL Related to Repairs	(30,003,674)	0			
60						
61 Method Life Related NOL						
62	Method Life Book Depreciation	134,273	0			
63	Accelerated Tax Depreciation	323,715	0			
64	NOL Related to Method Life	(189,442)	0			
65						
66 Total NOL for ISRS Purposes						
				Include?		
67	Repairs Related			No	0	0
68	Method Life Related			Yes	(189,442)	0
69						
Taxable Income					(\$189,442)	\$0

	Oct-19 - Mar-20	Apr-20 - May-20	Total
Mains, Valves and Hydrant Replacements			
Reimbursements	(\$4,731)	\$0	(\$4,731)
Amortization	\$33	\$0	\$33
Net CIAC	(\$4,698)	\$0	(\$4,698)

	Oct-19 - Mar-20	Apr-20 - May-20	Total
Relocations			
Reimbursements	(\$236,732)	\$0	(\$236,732)
Amortization	\$1,089	\$0	\$1,089
Net CIAC	(\$235,642)	\$0	(\$235,642)

Book/Tax Depreciation Temporary Difference						
	Replacements		Relocations		Total All Property	
	2019	2020	2019	2020	2019	2020
Plant Additions						
Plant Additions	13,030,643	52,276,522	1,234,578	598,267	14,265,220	52,874,788
Net Plant Additions	13,030,643	52,276,522	1,234,578	598,267	14,265,220	52,874,788
Total Tax Items						
Repairs Deduction						
Net Plant Additions	13,030,643	52,276,522	1,234,578	598,267	14,265,220	52,874,788
Repairs %	55.4%	55.4%	55.4%	55.4%		
Total Repairs Deduction	7,220,340	28,966,664	684,085	331,502	7,904,425	29,298,167
Bonus Depreciation						
Net Plant Additions After Repairs	5,810,303	23,309,857	550,492	266,764	6,360,795	23,576,622
Bonus Depreciation %	0.0%	0.0%	0.0%	0.0%		
Total Bonus Depreciation	-	-	-	-	-	-
Regular Depreciation						
Net Plant Additions After Repairs and Bonus	5,810,303	23,309,857	550,492	266,764	6,360,795	23,576,622
Year 1 Depreciation Rate	2.0%	2.0%	2.0%	2.0%		
Months Included	12.0	5.0	12.0	5.0		
Year 2 Depreciation Rate	4.0%	4.0%	4.0%	4.0%		
Months Included	5.0					
Total Regular Depreciation	213,044	194,249	20,185	2,223	233,229	196,472
Taxable Income - Contributions	(4,731)	-	22,660	(259,392)	17,930	(259,392)
Total Tax Deductions	7,428,653	29,160,913	726,930	74,333	8,155,584	29,235,247
Total Book Items						
Net Book Depreciation						
Book Depreciation	111,398	198,940	9,951	2,874	121,350	201,814
Book Amortization	(33)	-	184	(1,273)	151	(1,273)
Total Net Book Depreciation	111,365	198,940	10,135	1,601	121,501	200,541
Book/Tax Depreciation Temporary Difference	(7,317,288)	(28,961,973)	(716,795)	(72,733)	(8,034,083)	(29,034,706)
Net Operating Loss						
					2019	2020
Net Plant Additions					14,265,220	52,874,788
Repairs Tax Basis					7,904,425	29,298,167
Method Life Basis					6,360,795	23,576,622
Book Depreciation Allocated to Repairs					67,324	111,121
Book Depreciation Allocated to Method Life					54,177	89,420
Total Book Depreciation					121,501	200,541
Repairs Related NOL						
Repairs Book Depreciation					67,324	111,121
Repairs Tax Deduction					7,904,425	29,298,167
NOL Related to Repairs					(7,837,101)	(29,187,046)
Method Life Related NOL						
Method Life Book Depreciation					54,177	89,420
Accelerated Tax Depreciation					233,229	196,472
NOL Related to Method Life					(179,053)	(107,052)
Total NOL for ISRS Purposes						
					Include?	
Repairs Related					No	0
Method Life Related					Yes	(179,053)
Taxable Income					(\$179,053)	(\$107,052)
Net Deferred Income Taxes						
					2019	2020
Book/Tax Depreciation Temporary Difference	(7,317,288)	(28,961,973)	(716,795)	(72,733)	(8,034,083)	(29,034,706)
Effective Tax Rate	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%
Deferred Tax Liability	(1,744,451)	(6,904,572)	(170,885)	(17,340)	(1,915,336)	(6,921,911)
NOL	175,239	104,772	3,814	2,280	179,053	107,052
Effective Tax Rate	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%
Deferred Tax Asset	41,777	24,978	909	544	42,686	25,521
Net Deferred Income Taxes	(1,702,674)	(6,879,594)	(169,976)	(16,796)	(1,872,649)	(6,896,390)

1	Infrastructure System Replacement Surcharge Revenue Requirement	
2		
3	Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):	
4	<u>Task Orders Placed in Service (TOPS):</u>	
5	STLC-Replacement Mains and Associated Valves and Hydrants	\$65,307,164
6	Net Contributions in Aid of Construction	(4,698)
7	Deferred Taxes	(8,582,268)
8	Accumulated Depreciation	(310,338)
9		
10	Total Net 393.1000 (8a)	\$56,409,860
11		
12	Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):	
13	<u>Task Orders Placed in Service (TOPS):</u>	
14	STLC-Main Cleanings and Relinings	\$0
15	Net Contributions in Aid of Construction	0
16	Deferred Taxes	0
17	Accumulated Depreciation	0
18		
19	Total Net 393.1000 (8b)	\$0
20		
21	Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):	
22	<u>Task Orders Placed in Service (TOPS):</u>	
23	STLC-Relocated Facilities	\$1,832,844
24	Net Contributions in Aid of Construction	(235,642)
25	Deferred Taxes	(186,772)
26	Accumulated Depreciation	(12,825)
27		
28	Total Net 393.1000 (8c)	\$1,397,605
29		
30	Accumulated Depreciation and Deferred Taxes on Investment in Current ISRS	
31	Accumulated Depreciation - Prior ISRS	(\$1,285,421)
32	Deferred Taxes - Prior ISRS	(63,486)
33	Deferred Taxes - Prior ISRS - Tax Rate Adjustment	1,634,341
34		
35	Total	\$285,434
36		
37	Total ISRS Rate Base	\$58,092,900
38		
39	Overall Pre-Tax Rate Of Return per Last Order	9.29%
40		
41	Revenue Requirement on Capital	\$5,396,830
42	Depreciation Expense	777,132
43	Property Taxes	3,748,783
44	Revenue Cap Adjustment	0
45		
46	Total Revenue Requirement	\$9,922,745
47		
48	Adjustments:	
49	Undercollection from ISRS reconciliation	-
50	Change in MO Corporate Tax Rate on Prior ISRS	(232,386)
51	Corrected Normalization from Prior ISRS Cases	35,328
52	Adjusted Total Revenue Requirement	\$9,725,687
53		
54	Allocation of Revenue by Class	
55	Rate A	\$9,712,135
56	Rate B	3,853
57	Rate J	9,699
58		
59	Grand Total Revenues Collected in Proposed ISRS	\$9,725,687

1	Infrastructure System Replacement Surcharge Revenue Requirement	
2		
3	Water Utility Plant Projects--Replacement Mains, and Associated Valves and Hydrants (RM) RSMo 393.1000 (8a):	
4	<u>Task Orders Placed in Service (TOPS):</u>	
5	STLC-Replacement Mains and Associated Valves and Hydrants	\$65,307,164
6	Net Contributions in Aid of Construction	(4,698)
7	Deferred Taxes	(8,649,023)
8	Accumulated Depreciation	(310,338)
9		
10	Total Net 393.1000 (8a)	\$56,343,105
11		
12	Water Utility Plant Projects--Main Cleanings and Relinings (RM) RSMo 393.1000 (8b):	
13	<u>Task Orders Placed in Service (TOPS):</u>	
14	STLC-Main Cleanings and Relinings	\$0
15	Net Contributions in Aid of Construction	0
16	Deferred Taxes	0
17	Accumulated Depreciation	0
18		
19	Total Net 393.1000 (8b)	\$0
20		
21	Water Utility Plant Projects--Facilities Relocations (FR) RSMo 393.1000 (8c):	
22	<u>Task Orders Placed in Service (TOPS):</u>	
23	STLC-Relocated Facilities	\$1,832,844
24	Net Contributions in Aid of Construction	(235,642)
25	Deferred Taxes	(186,772)
26	Accumulated Depreciation	(12,825)
27		
28	Total Net 393.1000 (8c)	\$1,397,605
29		
30	Accumulated Depreciation and Deferred Taxes on Investment in Current ISRS	
31	Accumulated Depreciation - Prior ISRS	(\$1,285,421)
32	Deferred Taxes - Prior ISRS	(63,486)
33	Deferred Taxes - Prior ISRS - Tax Rate Adjustment	1,634,341
34		
35	Total	\$285,434
36		
37	Total ISRS Rate Base	\$58,026,144
38		
39	Overall Pre-Tax Rate Of Return per Last Order	9.29%
40		
41	Revenue Requirement on Capital	\$5,390,629
42	Depreciation Expense	777,132
43	Property Taxes	3,748,783
44	Revenue Cap Adjustment	0
45		
46	Total Revenue Requirement	\$9,916,544
47		
48	Adjustments:	
49	Undercollection from ISRS reconciliation	-
50	Change in MO Corporate Tax Rate on Prior ISRS	(232,386)
51	Corrected Normalization from Prior ISRS Cases	0
52	Adjusted Total Revenue Requirement	\$9,684,158
53		