

Exhibit No.:  
Issue: Acquisition Incentive  
Witness: Kimberly K. Bolin  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: WA-2019-0185  
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Missouri Public  
Service Commission

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING**

**SURREBUTTAL TESTIMONY**

**OF**

**KIMBERLY K. BOLIN**

**OSAGE UTILITY OPERATING CO., INC.**

**CASE NO. WA-2019-0185**

Jefferson City, Missouri  
September 2019

Staff Exhibit No. 102  
Date 9-17-19 Reporter By  
File No. WA-2019-0185



Surrebuttal Testimony of  
Kimberly K. Bolin

1 Q. What knowledge, skill, experience, training and education do you have in the  
2 areas of which you are testifying as an expert witness?

3 A. I have received continuous training at in-house and outside seminars on  
4 technical ratemaking matters both when employed by OPC and since I began my employment  
5 with Staff. I have been employed by Staff or by OPC as a Regulatory Auditor for over  
6 20 years and have submitted testimony on ratemaking matters numerous times before the  
7 Commission. I have also been responsible for the supervision of other Staff in rate cases and  
8 other regulatory proceedings.

9 Q. Did you participate in Staff's review of the application filed by Osage  
10 Utility Operating Company, Inc. ("OUOC") and sponsor sections of Staff's Memorandum in  
11 Case No. WA-2019-0185?

12 A. Yes, I did. I sponsored the Rate Base and Request for Acquisition Incentives  
13 sections of Staff's Memorandum.

14 Q. Please summarize your testimony in this proceeding.

15 A. In this testimony, I address the rebuttal testimony of the Office of the Public  
16 Counsel ("OPC") witness Keri Roth concerning OUOC's request for an acquisition incentive.

17 Q. On page 7 of OPC witness Roth's rebuttal testimony she expresses concerns  
18 with OUOC's Asset Valuation Report for the Reflections system. Why is Staff relying on this  
19 document for valuing the Reflections system?

20 A. Staff relied upon the Asset Valuation Report because OUOC did not have  
21 available any financial records which would better support the net book value of the  
22 Reflections System. In previous acquisition cases, Staff and other parties have relied on

1 estimates for the purpose of valuing rate base where there are no records available for review  
2 especially for systems that are non-regulated.

3 Q. In the next general rate proceeding will Staff and other parties have an  
4 opportunity to examine the assets and further review the OUOC's Asset Valuation Report,  
5 and can a different amount be determined for the rate base from what Staff is currently  
6 recommending at that time?

7 A. Yes. The rate base and the revenue requirement impact of the acquisition  
8 premium provided by Staff in this case are estimates to be used for informational purposes  
9 only, and are subject to change in the next general rate proceeding. Many factors can impact  
10 these calculations, such as the return on equity, rate base values, and the assumed  
11 amortization period of the incentive.

12 Q. Does the Commission have to establish the amount of the acquisition incentive  
13 which will be recovered from ratepayers in this proceeding or can the Commission decide the  
14 amount of acquisition incentive, if any, that will be recovered in the next general rate case?

15 A. The Commission can decide the amount of the acquisition incentive to include  
16 in rates in OUOC's next general rate case. Per 20 CSR 4240-10.080(2):

17 An application for an acquisition incentive must be filed at the  
18 beginning of a case seeking authority under sections 393.190 or  
19 393.170, RSMo. If the commission determines the request for an  
20 acquisition incentive is in the public interest, it shall grant the request.  
21 The commission may apply an acquisition incentive in the applicant's  
22 next general rate case proceeding following acquisition of a nonviable  
23 utility if the commission determines it will not result in unjust or  
24 unreasonable rates.

25 Thus the Commission may grant an acquisition adjustment in this case, but in the next rate  
26 preceding the Commission could determine to either allow or not allow recovery of some or  
27 all of the acquisition incentive once all relevant rate factors for the OUOC are reviewed.

Surrebuttal Testimony of  
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1 Q. On pages 8 through 12 of OPC witness Roth's rebuttal testimony, she provides  
2 examples of CSWR LLC<sup>1</sup> purchasing other "failing" or "troubled" systems as evidence that  
3 the OUOC has not met its burden of proof in requesting an acquisition incentive. Does Staff  
4 agree that CSWR's history of purchasing "failing" or "troubled" systems in the past  
5 disqualifies OUOC from requesting and being granted an acquisition incentive at this time?

6 A. No, just because a company has purchased other distressed systems does not  
7 mean that it will necessarily purchase every distressed system, no matter the circumstances.  
8 OUOC witness Josiah Cox has stated on pages 25 through 26 of his direct testimony that the  
9 acquisition of the properties "is unlikely to occur without the probability of obtaining a rate of  
10 return premium and acquisition adjustment."

11 Q. On page 13 of OPC witness Roth's rebuttal she states, "The fact that there  
12 were multiple bidders for the system, willing to purchase the system at a lower price, is a clear  
13 indication that the sale would have occurred without the probability of obtaining an  
14 acquisition adjustment." How long has Osage Water Company ("OWC") been under the  
15 guidance of a receiver?

16 A. OWC was placed into permanent receivership on October 21, 2005,  
17 approximately 14 years ago and the receiver was unable to finalize any sale of the assets  
18 during that entire historical time period until now.

19 Q. On page 12 of OPC witness Roth's rebuttal testimony she asserts that the  
20 purchase price of OWC causes OPC concern. Was the purchase price reached through an  
21 arm's-length transaction?

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<sup>1</sup> CSWR LLC (formerly known as First Round CSWR, LLC) is OUOC's parent company.

Surrebuttal Testimony of  
Kimberly K. Bolin

1           A.     Yes. The purchase price was determined through a standard bidding process  
2 under the guidance of the Bankruptcy Court Trustee.

3           Q.     On page 13, lines 9 through 12, OPC witness Roth asserts “there were multiple  
4 bidders for the system willing to purchase the system at a lower price, is a clear indication that  
5 the sale would have occurred without the probability of obtaining an acquisition incentive.”

6 Was there another bidder willing to pay the same price as CSWR, LLC?

7           A.     Yes. The other bidders in this process, the Public Water Supply District #5 of  
8 Camden County, Missouri Water Association Inc., and Lake Area Waste Water Association,  
9 Inc. (“Joint Bidders”), were willing to pay the same amount as CSWR, LLC.

10          Q.     Are the Joint Bidders regulated utilities that under normal circumstances of an  
11 acquisition would be required to use the book value of the assets to set rates in future general  
12 rate proceedings?

13          A.     No. The Joint Bidders are unregulated and do not have to use the net book  
14 value of the assets for determining the rates that would be charged to their customers in the  
15 future.

16          Q.     Does this conclude your Surrebuttal Testimony in this proceeding?

17          A.     Yes, it does.



**CASE PARTICIPATION  
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<u>Company Name</u>	<u>Case Number</u>	<u>Testimony/Issues</u>	<u>Contested or Settled</u>
Spire Inc.	GO-2019-0115 and GO-2019-116	<u>Staff Direct Report</u> – Blanket Work Orders and Current Income Taxes	Contested
Empire District Electric Company and Liberty Utilities	AO-2018-0179	<u>Direct</u> – Moneypool <u>Surrebuttal</u> - Moneypool	Contested
Confluence Rivers Utility Operating Company, Inc.	WM-2018-0116 and SM-2018-0117	<u>Direct</u> – Rate Base, Roy L Utilities	Settled
Spire Missouri Inc.	GO-2016-0332, GO-2016-0333, GO-2017-0201, GO-2017-0202 GO-2018-0309 and GO-2018-0310	<u>Direct</u> – Removal of Plastic Main and Service Line Replacement Costs	Contested
Missouri-American Water Company	WR-2017-0285	<u>Cost of Service Report</u> – Pension/OPEB Tracker, FAS 87 Pension Costs, FAS 106 OPEBs Costs, Franchise Taxes <u>Rebuttal</u> –Defined Contribution Plan, Cloud Computing, Affiliate Transaction Rule (Water Utility) <u>Surrebuttal</u> – Rate Case Expense	Settled
Missouri-American Water Company	WO-2018-0059	<u>Direct</u> – ISRS Overview, Accumulated Deferred Income Taxes, Reconciliation	
Missouri Gas Energy and Laclede Gas Company	GO-2016-0332 and GO-2016-0333	<u>Rebuttal</u> – Inclusion of Plastic Main and Service Line Replacements	Contested
Empire District Electric Company/Liberty Utilities	EM-2016-0213	<u>Rebuttal</u> – Overview of Transaction, Ratemaking /Accounting Conditions, Access to Records <u>Surrebuttal</u> – OPC Recommended Conditions, SERP	Settled
Hillcrest Utility Operating Company, Inc.	WR-2016-0064	<u>Direct</u> – Partial Disposition Agreement	Contested

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Empire District Electric Company	ER-2016-0023	<b><u>Requirement Report</u></b> – Riverton Conversion Project and Asbury Air Quality Control System <b><u>Direct</u></b> – Overview of Staff's Revenue Requirement Report and Overview of Staff's Rate Design Filing	Settled
Missouri-American Water Company	WR-2015-0301	<b><u>Report on Cost of Service</u></b> – Corporate Allocation, District Allocations <b><u>Rebuttal</u></b> – District Allocations, Business Transformation <b><u>Surrebuttal</u></b> – District Allocations, Business Transformation, Service Company Costs	Settled
Empire District Electric Company	ER-2014-0351	<b><u>Direct</u></b> – Overview of Staff's Filing <b><u>Rebuttal</u></b> - ITC Over-Collection, Cost of Removal Deferred Tax Amortization, State Flow-Through <b><u>Surrebuttal</u></b> – Unamortized Balance of Joplin Tornado, ITC Over-Collections, Cost of Removal Deferred Tax Amortization, State Flow-Through, Transmission Revenues and Expenses	Settled
Brandco Investments/Hillcrest Utility Operating Company, Inc.	WO-2014-0340	<b><u>Rebuttal</u></b> – Rate Base and Future Rates	Settled
Lake Region Water & Sewer	WR-2013-0461	<b><u>Direct</u></b> – Overview of Staff's Filing <b><u>Report on Cost of Service</u></b> – True-Up, Availability Fees, Sewer Operating Expense, Sewer Equipment Maintenance Expense <b><u>Surrebuttal</u></b> – Availability Fees <b><u>True-Up Direct</u></b> – Overview of True-Up Audit <b><u>True-Up Rebuttal</u></b> – Corrections to True-Up	Contested

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Empire District Electric Company	ER-2012-0345	<p><b><u>Direct</u></b> - Overview of Staff's Filing  <b><u>Report on Cost of Service</u></b> – SWPA Hydro Reimbursement, Joplin Tornado AAO Asset, SPP Revenues, SPP Expenses, Regulatory Plan Amortization Impacts, SWPA Amortization, Tornado AAO Amortization  <b><u>Rebuttal</u></b> – Unamortized Balance of Joplin Tornado AAO, Rate Case Expense, True-Up and Uncontested Issues  <b><u>Surrebuttal</u></b> – Unamortized Balance of Joplin Tornado AAO, SPP Transmission Expense, True-Up, Advanced Coal Investment Tax Credit</p>	Settled
Missouri-American Water Company	WR-2011-0337	<p><b><u>Direct</u></b> – Overview of Staff's Filing  <b><u>Report on Cost of Service</u></b> - True-Up Recommendation, Tank Painting Tracker, Tank Painting Expense  <b><u>Rebuttal</u></b> - Tank Painting Expense, Business Transformation  <b><u>Surrebuttal</u></b> – Tank Painting Tracker, Acquisition Adjustment</p>	Settled
Missouri-American Water Company	WR-2010-0131	<p><b><u>Report on Cost of Service</u></b> - Pension/OPEB Tracker, Tank Painting Tracker, Deferred Income Taxes, FAS 87 Pension Costs, FAS 106 – Other Post-Employment Benefits, Incentive Compensation, Group Insurance and 401(k) Employer Costs, Tank Painting Expense, Dues and Donations, Advertising Expense, Promotional Items, Current and Deferred Income Tax Expense</p>	Settled
Empire District Gas Company	GR-2009-0434	<p><b><u>Report on Cost of Service</u></b> – Prepaid Pension Asset, Pension Tracker Asset/Liability, Unamortized Accounting Authority Order Balances, Pension Expense, OPEBs, Amortization of Stock Issuance Costs, Amortization of Accounting Authority Orders  <b><u>Direct</u></b> – Overview of Staff's Filing</p>	Settled
Laclede Gas Company	GT-2009-0056	<p><b><u>Surrebuttal Testimony</u></b> – Tariff</p>	Contested

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Missouri-American Water Company	WR-2008-0311 & SR-2008-0312	<b><u>Report on Cost of Service</u></b> – Tank Painting Tracker, Lobbying Costs, PSC Assessment <b><u>Direct</u></b> – Overview of Staff's Filing <b><u>Rebuttal</u></b> – True-Up Items, Unamortized Balance of Security AAO, Tank Painting Expense, Fire Hydrant Painting Expense <b><u>Surrebuttal</u></b> – Unamortized Balance of Security AAO, Cedar Hill Waste Water Plant, Tank Painting Expense, Fire Hydrant Painting Expense	Settled
Missouri Gas Utility, Inc.	GR-2008-0060	<b><u>Report on Cost of Service</u></b> – Plant-in Service/Capitalization Policy, Plant-in Service/Purchase Price Valuation, Depreciation Reserve, Revenues, Uncollectible Expense	Settled
Laclede Gas Company	GR-2007-0208	<b><u>Direct</u></b> - Test Year and True-Up, Environmental costs, AAOs, Revenue, Miscellaneous Revenue, Gross receipts Tax, Gas Costs, Uncollectibles, EWCR, AMR, Acquisition Adjustment	Settled
Kansas City Power and Light Company	ER-2006-0314	<b><u>Direct</u></b> - Gross Receipts Tax, Revenues, Weather Normalization, Customer Growth/Loss Annualization, Large Customer Annualization, Other Revenue, Uncollectible (Bad Debt) Expense, Payroll, A&G Salaries Capitalization Ratio, Payroll Taxes, Employer 401 (k) Match, Other Employee Benefits <b><u>Surrebuttal</u></b> - Uncollectible (Bad Debt) Expense, Payroll, A&G Salaries Capitalization Ratio, Other Employee Benefits	Contested
Missouri Gas Energy	GR-2006-0204	<b><u>Direct</u></b> - Payroll, Incentive Compensation, Payroll Taxes, Employee Benefits, Lobbying, Customer & Governmental Relations Department, Collections Contract	Settled

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Missouri Gas Energy	GU-2005-0095	<u>Rebuttal</u> - Accounting Authority Order <u>Surrebuttal</u> - Accounting Authority Order	Contested
The Empire District Electric Company	ER-2004-0570	<u>Direct</u> - Payroll	Settled
Missouri American Water Company & Cedar Hill Utility Company	SM-2004-0275	<u>Direct</u> - Acquisition Premium	Settled
Missouri Gas Energy	GR-2004-0209	<u>Direct</u> - Safety Line Replacement Program; Environmental Response Fund; Dues & Donations; Payroll; Customer & Governmental Relations Department Disallowance; Outside Lobbyist Costs <u>Rebuttal</u> - Customer Service; Incentive Compensation; Environmental Response Fund; Lobbying/Legislative Costs <u>True-Up</u> - Rate Case Expense	Contested
Osage Water Company	ST-2003-0562 / WT-2003-0563	<u>Direct</u> - Payroll <u>Rebuttal</u> - Payroll; Lease Payments to Affiliated Company; alleged Legal Requirement of a Reserve	Case Dismissed
Missouri American Water Company	WR-2003-0500	<u>Direct</u> - Acquisition Adjustment; Water Treatment Plant Excess Capacity; Retired Treatment Plan; Affiliated Transactions; Security AAO; Advertising Expense; Customer Correspondence	Settled
Empire District Electric	ER-2002-424	<u>Direct</u> - Dues & Donations; Memberships; Payroll; Security Costs <u>Rebuttal</u> - Energy Traders' Commission <u>Surrebuttal</u> - Energy Traders' Commission	Settled

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Laclede Gas Company	GR-2002-356	<u>Direct</u> - Advertising Expense; Safety Replacement Program and the Copper Service Replacement Program; Dues & Donations; Rate Case Expense <u>Rebuttal</u> - Gas Safety Replacement Program / Deferred Income Taxes for AAOs	Settled
Missouri-American Water Company	WO-2002-273	<u>Rebuttal</u> - Accounting Authority Order <u>Cross-Surrebuttal</u> - Accounting Authority Order	Contested
Environmental Utilities	WA-2002-65	<u>Direct</u> - Water Supply Agreement <u>Rebuttal</u> - Certificate of Convenience & Necessity	Contested
Warren County Water & Sewer	WC-2002-160 / SC-2002-155	<u>Direct</u> - Clean Water Act Violations; DNR Violations; Customer Service; Water Storage Tank; Financial Ability; Management Issues <u>Surrebuttal</u> - Customer Complaints; Poor Management Decisions; Commingling of Regulated & Non-Related Business	Contested
Laclede Gas Company	GR-2001-629	<u>Direct</u> - Advertising Expense; Safety Replacement Program; Dues & Donations; Customer Correspondence	Settled
Gateway Pipeline Company	GM-2001-585	<u>Rebuttal</u> - Acquisition Adjustment; Affiliated Transactions; Company's Strategic Plan	Contested
Empire District Electric	ER-2001-299	<u>Direct</u> - Payroll; Merger Expense <u>Rebuttal</u> - Payroll <u>Surrebuttal</u> - Payroll	Settled
Osage Water Company	SR-2000-556/ WR-2000-557	<u>Direct</u> - Customer Service	Contested

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St. Louis County Water Company	WR-2000-844	<u>Direct</u> - Main Incident Expense	Settled
Missouri American Water Company	WR-2000-281/ SR-2000-282	<u>Direct</u> - Water Plant Premature Retirement; Rate Case Expense <u>Rebuttal</u> - Water Plant Premature Retirement <u>Surrebuttal</u> - Water Plant Premature Retirement	Contested
Laclede Gas Company	GR-99-315	<u>Direct</u> - Advertising Expense; Dues & Donations; Miscellaneous Expense; Items to be Trued-up	Contested
St. Joseph Light & Power	HR-99-245	<u>Direct</u> - Advertising Expense; Dues & Donations; Miscellaneous Expense; Items to be Trued-up <u>Rebuttal</u> - Advertising Expense <u>Surrebuttal</u> - Advertising Expense	Settled
St. Joseph Light & Power	ER-99-247	<u>Direct</u> - Merger Expense; Rate Case Expense; Deferral of the Automatic Mapping/Facility Management Costs <u>Rebuttal</u> - Merger Expense; Rate Case Expense; Deferral of the Automatic Mapping/Facility Management Costs <u>Surrebuttal</u> - Merger Expense; Rate Case Expense; Deferral of the Automatic Mapping/Facility Management Costs	Settled
Laclede Gas Company	GR-98-374	<u>Direct</u> - Advertising Expense; Gas Safety Replacement AAO; Computer System Replacement Costs	Settled
Missouri Gas Energy	GR-98-140	<u>Direct</u> - Payroll; Advertising; Dues & Donations; Regulatory Commission Expense; Rate Case Expense	Contested

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Gascony Water Company, Inc.	WA-97-510	<u>Rebuttal</u> - Rate Base; Rate Case Expense; Cash Working Capital	Settled
Union Electric Company	GR-97-393	<u>Direct</u> - Interest Rates for Customer Deposits	Settled
St. Louis County Water Company	WR-97-382	<u>Direct</u> - Interest Rates for Customer Deposits, Main Incident Expense	Settled
Associated Natural Gas Company	GR-97-272	<u>Direct</u> - Acquisition Adjustment; Interest Rates for Customer Deposits <u>Rebuttal</u> - Acquisition Adjustment; Interest Rates for Customer Deposits <u>Surrebuttal</u> - Interest Rates for Customer Deposits	Contested
Missouri-American Water Company	WA-97-45	<u>Rebuttal</u> - Waiver of Service Connection Charges	Contested
Imperial Utility Corporation	SC-96-427	<u>Direct</u> - Revenues, CIAC <u>Surrebuttal</u> - Payroll; Uncollectible Accounts Expense; Rate Case Expense, Revenues	Settled
St. Louis Water Company	WR-96-263	<u>Direct</u> -Main Incident Repairs <u>Rebuttal</u> - Main Incident Repairs <u>Surrebuttal</u> - Main Incident Repairs	Contested
Steelville Telephone Company	TR-96-123	<u>Direct</u> - Depreciation Reserve Deficiency	Settled

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Missouri-American Water Company	WR-95-205/ SR-95-206	<u>Direct</u> - Property Held for Future Use; Premature Retirement of Sewer Plant; Depreciation Study Expense; Deferred Maintenance <u>Rebuttal</u> - Property Held for Future Use; Premature Retirement of Sewer Plant; Deferred Maintenance <u>Surrebuttal</u> - Property Held for Future Use; Premature Retirement of Sewer Plant	Contested
St. Louis County Water Company	WR-95-145	<u>Rebuttal</u> - Tank Painting Reserve Account; Main Repair Reserve Account <u>Surrebuttal</u> - Main Repair Reserve Account	Contested