

FILED⁴

JAN 23 2004

Missouri Public
Service Commission

Exhibit No.:

Issues:

Regulatory expense, insurance other than group, main break expense, employee expense, transportation expense, property tax expense, PSC assessment, tank painting, uncollectable expense, relocation expense and franchise tax

Witness:

Robert D. Maul

Exhibit Type:

Direct

Sponsoring Party:

Missouri-American Water Company

Case No.:

WR-2003-

Date:

May 19, 2003

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2003-

DIRECT TESTIMONY

OF

ROBERT D. MAUL

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

JEFFERSON CITY, MISSOURI

Exhibit No. 7
Case No(s). WR-2003-0500
Date 2/16/03 Rptr SUM

EXHIBIT

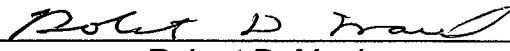
MAWC 7

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

IN THE MATTER OF MISSOURI-AMERICAN)	
WATER COMPANY FOR AUTHORITY TO)	
FILE TARIFFS REFLECTING INCREASED)	CASE NO. WR-2003-
RATES FOR WATER AND SEWER)	
SERVICE)	

AFFIDAVIT OF ROBERT D. MAUL

Robert D. Maul, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Robert D. Maul"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.



Robert D. Maul

State of Missouri
County of St. Louis
SUBSCRIBED and sworn to
Before me this 13th day of May 2003.



Notary Public

My commission expires:

STACI A. OLSEN Notary Public - Notary Seal STATE OF MISSOURI St. Charles County My Commission Expires: Mar. 20, 2005
--

TABLE OF CONTENTS

	PAGE
A. WITNESS INTRODUCTION	1
B. PURPOSE AND SCOPE	1
C. ACCOUNTING ADJUSTMENTS.....	2
D. REGULATORY EXPENSE	2
E. INSURANCE OTHER THAN GROUP	2
F. MAIN BREAK EXPENSE	3
G. EMPLOYEE EXPENSE	3
H. TRANSPORTATION EXPENSE	3
I. PROPERTY TAX EXPENSE	4
J. PSC ASSESSMENT EXPENSE	4
K. TANK PAINTING EXPENSE.....	5
L. UNCOLLECTABLE EXPENSE	5
M. RELOCATION EXPENSE	6
N. FRANCHISE TAX	6

DIRECT TESTIMONY

ROBERT D. MAUL

WITNESS INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Robert D. Maul, 535 N. New Ballas Road, St. Louis, Missouri 63141.

3 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

4 A. I am Senior Financial Analyst in the Rates and Operations Analysis
5 Department for Missouri-American Water Company ("Company").

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
7 **BUSINESS EXPERIENCE.**

8 A. My background and qualifications are summarized in Schedule RDM-1 of
9 this testimony.

PURPOSE AND SCOPE

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my testimony is to introduce and explain the accounting
13 adjustments to the operating statement, which affect the following topics:
14 regulatory expense, insurance other than group, main break expense,
15 employee expenses, transportation, property tax, PSC assessment,
16 uncollectibles, relocation expense, and franchise tax.

17

ACCOUNTING ADJUSTMENTS

1 **Q. WHAT SCHEDULE WILL YOU BE DISCUSSING?**

2 A. I will be discussing certain aspects of Schedule CAS-15, page 1 through
3 26, which is sponsored by Company Witness Roesch.

REGULATORY EXPENSE

4 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
5 **RELATED TO REGULATORY EXPENSE.**

6 A. The purpose of this adjustment is to annualize rate case expense for the
7 costs related to this rate filing. Estimated costs related to the rate filing
8 include legal fees, consultant's cost, travel expenses, and other expenses.
9 These costs are then amortized over a three-year period to reflect the
10 annual operating cost. The details of this adjustment can be found at
11 Schedule CAS-15, page 10.

INSURANCE OTHER THAN GROUP

13 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
14 **RELATED TO INSURANCE OTHER THAN GROUP.**

15 A. The purpose of this adjustment is to annualize the Insurance Other than
16 Group to the latest annual insurance premium levels received by the
17 Company. The details of this adjustment can be found at Schedule
18 CAS-15, page 11.

1 **MAIN BREAK EXPENSE**

2 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
3 **RELATED TO MAIN BREAK EXPENSE.**

4 A. The purpose of this adjustment is to annualize main break expense to an
5 estimated/normal pro forma expense based on a two-year average. The
6 periods averaged are for the twelve months ended October 31, 2001 and
7 December 31, 2002. The details of this adjustment can be found at
8 Schedule CAS-15, page 14.

9 **EMPLOYEE EXPENSE**

10 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
11 **RELATED TO EMPLOYEE EXPENSE.**

12 A. The purpose of this adjustment is to annualize employee expense to a pro
13 forma expense based on a three-year average. The years averaged span
14 from 1999 to 2001. The details of this adjustment can be found at
15 Schedule CAS-15, page 15.

16 **TRANSPORTATION EXPENSE**

17 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
18 **RELATED TO TRANSPORTATION EXPENSE.**

19 A. The purpose of this adjustment is to annualize transportation expense to a
20 pro forma expense. The Company is annualizing transportation expense
21 by using a three-year average based on the periods from 2000 - 2002.

1 This calculation eliminates depreciation expense as a component of
2 transportation. Depreciation on transportation equipment will now be part
3 of depreciation expense and will make the accounting and rate-making
4 treatment consistent throughout the state. A second part of the
5 adjustment is to reverse a St. Louis reserve write-off, which had been
6 established and maintained through 1995. This write-off is considered a
7 one-time and non-recurring item. The details of this adjustment can be
8 found at Schedule CAS-15, page 16.

9 **PROPERTY TAX EXPENSE**

10 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
11 **RELATED TO PROPERTY TAX EXPENSE.**

12 A. The purpose of this adjustment is to annualize property tax expense to a
13 pro forma expense. The pro forma amount is based on an average rate of
14 taxes paid in 2002 divided by Utility Plant in Service at December 31,
15 2002. The details of this adjustment can be found at Schedule CAS-15,
16 page 17.

17 **PSC ASSESSMENT EXPENSE**

18 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
19 **RELATED TO PSC ASSESSMENT.**

20 A. The purpose of this adjustment is to annualize the PSC assessment. The
21 pro forma amount is based on the latest known assessment rate to the pro

1 forma present rate water revenues. The details of this adjustment can be
2 found at Schedule CAS-15, page 18.

3 **TANK PAINTING EXPENSE**

4 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
5 **RELATED TO TANK PAINTING EXPENSE.**

6 A. The purpose of this adjustment is to reflect tank painting expenses on an
7 annualized level. The adjustment estimates the cost of interior and
8 exterior painting and inspection for all Missouri-American tank sites.
9 These costs are then amortized over an eight-year life for interior and a
10 twelve-year life for exterior painting. The details of this adjustment can be
11 found at Schedule CAS-15, page 19.

12 **UNCOLLECTABLE EXPENSE**

13 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
14 **RELATED TO UNCOLLECTABLE EXPENSE.**

15 A. The purpose of this adjustment is to annualize uncollectible expense to a
16 two-year average ratio of net charge-offs to present billed water rates.
17 The two-year average is then applied to the pro forma present rate water
18 revenues. The details of this adjustment can be found at Schedule
19 CAS-15, page 21.

1 **RELOCATION EXPENSE**

2 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
3 **RELATED TO RELOCATION EXPENSE.**

4 A. The purpose of this adjustment is to annualize relocation expense. The
5 pro forma amount is determined by using a three-year average from 2000
6 to 2002. The details of this adjustment can be found at Schedule
7 CAS-15, page 25.

8 **FRANCHISE TAX**

9 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO OPERATING EXPENSES**
10 **RELATED TO FRANCHISE TAX EXPENSE.**

11 A. The purpose of this adjustment is to annualize franchise tax expense to
12 the most recent franchise tax filing of April 15, 2003. The details of this
13 adjustment can be found at Schedule CAS-15, page 26.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes.

Witness: Robert D. Maul
Schedule: RDM-1

Qualifications of Robert D. Maul

My name is Robert D. Maul and I am a Senior Financial Analyst for Missouri-American Water Company.

I graduated from the University of Missouri in 1974 with a Bachelor of Science Degree in Business Administration with a major in Accounting. I am a Certified Public Accountant certified in the State of Missouri.

I had six years of experience in corporate accounting and public accounting before entering the Water Industry in July 1980.

In July 1980 St. Louis County Water Company hired me as a rates and internal auditor. In this position I conducted various internal audits and prepared rate cases. I prepared and submitted testimony before the Missouri Public Service Commission.

I held the position of Staff Manager, Customer Accounting (1987) and managed the daily activities of the Company's Customer Service and Accounting.

In 1992, I was appointed Manager of Accounting Services. My responsibilities included all corporate financial and tax reporting.

Upon the acquisition of St. Louis County Water Company I held the position of Director of Accounting (June 1999 to July 2000) and Comptroller (July 1999 to October 2001) for St. Louis County Water Company, Missouri-American Water Company and Jefferson City Waterworks. In these positions I was responsible for all Corporate financial and tax reporting.

In November 2001 I accepted a position as Senior Financial Analyst. In this position my duties include financial analysis, assisting in rate cases preparation, budgeting, and monitoring monthly financial results.

In October 1981 I attended the Eastern Utility Rate Seminar sponsored by the Committee on Water of the National Association of Regulatory Utility Commissioners. .