

Exhibit No.: 120
Issue: Rate Case Expense
Witness: Kimberly K. Bolin
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: WR-2017-0285
Date Testimony Prepared: February 9, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

Jefferson City, Missouri
February 2018

Exhibit No. 120
Date 3/8/19 Reporter MK
File No. WR-2017-0285

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **KIMBERLY K. BOLIN**

4 **MISSOURI-AMERICAN WATER COMPANY**

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

6 Q. Please state your name and business address.

7 A. Kimberly K. Bolin, 200 Madison Street, Suite 440, Jefferson City,
8 MO 65101.

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

10 A. I am employed by the Missouri Public Service Commission
11 ("Commission") as a Utility Regulatory Auditor V.

12 Q. Are you the same Kimberly K. Bolin who has filed portions of the
13 Commission Staff's ("Staff") Cost of Service Report and Rebuttal Testimony in this case?

14 A. Yes.

15 Q. What is the purpose of your surrebuttal testimony?

16 A. The purpose of my surrebuttal testimony is to respond to the rebuttal
17 testimony of Missouri-American Water Company's (MAWC) witness James M. Jenkins
18 concerning Staff's recommendation of sharing rate case expense between the customers
19 and shareholders.

20 **RATE CASE EXPENSE**

21 Q. What is Staff's recommendation regarding rate case expense?

22 A. Staff recommends a "sharing" of rate case expenses incurred in relation to
23 this case between shareholders and ratepayers. This sharing should be based on the

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1 percentage ratio ordered by the Commission for revenue requirement compared to
2 MAWC's requested revenue requirement. The total amount of incurred rate case
3 expenses through September 30, 2017 is \$768,529. This amount should be normalized
4 over 30 months which is the approximate time between rate cases for MAWC. Staff
5 recommends updating actual rate case expense through the filing of reply briefs.

6 Q. The Commission ruled in Case No. ER-2014-0370, in support of a sharing
7 mechanism. Are the facts and circumstances in that case similar to the current case?

8 A. Yes they are. In its *Report and Order* in that case on pages 70-71,
9 the Commission found the following to support sharing of rate case expenses:

10 The evidence shows that the expenses in this case are
11 driven primarily by issues raised by KCPL, which has complete
12 control over the content and methodologies proposed when it files
13 its rate cases. In this case, KCPL has requested three new
14 trackers, two of which have never been requested before in
15 Missouri....

16 Each of these issues are unique to KCPL, and while KCPL
17 always has the opportunity to pursue new and unique issues in a
18 rate case, the decision to do so is entirely with KCPL's power. In
19 addition, KCPL has pursued some issues that only directly benefit
20 shareholders, such as the La Cygne accounting authority and, of
21 course, a higher ROE....

22 The facts are clearly similar between MAWC and the facts surrounding Case No.
23 ER-2014-0370. MAWC has raised the following shareholder-focused requests in the
24 current case:

- 25
- 26 • MAWC employed outside expert witnesses to support its
27 recommended return on equity ("ROE") of 10.8%; which is
28 considerably higher than the recommendation of Staff (9.5%), and
29 OPC/MIEC (9%); and higher than the range of ROE (9.5% to 9.75%)
used for settlement purposes in the last case, Case No. WR-2015-0301.

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- 1 • MAWC has requested the use of future test year, which has not
2 been previously presented to the Commission by MAWC or any
3 other utility operating in the State of Missouri for consideration in
4 recent years.
- 5 • MAWC has requested a “revenue stabilizing mechanism” (RSM).
- 6 • MAWC has requested special accounting treatment to deviate from
7 current financial accounting standards and book certain cloud
8 computing costs as assets rather than expenses. Until this case, no
9 other Missouri regulated utilities have requested this special
10 accounting treatment of these costs.

11 Q. On page 42 of MAWC witness James Jenkins’ rebuttal testimony,
12 he claims Staff’s approach to sharing rate case expense “incentivizes” other parties to
13 propose many adjustments that will lower the authorized rate increase down as low as
14 possible. Do you agree with Mr. Jenkins’ theory?

15 A. No. Staff’s sharing mechanism is based upon the Commission’s decision
16 as to what the just and reasonable rate increase should be. Just because a party chooses
17 to propose an adjustment does not mean the Commission will decide that adjustment
18 is proper.

19 Q. On page 45 of Mr. Jenkins rebuttal testimony he discusses that the
20 Company uses employees from the Service Company to assist in preparing the rate case.
21 Does the Company also use outside consultants to help with the rate case?

22 A. Yes. Notwithstanding the availability of American Water Works Service
23 Company Inc. (Service Company) personnel to assist in processing this case, in addition
24 the Company hired outside legal counsel, two consultants that helped prepare the case but

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1 did not file any direct or rebuttal testimony, and four consultants that filed direct and
2 rebuttal testimony on a variety of issues, including return on equity, capital structure,
3 reasonableness of service company costs, reasonable of MAWC's employees
4 compensation, and rate design.

5 Q. Also on page 45 of Mr. Jenkins' rebuttal testimony he states, "In addition,
6 unamortized rate case expenses from prior rate cases should not be shared and should be
7 fully recovered from customers." What is Staff's recommendation as to the recovery of
8 the unamortized rate case expense from the prior case, Case No. WR-2015-0301?

9 A. Staff has included the unamortized rate case expense balance as agreed to
10 in the Stipulation and Agreement. Please see the surrebuttal testimony of Staff Witness
11 Caroline Newkirk for further discussion on the amounts of rate case expense included in
12 Staff's revenue requirement.

13 Q. What was agreed to in the Stipulation and Agreement in Case No.
14 WR-2015-0301?

15 A. The Stipulation and Agreement stated the following:
16 MAWC will recover in rates 50% of its expenditures for this case,
17 amortized over 30 months; however, 100% of the costs associated
18 with the Pricewaterhouse Cooper's ("PwC") audit and Customer
19 Notices will be amortized over 30 months and 100% of the costs for
20 MAWC's depreciation study will be amortized over 60 months.

21 Q. Is the amount of rate case expense that MAWC has included in its direct
22 filing more than any rate case expense incurred in MAWC in recent rate cases?

23 A. Yes. The amount of rate case expense included in MAWC's direct filing is
24 more than any of rate case expense incurred in the last several MAWC rate cases.

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1 The following table details rate case expenses for MAWC, for the last several rate cases,
2 and the current rate case based on total expenses through September 2017:

3

MAWC Case No.	Rate Case Expense Amount
WR-2008-0311 ¹	\$740,017
WR-2010-0131 ²	\$938,801
WR-2011-0337	\$1,066,994 (projected by Company in WR-2011-0337)
WR-2015-0301	\$872,935 ³
WR-2017-0285	\$768,529 (as of September 30, 2017)
WR-2017-0285 projected	\$1,506,620

4
5 Q. Does this conclude your surrebuttal testimony?

6 A. Yes.

¹ Per MAWC Workpapers in Case No. WR-2010-0131.

² Per MAWC Workpapers in Case No. WR-2011-0337.

³ Per Staff Witness Caroline Newkirk's surrebuttal workpapers.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American)
Water Company's Request for Authority) Case No. WR-2017-0285
to Implement General Rate Increase for)
Water and Sewer Service Provided in)
Missouri Service Areas)

AFFIDAVIT OF KIMBERLY K. BOLIN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

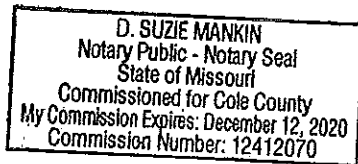
COMES NOW KIMBERLY K. BOLIN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Surrebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Kimberly K. Bolin
KIMBERLY K BOLIN

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 8th day of February, 2018.



D. Suzie Mankin
Notary Public