

Exhibit No.: 603
Issues: Special Contract Rate; Demand-Side
Efficiency; Residential Customer
Charges; Inclining Block Rates
Witness: Martin Hyman
Sponsoring Party: Missouri Department of Economic
Development – Division of Energy
Type of Exhibit: Surrebuttal Testimony
Case No.: WR-2017-0285

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

SURREBUTTAL TESTIMONY

OF

MARTIN R. HYMAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri

February 9, 2018

DE Exhibit No. 603
Date 3-06-18 Reporter XF
File No. WR-2017-0285

TABLE OF CONTENTS

I. INTRODUCTION 1

II. PURPOSE AND SUMMARY OF TESTIMONY 1

III. RESPONSE TO COMMISSION STAFF 3

IV. RESPONSE TO OFFICE OF THE PUBLIC COUNSEL 4

 A. INCLINING BLOCK RATES AND DEMAND-SIDE EFFICIENCY 4

 B. SPECIAL CONTRACT RATE 7

V. RESPONSE TO COMPANY 8

 A. RESIDENTIAL CUSTOMER CHARGES 8

 B. INCLINING BLOCK RATES 9

VI. CONCLUSIONS 15

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Martin R. Hyman. My business address is 301 West High Street, Suite 720,
4 PO Box 1766, Jefferson City, Missouri 65102.

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

6 A. I am employed by the Missouri Department of Economic Development (“DED”) –
7 Division of Energy (“DE”) as a Planner III.

8 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
9 **(“Commission”) on behalf of DE in this case?**

10 A. Yes.

11 **II. PURPOSE AND SUMMARY OF TESTIMONY**

12 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

13 A. The purpose of my Surrebuttal Testimony is to respond to testimony on the topics from
14 the parties listed below:

- 15 1. Commission Staff (“Staff”) witness Mr. Matthew J. Barnes regarding the special
16 contract rate with Triumph Foods, LLC;
- 17 2. Office of the Public Counsel (“OPC”) witness Dr. Geoff Marke regarding
18 demand-side efficiency, residential water inclining block rates, and the special
19 contract rate with Triumph Foods, LLC; and,
- 20 3. Missouri-American Water Company (“MAWC” or “Company”) witnesses Mr.
21 James M. Jenkins and Ms. Constance E. Heppenstall regarding residential water
22 rate design.

1 In summary, the special contract with Triumph Foods, LLC should be continued because
2 the company meets the conditions for the special contract; DE also supports continuing
3 the special contract with Triumph Foods, LLC because of the economic benefits the
4 company brings to the St. Joseph area. DE disagrees with Dr. Marke regarding demand-
5 side efficiency efforts in MAWC's service territory and inclining block rates. I also
6 respond to his concerns regarding continuation of the special contract with Triumph
7 Foods, LLC. The Company has not offered testimony that adequately rebuts my
8 statements as to customer charges, and has presented an inclining block rate proposal that
9 should only be implemented with modifications and under certain conditions discussed in
10 this testimony.

11 **Q. Have parties raised any significant new objections to continuing the Lead Service**
12 **Line Replacement Program?**

13 **A.** No. DE's responses on this issue were clearly articulated in my Rebuttal Revenue
14 Requirement Testimony. We continue to support the availability of the program to meet a
15 health and safety need, as well as the consideration of additional modifications in the
16 context of a collaborative discussion.

1 **III. RESPONSE TO COMMISSION STAFF**

2 **Q. What is Mr. Barnes's testimony regarding the special contract rate with Triumph**
3 **Foods, LLC?**

4 A. Mr. Barnes testifies that Triumph Foods, LLC has met the conditions specified for its
5 special contract rate, and that the rate charged to Triumph Foods, LLC should be changed
6 consistent with the outcome of this case.¹

7 **Q. Do you agree with Mr. Barnes's assessment?**

8 A. Yes. I have reviewed the confidential information provided on this subject and agree that
9 Triumph Foods, LLC met the conditions for its special contract rate during the historic
10 test year and is continuing to produce economic benefits for the St. Joseph area through
11 additional jobs and tax revenues. According to testimony provided at the local public
12 hearing in St. Joseph, Triumph Foods, LLC provides jobs for more than 2,800 people,²
13 has an annual payroll greater than \$120 million (with taxes), pays \$4.8 million per year in
14 state and local payroll taxes, and pays \$1.5 million per year in local property taxes.³
15 Special contract rates are important for attracting and retaining businesses with large
16 loads, since these large loads benefit all customers in the district where the business is
17 located by contributing towards common system costs.

¹ Missouri Public Service Commission Case No. WR-2017-0285, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Rebuttal Testimony of Matthew J. Barnes, January 24, 2018, pages 2-4, lines 13-22, 1-25, and 1-8.

² Missouri Public Service Commission Case Nos. WR-2017-0285 and SR-2017-0286, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Transcript Vol. 7, January 25, 2018, page 8, lines 9-10.

³ *Ibid*, lines 19-22.

1 **IV. RESPONSE TO OFFICE OF THE PUBLIC COUNSEL**

2 **A. INCLINING BLOCK RATES AND DEMAND-SIDE EFFICIENCY**

3 **Q. How does Dr. Marke portray parties' positions on inclining block rates?**

4 A. Dr. Marke states that no party supports a residential inclining block rate.⁴

5 **Q. Is this an accurate representation of DE's position on inclining block rates?**

6 A. No. Generally, DE supports gradual movement towards inclining block rates. DE's
7 position on inclining block rates in this case is that they should only be implemented if it
8 can be demonstrated that there will not be significantly adverse bill impacts on customers
9 from these rates.⁵ Gradual implementation avoids rate shock and allows for customer
10 education regarding usage and efficiency options that support bill management.

11 **Q. What are OPC's reasons for opposing an inclining block rate?**

12 A. Dr. Marke states that, "... water is both abundant and no capital-intensive capacity build-
13 outs are needed in the foreseeable future."⁶

14 **Q. Does OPC provide similar arguments with regard to demand-side efficiency?**

15 A. Yes. In his discussion of why OPC opposes decoupling, Dr. Marke raises several points,
16 including the arguments that the Company's pilot demand-side efficiency program has

⁴ Missouri Public Service Commission Case No. WR-2017-0285, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Rebuttal Testimony (Rate Design) of Geoff Marke Submitted on Behalf of The Office of the Public Counsel, January 24, 2018, page 7, lines 19-20.

⁵ Missouri Public Service Commission Case No. WR-2017-0285, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Direct Testimony of Martin R. Hyman on Behalf of Missouri Department of Economic Development – Division of Energy, December 13, 2017, page 12, lines 8-10.

⁶ WR-2017-0285, Marke Rebuttal (Rate Design), page 7, lines 23-25.

1 been slow to launch,⁷ that water is not scarce in Missouri,⁸ and that there may not be a
2 cost justification for reductions in water use.⁹

3 **Q. Please respond to Dr. Marke’s arguments as they relate to inclining block rates and**
4 **demand-side efficiency.**

5 A. Dr. Marke’s “one anecdotal example” of being unable to personally promote low-flow
6 toilets to a single subset of customers¹⁰ is precisely that – a lone anecdotal example that
7 provides no solid basis for Commission evaluation of the success or failure of the pilot
8 program. While I agree that the pilot program has been slow to start, my own personal
9 experience on the collaborative advising the Company suggests that MAWC is
10 endeavoring to fulfill the terms of the enabling Stipulation and Agreement.¹¹ The
11 Commission should not be persuaded against future demand-side efficiency programs
12 just because a relatively new effort in Missouri has not yet started; these programs were
13 only agreed to a few years ago, so it is not unexpected that there would be some lead-time
14 for program initiation. Demand-side efficiency programs require regulatory certainty and
15 support.

⁷ Missouri Public Service Commission Case No. WR-2017-0285, *In the Matter of Missouri-American Water Company’s Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Rebuttal Testimony (Revenue Requirement) of Geoff Marke Submitted on Behalf of The Office of the Public Counsel, January 17, 2018, page 11, lines 14-17.

⁸ *Ibid*, pages 11-12, lines 18-22 and 1.

⁹ *Ibid*, page 12, lines 1-19.

¹⁰ *Ibid*, page 11, footnote 12.

¹¹ See Missouri Public Service Commission Case No. WR-2015-0301, *In the Matter of Missouri-American Water Company’s Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Non-Unanimous Revenue Requirement Stipulation and Agreement, March 16, 2016, pages 3-5.

1 **Q. Do you agree with OPC's arguments regarding water scarcity and cost avoidance?**

2 A. No. The purported abundance of water is not the only consideration with regards to
3 inclining block rates and encouraging demand-side efficiency more broadly. The
4 Commission stated in its Report and Order in Case No. WR-2015-0301:

5 Conservation of water is important for more than just a need to conserve the
6 supply of water. Water and wastewater supply processes are energy intensive.
7 Large amounts of electricity are required to pump water through the pumping
8 stations, treatment facilities and distribution system. Thus, the promotion of water
9 efficiency leads to the promotion of energy efficiency. (Citations omitted.)¹²

10 As further discussed below, it may also be inaccurate to claim that water scarcity is not
11 an issue in Missouri; in his Rebuttal Rate Design Testimony, Mr. Jenkins states that,
12 "...MAWC experiences conditions of strained water supply from time to time in the
13 Joplin area"¹³

14 I also disagree with Dr. Marke's statements regarding "capital-intensive capacity build-
15 outs" and the lack of a cost basis for demand-side efficiency. Inclining block rates and the
16 encouragement of demand-side efficiency support reductions in long-run system
17 investments, not the short-term horizon or "foreseeable future" upon which Dr. Marke
18 focuses. Again, I would note the above statement from the Commission's Report and
19 Order in Case No. WR-2015-0301, which speaks to the value of saving energy through

¹² Missouri Public Service Commission Case No. WR-2015-0301, *In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Report and Order, May 26, 2016, page 34.

¹³ Missouri Public Service Commission Case Nos. WR-2017-0285 and SR-2017-0286, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Rebuttal Testimony – Rate Design of James M. Jenkins on Behalf of Missouri-American Water Company, January 24, 2018, page 6, lines 15-16.

1 water savings. Such savings benefit the utility and ratepayers through cost reductions and
2 can aid in avoiding the adverse impacts of potential droughts.

3 **B. SPECIAL CONTRACT RATE**

4 **Q. What is Dr. Marke's testimony regarding the special contract rate with Triumph**
5 **Foods, LLC?**

6 A. Dr. Marke indicates that, "The primary concern is that Triumph Foods no longer
7 represents 0.5% of a percent of the total northwest zone (formerly St. Joseph district).
8 Further concern centers on whether or not the threshold would be met if single tariff
9 pricing were approved."¹⁴

10 **Q. Do you agree with OPC's concern?**

11 A. No. The provisions referenced by Dr. Marke¹⁵ are found in a tariff sheet entitled,
12 "Alternative Incentive Provisions (**Applicable only in City of St. Joseph, Mo and**
13 **Vicinity**)" (emphasis added).¹⁶ The title of the tariff clearly indicates that it is only
14 applicable in a limited geographic area, which is confirmed by the condition requiring
15 that, "... the Customer has demonstrated ... at least an annual consumption level of five-
16 tenths of a percent (0.5%) of total consumption **for the district**" (emphasis added).¹⁷
17 Reading the tariff as being applicable to an area beyond St. Joseph or its surroundings
18 would contradict the plain language of the tariff.

19 However, even assuming that the above-cited consumption requirement were to apply to
20 the entire state under single-tariff pricing, Triumph Foods, LLC would still be eligible for

¹⁴ WR-2017-0285, Marke Rebuttal (Rate Design), page 10, lines 3-6.

¹⁵ *Ibid*, pages 9-10, lines 14-23 and 1-2 and footnote 6.

¹⁶ Missouri Public Service Commission Tariff No. JW-2012-0085, Missouri-American Water Company, *Rules and Regulations Governing The Rendering of Water Service*, Alternative Incentive Provisions (Applicable only in City of St. Joseph, Mo and Vicinity), October 15, 2011, Sheet No. R-59.

¹⁷ *Ibid*.

1 a special contract rate. Based on my comparison of the highly confidential information
2 provided in response to Staff Data Request No. 0238 to the statewide historical test year
3 consumption levels shown in Schedule CAS-11-12 of Company witness Brian W.
4 LaGrand's Direct Testimony,¹⁸ Triumph Foods, LLC meets the condition in question.
5 Even under OPC's interpretation of the special contract terms, Dr. Marke's concern is not
6 an issue.

7 **V. RESPONSE TO COMPANY**

8 **A. RESIDENTIAL CUSTOMER CHARGES**

9 **Q. How does Mr. Jenkins respond to your testimony on residential customer charges?**

10 A. Mr. Jenkins lists some of my arguments against higher customer charges,¹⁹ but then only
11 responds to concerns about gradualism by arguing that the Company's proposed increase
12 to its quarterly residential water customer charge – and the decrease to monthly
13 residential water customer charges – would only increase quarterly customers' bills by
14 \$2.55 per month if they are served on 5/8-inch meters.²⁰ He does not respond to my
15 concerns about equity, efficiency, or affordability for low-income customers.

16 **Q. Is Mr. Jenkins's citation of monthly bill impacts on quarterly billed customers a**
17 **complete discussion of rate shock?**

18 A. No. While his argument is valid from the perspective of monthly billing, it does not fully
19 consider bill impacts on quarterly billed customers. Until these customers are moved to

¹⁸ Missouri Public Service Commission Case Nos. WR-2017-0285 and SR-2017-0286, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Direct Testimony of Brian W. LaGrand on Behalf of Missouri-American Water Company, June 30, 2017, Schedule CAS-11-12, Test Year Operating Revenues at Present Rates vs Proposed Rates, Water Division, page 1 and District #2 (St Joseph, Brunswick, Platte County), page 1.

¹⁹ WR-2017-0285 and SR-2017-0286, Jenkins Rebuttal (Rate Design), pages 19-20, lines 25-26 and 1-5.

²⁰ *Ibid*, page 20, lines 8-13.

1 monthly billing, they will see a bill increase of \$7.65 for three months of use on a 5/8-
2 inch meter (\$30.00 minus \$22.35);²¹ without a monthly bill, there is not a monthly price
3 signal. Additionally, the impacts of other Company proposals need to be considered, such
4 as the increase to volumetric rates for quarterly billed customers.²²

5 **Q. Mr. Jenkins claims that you, "... misinterpret the Company's rate design proposal**
6 **for fixed charges"**²³ and indicates that the Company would not change its monthly
7 **or quarterly customer charges without a shift to monthly billing.**²⁴ Please respond.

8 A. Mr. Jenkins's proposal to maintain customer charges in the absence of a move to monthly
9 billing does not appear outside of the Rebuttal Rate Design Testimony that he or Ms.
10 Heppenstall²⁵ filed. I was not able to speak to this alternative proposal because it had not
11 been filed yet. However, DE would not object to maintaining residential water customer
12 charges at current levels if there is no move to monthly billing for customers currently on
13 quarterly billing.

14 **B. INCLINING BLOCK RATES**

15 **Q. Which Company witnesses address inclining block rates in Rebuttal Testimony?**

16 A. Mr. Jenkins and Ms. Heppenstall both address inclining block rates in Rebuttal
17 Testimony.

²¹ Missouri Public Service Commission Case Nos. WR-2017-0285 and SR-2017-0286, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Direct Testimony of Constance E. Heppenstall on Behalf of Missouri-American Water Company, June 30, 2017, page 12, lines 7-9 and 12-15.

²² WR-2017-0285 and SR-2017-0286, LaGrand Direct, Schedule CAS-11-12, Test Year Operating Revenues at Present Rates vs Proposed Rates, District #1 (St Louis, Mexico, Jefferson City, Lake Carmel, Hickory Hills, Anne Meadows, Redfield, Jaxson Estate), page 3.

²³ WR-2017-0285 and SR-2017-0286, Jenkins Rebuttal (Rate Design), page 20, lines 7-8.

²⁴ *Ibid*, lines 13-17.

²⁵ Missouri Public Service Commission Case Nos. WR-2017-0285 and SR-2017-0286, *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Rebuttal Testimony – Cost of Service Rate Design of Constance E. Heppenstall on Behalf of Missouri-American Water Company, January 24, 2018, page 7, lines 12-16.

1 **Q. How does Mr. Jenkins describe DE's position on inclining block rates?**

2 A. Mr. Jenkins states that he interprets DE's testimony, "... as proposing that the Company
3 be potentially ordered to implement inclining block rates sometime in the future," citing,
4 "...decisions that will occur later in this case"²⁶

5 **Q. Is this an accurate characterization of your testimony?**

6 A. No. To clarify, inclining block rates should only be implemented in this case if there are
7 not unduly adverse bill impacts, and should be targeted for future implementation if not
8 ordered in this case.²⁷ While the use of inclining block rates certainly requires an
9 evaluation of other aspects of this case – such as the revenue requirement increase
10 ordered by the Commission and decisions about consolidation – the Commission can still
11 consider inclining block rates in the context of "all relevant factors" in this case.

12 **Q. How does the Company react to your recommendation that inclining block rates
13 should be implemented gradually to avoid rate shock?²⁸**

14 A. Mr. Jenkins states that there should be no limit to bill impacts on higher use customers
15 under an inclining block rate design, since – in his view – doing so would fail to provide,
16 "... an appropriate price signal to encourage conservation."²⁹ Ms. Heppenstall also states
17 that, "... there is no reason to implement inclining block rates unless there is a bill impact
18 that sends the customer an appropriate price signal."³⁰

²⁶ WR-2017-0285 and SR-2017-0286, Jenkins Rebuttal (Rate Design), page 4, lines 4-6.

²⁷ WR-2017-0285, Hyman Direct, page 12, lines 17-19.

²⁸ *Ibid*, lines 3-7.

²⁹ WR-2017-0285 and SR-2017-0286, Jenkins Rebuttal (Rate Design), pages 4-5, lines 18-23 and 1-4.

³⁰ WR-2017-0285 and SR-2017-0286, Heppenstall Rebuttal, page 8, lines 9-11.

1 **Q. How do you respond to these critiques?**

2 A. I agree that rate designs should send price signals that encourage efficient usage.
3 However, I disagree that rate designs will be ineffective if they account for the avoidance
4 of rate shock. If anything, a rate design that causes severe rate shock would be
5 counterproductive because of the potential for unaffordable bills, which might lead to
6 customer disconnections – particularly in instances where a customer has little ability to
7 change usage habits quickly. In implementing new rate designs, it is also important to
8 consider public perceptions, understanding, and acceptance of revised rates; rates that
9 create unaffordable bills will not be accepted by consumers and could lead to a negative
10 reaction to such rates.

11 **Q. Please describe the inclining block rate pilot proposed by the Company.**

12 A. Ms. Heppenstall proposes a pilot inclining block rate for the Joplin area in the event that
13 there is still interest in inclining block rates, but conditions her recommendation on the
14 implementation of the Company's proposed Revenue Stabilization Mechanism ("RSM").
15 She selects the Joplin area because of water supply issues and the effects of the 2011
16 tornado with respect to water fixture replacement. She provides three alternative block
17 rate structures, with the first block in each proposal ending at the approximate median
18 amount of total consumption and the second block ending at the amount of consumption
19 encompassing approximately 94.3 percent of customer bills (or approximately 83.2
20 percent of total consumption).³¹

³¹ *Ibid*, pages 8-10, lines 20-23, 1-23, and 1-20.

1 **Q What is meant by a “pilot” in this proposal?**

2 A. According to the Company, the rate would be, “... a temporary test program to gauge the
3 impact on consumption due to the inclining block rates,” stating further that, “The results
4 would then be used to determine if an inclining block rate structure should be
5 implemented state-wide.”³²

6 **Q. Do you agree with Ms. Heppenstall’s choice of the Joplin area for the pilot?**

7 A. No. MAWC’s rationale for choosing an area where significant conservation has already
8 occurred through water fixture replacements is that the effects of an inclining block rate
9 will be more apparent.³³ However, limiting the pilot to the Joplin area could also lead to
10 an artificially smaller response to price changes by customers because of those prior
11 water fixture replacements. Assuming that the Commission supports the pilot concept, a
12 variety of geographic areas should be included in the pilot to gauge differences in
13 customer responses to the rates.

14 **Q. Is an RSM necessary for the implementation of an inclining block rate?**

15 A. No. The Commission ordered the implementation of an inclining block rate in Kansas
16 City Power & Light Company’s most recent rate case,³⁴ but did not base that order on the
17 use of an RSM. Additionally, the Company has presented no evidence that its revenues
18 would be affected by an inclining block rate in a way that could not be addressed through
19 additional rate design modifications (e.g., adjustments to rates based on price elasticities).

³² Response to Data Request DED-DE No. 205.

³³ WR-2017-0285 and SR-2017-0286, Heppenstall Rebuttal, page 9, lines 12-14.

³⁴ Missouri Public Service Commission Case No. ER-2016-0285, *In the Matter of Kansas City Power & Light Company’s Request for Authority to Implement a General Rate Increase for Electric Service*, Report and Order, May 3, 2017, page 57.

1 **Q. Does the Company's proposal avoid rate shock?**

2 A. No. Even under Ms. Heppenstall's most modest proposal, certain high-use customers
3 could experience monthly bill impacts of more than five percent higher than a flat rate
4 design on a revenue-neutral basis.³⁵ As discussed previously, a rate design should send a
5 price signal without creating rate shock.

6 **Q. Has Ms. Heppenstall presented a complete bill impact analysis of her proposal?**

7 A. No. Although she presents generic monthly bill impacts, she does not present the bill
8 impacts for particular months of actual usage. This more detailed analysis would enable
9 parties to evaluate changes in bill impacts for groups of customers during different
10 seasons.

11 **Q. Can you illustrate the importance of a monthly analysis based on actual usage?**

12 A. Yes. Using a similar methodology as presented in the bill impact analyses in my Direct
13 Testimony,³⁶ I compared a sample of bills from the Joplin district under the Company's
14 originally proposed rate design to bills under the newly proposed inclining block rate
15 designs, focusing on customers served on 5/8-inch meters.³⁷ My analyses showed that
16 Joplin customers in the sample at the 95th percentile of monthly bill impacts would have
17 experienced a 6.53 percent higher bill in July under the "Lower" inclining block rate
18 proposal, compared to the Company's originally proposed rate; on an absolute basis, the
19 absolute 95th percentile bill impact that month would have been \$6.18. The highest bill
20 impact on a Joplin customer in the sample under the "Lower" inclining block rate would
21 have been 24.68 percent in September, again in comparison to the Company's originally

³⁵ WR-2017-0285 and SR-2017-0286, Heppenstall Rebuttal, Schedule CEH-9.

³⁶ WR-2017-0285, Hyman Direct, pages 15-16, lines 17-19 and 1-13.

³⁷ The sample was received in response to Data Request DED-DE No. 201.

1 proposed rate; on an absolute basis, the absolute maximum bill impact that month would
2 have been \$211.69. In July, 6.24 percent of Joplin customers in the sample would have
3 experienced a bill impact above five percent under the “Lower” inclining block rate,
4 compared to the Company’s originally proposed rate. My more detailed bill impact
5 analyses illustrate DE’s concern with an overly aggressive implementation of inclining
6 block rates.

7 **Q. Does DE support MAWC’s inclining block rate proposal?**

8 **A.** While DE appreciates MAWC’s attempt to address inclining block rates, DE
9 recommends the following conditions on the potential implementation of inclining block
10 rates in this case:

- 11 1. Implementation of an inclining block rate should be delayed if the Commission
12 orders further district consolidation in this case. Additional district consolidation
13 could compound bill impacts from inclining block rates and any ordered revenue
14 requirement;
- 15 2. An inclining block rate should be implemented if, in combination with the effects
16 of other decisions as to revenue requirement and rate design, the inclining block
17 rate would not result in unduly adverse bill impacts (e.g., no greater than a five
18 percent bill increase on the 95th percentile of customers on a revenue-neutral
19 basis);
- 20 3. The pilot rate should be applied to a broader geographic area than Joplin;
- 21 4. Customers on the pilot rate should be presented with “shadow billing” that
22 compares their bills under a single block volumetric rate and an inclining block
23 rate; and,

1 5. The Company should present findings from its pilot in its next general rate case,
2 including, but not limited to, the effects of the inclining block rate on customer
3 consumption, observed price elasticities, customer responses to the inclining
4 block rate, and the changes in Company revenue requirements resulting from
5 changes in consumption due to the inclining block rate.

6 **VI. CONCLUSIONS**

7 **Q. Please summarize your conclusions and the positions of DE.**

8 A. DE supports continuing the special contract with Triumph Foods, LLC because the
9 company continues to qualify for the special contract; Triumph Foods, LLC brings
10 positive economic impacts to the St. Joseph area and the state of Missouri. DE disagrees
11 with Dr. Marke regarding demand-side efficiency efforts and inclining block rates.
12 Based on my review, DE does not share OPC's concern regarding continuation of the
13 special contract with Triumph Foods, LLC, and recommends that the contract be
14 extended. DE continues to recommend low residential water customer charges. An
15 inclining block rate proposal should be implemented subject to the conditions discussed
16 above.

17 **Q. Does this conclude your Surrebuttal Testimony in this case?**

18 A. Yes.