Exhibit No.:

Issue: Policy

Witness: Natelle Dietrich
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: WR-2017-0285

Date Testimony Prepared: December 13, 2017

# MISSOURI PUBLIC SERVICE COMMISSION COMMISSION STAFF DIVISION

# **DIRECT TESTIMONY**

**OF** 

NATELLE DIETRICH

# MISSOURI-AMERICAN WATER COMPANY

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

Jefferson City, Missouri December 2017

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1		DIRECT TESTIMONY				
2		OF				
3		NATELLE DIETRICH				
4		MISSOURI-AMERICAN WATER COMPANY				
5		CASE NO. WR-2017-0285				
6	Q.	Please state your name and business address.				
7	A.	My name is Natelle Dietrich. My business address is 200 Madison Street,				
8	Jefferson City, Missouri 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	Commission Staff Director.					
12	Q.	Have you provided your educational background and work experience in				
13	this file?					
14	A.	Yes. My educational and work experience is included in my Direct Testimony				
15	filed in this case with Staff's Direct Cost of Service Report on November 30, 2017.					
16	EXECUTIV	E SUMMARY				
17	Q.	What is the purpose of this direct testimony?				
18	A.	The purpose of this testimony is to sponsor Staff's recommended rate design as				
19	developed by	Staff and described in the Report on Class Cost of Service and Rate Design				
20	("CCOS Rep	ort") filed concurrently with this direct testimony.				
21	CCOS REPO	<u>ORT</u>				
22	Q.	What is Staff's rate design recommendation for water service in this case?				

Direct Testimony of Natelle Dietrich 1 A. Staff recommends the Commission maintain the current three water district 2 structure approved in Missouri-American Water Company's (MAWC) last rate case, 3 Case No. WR-2015-0301. Under this approach, water districts would be made up of the 4 following service territories: 5 Water District 1 – St. Louis Metro (St. Louis County, Warren County and St. Charles), Mexico, Jefferson City, Anna Meadows, 6 7 Lake Carmel, Jaxon Estates, and Wardsville. 8 Water District 2 – St. Joseph, Platte County, and Brunswick. 9 Water District 3 – Joplin, Stonebridge, Warrensburg, White Branch, 10 Lake Taneycomo, Lakewood Manor, Rankin Acres, Spring Valley, 11 Tri-States, Emerald Pointe, Maplewood, Riverside Estates, and Woodland 12 Manor. 13 14 approved in MAWC's previous rate proceeding.

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Staff further proposed to maintain the currently effective customer charges that were

Redfield,

- Q. What is Staff's rate design recommendation for sewer service in this case?
- A. For all systems except for Arnold, which as explained in the CCOS Report has a temporary rate cap, Staff recommends that for those areas with the highest rate, the rate remain unchanged and that no service area see a rate decrease. Any additional revenues needed to cover MAWC's cost of service would be spread amongst the areas with lower rates.
  - Q. Does Staff address other noteworthy items in its CCOS Report?
- A. Yes. In its filing, MAWC proposed a Revenue Stabilization Mechanism (RSM). In the CCOS Report, Staff witness James A. Busch discusses the mechanics of an RSM. Mr. Busch discusses various pros and cons of an RSM and the pros and cons of the traditional ratemaking model. In its direct case, Staff did not include an RSM, but Mr. Busch provides guidance for the Commission's consideration should it ultimately order an RSM.

In the Report and Order in MAWC's last rate case, Case No. WR-2015-0301, the parties were asked to file, in MAWC's next rate case, information on inclining block rates. In its CCOS Report, Staff explains the "inclining block rate structure" concept and its applicability to water utilities/customers. Staff explains that many opportunities for water conservation or opportunities to change customer behavior have already been realized, and that not all customers have an ability to conserve water. Customer education and design of the blocks are key issues. In addition, Staff explains that an inclining block rate structure could have a different effect in different areas of MAWC's service territory, and for customers that are water customers only versus water/sewer customers. Ultimately, given the uncertainties surrounding inclining block rates, Staff does not recommend inclining block rates for MAWC.

Finally, as ordered in Case No. WR-2015-0301, MAWC created a pilot program that established a low-income rate in District 2, comprised of its St. Joseph, Platte County and Brunswick service areas. The low-income rate provided an 80 percent discount of the monthly customer charge for customers who qualify for the Low Income Home Energy Assistance Program (LIHEAP). The pilot was effective November 17, 2016. Since the pilot has only been in effect for a short period of time, Staff recommends it continue in its current form so that additional data may be gathered.

#### **CLASS COST OF SERVICE STUDY**

- Q. Did Staff perform a CCOS study in this case?
- A. Yes, for MAWC's water operations. Staff's CCOS study for MAWC's water operations is designed to determine the relative class cost responsibility for the overall revenue requirement of MAWC within its various service territories. Staff did not perform a

1	CCOS Study	for MAWC's sewer operations because its sewer operations are relatively small				
2	and generally consist of residential customers. The rates for MAWC's sewer operations were					
3	determined by the results of Staff's audit and the development of cost of service (COS) for					
4	MAWC's sewer operations based on the Water & Sewer Department's small company rate					
5	design metho	d.				
6	Q.	What method of cost allocation did Staff use in its CCOS study when direct				
7	assignment w	as not possible?				
8	A. Staff used the base-extra capacity method as described in the American Water					
9		• •				
	Works Association (AWWA) manual of water supply practices, Principles of Water Rates,					
10	Fees, and Charges, Seventh Edition ("AWWA M1"). This is the method used by Staff and					
11	other parties in previous MAWC cases and is a widely accepted method for allocating costs to					
12	the various customer classes.					
10						
13		DRT AND STAFF RATE DESIGN  How is the Staff's CCOS Beneat argumined?				
14	Q.	How is the Staff's CCOS Report organized?				
15	A.	The CCOS Report is organized by topic as follows:				
16		I. Executive Summary				
17		II. Class Cost of Service: Water Operations				
18		III. Rate Design: Water Operations				
19		IV. Class Cost of Service: Sewer Operations				
20		V. Rate Design: Sewer Operations				
21		VI. Special Contracts				
22		VII. Miscellaneous Fees				
23		VIII. Revenue Stabilization Mechanism				
24		IX. Schedules Included in Staff's CCOS Report				
25 26	Q.	Does this conclude your direct testimony?				
27	A.	Yes.				

#### BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

In the Matter of Missouri-Americ Water Company's Request for Auto Implement General Rate Incre Water and Sewer Service Provide Missouri Service Areas	uthority ase for ed in	) ) ) )	Case No. WR-2017-0285
AFFID	AVITOR	NATEL	LE DIETRICH
STATE OF MISSOURI )	SS.	-	
COUNTY OF COLE )	55.		

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

Further the Affiant sayeth not.

NATELLE DIETRICH

### **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 \_\_/24\_\_\_ day of December, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070

Notary Public