

Exhibit No. 135

Exhibit No.:
Issue(s): *Regulatory Deferrals,
Miscellaneous Expenses*
Witness: *Amanda C. McMellen*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *WR-2022-0303*
Date Testimony Prepared: *February 8, 2023*

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY
OF
AMANDA C. MCMELLEN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

Jefferson City, Missouri
February 2023

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OF
AMANDA C. MCMELLEN
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2022-0303**

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **AMANDA C. MCMELLEN**

4 **MISSOURI-AMERICAN WATER COMPANY**

5 **CASE NO. WR-2022-0303**

6 Q. Please state your name and business address.

7 A. My name is Amanda C. McMellen. My business address is 200 Madison Street,
8 Suite 440, Jefferson City, MO 65101.

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

10 A. I am employed by the Missouri Public Service Commission (“Commission”) as
11 a Utility Regulatory Audit Unit Supervisor in the Auditing Department.

12 Q. Are you the same Amanda C. McMellen who filed direct testimony on
13 November 22, 2022, and rebuttal testimony on January 18, 2023, in this case?

14 A. Yes. I am.

15 **EXECUTIVE SUMMARY**

16 Q. Please summarize your surrebuttal testimony in this proceeding.

17 A. In this testimony, I will address the rebuttal testimonies of Missouri-American
18 Water Company (“MAWC”) witnesses Jennifer M. Grisham regarding regulatory deferrals and
19 Matthew S. Mason regarding miscellaneous expenses.

20 **REGULATORY DEFERRALS**

21 Q. Did MAWC include a regulatory deferral for the City of Hollister in rate base?

1 A. Yes. Ms. Grisham stated in her rebuttal testimony on page 4, line 24 through
2 page 5, line 2 that MAWC included deferral costs for the City of Hollister pipeline.

3 Q. Please provide a brief history of the City of Hollister pipeline.

4 A. MAWC purchased the Emerald Pointe water and sewer assets in
5 March, 2014 from Emerald Pointe Utility Co., Inc. As part of its rate proceeding in
6 Case Nos. WR-2013-0017/SR-2013-0016, Emerald Pointe retired its wastewater treatment
7 plant and constructed two new lift stations and a pipeline to transport all wastewater to the
8 City of Hollister for treatment. The lift stations and section of pipeline up to the Emerald Pointe
9 flow meter were owned by Emerald Pointe which, as described above, transferred these assets
10 to MAWC in 2014.

11 Currently, the section of pipeline from the Emerald Pointe flow meter to the
12 City of Hollister's wastewater treatment plant is owned and maintained by the City of Hollister
13 but was paid for by Emerald Pointe and one or more other parties.

14 Q. Does Staff agree with Ms. Grisham's statement on page 5, lines 9 through 11 of
15 her rebuttal testimony that the unamortized balance of the cost of the pipeline was given rate
16 base treatment in cases prior to MAWC's purchase of the Emerald Pointe assets?

17 A. Yes. However, Staff erroneously included the costs for this section of
18 pipeline in rate base in the Emerald Pointe rate case (Case Nos. WR-2013-0017/SR-2013-0016)
19 and the case transferring assets from Emerald Pointe Utility Co., Inc. to MAWC
20 (Case Nos. WO-2014-0113/SO-2014-0116). It is important to note that rate base treatment of
21 this section of pipeline was not litigated in the Emerald Pointe rate case. It was not discussed
22 in the Staff Recommendation Memo filed on January 24, 2014, in any filed testimony, or in the
23 *Notice of Company/Staff Partial Agreement Regarding Disposition of Revenue Increase*

1 *Request and Request for Hearing* filed on March 14, 2013. In the previous three MAWC rate
2 cases (Case Nos. WR-2015-0301/SR-2015-0302, WR-2017-0285/SR-2017-0286,
3 and WR-2020-0344/SR-2020-0345), Staff corrected this error¹ and believes including the
4 unamortized balance related to the pipeline donated to the City of Hollister in the
5 2014 Emerald Pointe rate case was Staff's mistake.

6 Q. Does Staff believe it is appropriate to include any amount of the Emerald Pointe
7 pipeline owned by the City of Hollister in rate base, given that MAWC does not own or maintain
8 that section of the pipeline?

9 A. No. Since MAWC does not own or maintain these assets, it is inappropriate to
10 include the regulatory deferral (unamortized balance) for these costs in rate base. It is
11 inappropriate for MAWC to earn a return on an item it does not own; that was contributed to
12 another entity, in which it has no outstanding investment; and is not an asset on the utility's
13 books and records.

14 Q. Has Staff included an amortization of the Emerald Pointe regulatory asset in the
15 cost of service in this case?

16 A. Yes. Staff has included an annual level of amortization expense in the cost of
17 service based on a 50-year amortization, which Ms. Grisham also recommends in her direct
18 testimony on page 9, lines 15 through 18.

¹ Case No. WR-2015-0301: Rebuttal Testimony of Lisa M. Ferguson page 6, line 8 through page 7, line 13 and Surrebuttal Testimony of Lisa M. Ferguson page 7, line 15 through page 8, line 6
Case No, WR-2017-0285: Surrebuttal Testimony of Amanda C. McMellen page 10, lines 9-19
Case No. WR-2020-0344: Surrebuttal Testimony of Amanda C. McMellen page 2, line 19 through page 3, line 6.

1 **MISCELLANEOUS EXPENSE**

2 Q. Did Staff make an adjustment to remove miscellaneous expense related to
3 business development as Mr. Mason states on page 23, line 18 through page 24, line 1 of his
4 rebuttal testimony?

5 A. Yes. Staff removed \$68,406 of corporate miscellaneous expenses related to
6 business development.

7 Q. Why did Staff remove these expenses?

8 A. Staff removed the business development expenses because these costs were
9 booked at the corporate level with no documentation provided by MAWC to explain how the
10 expenses provide any direct benefit to Missouri ratepayers.

11 Q. Does this conclude your surrebuttal testimony?

12 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company's Request for Authority to) Case No. WR-2022-0303
Implement General Rate Increase for Water)
and Sewer Service Provided in Missouri)
Service Areas)

AFFIDAVIT OF AMANDA C. McMELLEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)


COMES NOW AMANDA C. McMELLEN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Amanda C. McMellen*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


AMANDA C. McMELLEN

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 2nd day of February 2023.


Notary Public

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