

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

In the Matter of Missouri-American Water Company's)
Request for Authority to Implement a General Rate) Case No. WR-2015-0301
Increase for Water and Sewer Service Provided in)
Missouri Service Areas)

**INITIAL POST-HEARING BRIEF
BY THE CITY OF BRUNSWICK, MISSOURI**

The City of Brunswick, Missouri, files this Initial Post-Hearing Brief to request the adoption of the Non-Unanimous Stipulation and Agreement on Rate Design, District Consolidation and Sewer Revenue (Stipulation)¹ that was filed on March 22, 2016. If the Stipulation is not adopted, the City of Brunswick requests that the some form of district consolidation be designed and approved to prevent "rate shock" to the citizens of Brunswick.

INTRODUCTION

The City of Brunswick is a fourth-class city with approximately 842 residents.² As of September 2015, Missouri American Water Company (MAWC) had 341 accounts in Brunswick.³ Brunswick has some of the highest water rates for residential users. For 5/8" meters, Brunswick has the third highest rate at \$54.61 for 3,000 gallons of water per month.⁴ Only Whitebranch at \$65.00 and Rankin Acres at \$58.00 are higher.⁵ Brunswick, along with

¹ Non-Unanimous Stipulation and Agreement on Rate Design, District Consolidation and Sewer Revenue filed on March 22, 2016, Doc. 235 (signed by the Office of Public Counsel (OPC), Missouri Industrial Energy Consumers (MIEC), City of St. Joseph, City of Joplin, City of Brunswick, and City of Brunswick) (joined by the City of Warrensburg on March 24, 2016, Doc. 240).

² U.S. Census Bureau, Incorporated Places and Minor Civil Divisions Datasets: Subcounty Resident Population Estimates: April 1, 2010 to July 1, 2014 (<http://www.census.gov/popest/data/cities/totals/2014/SUB-EST2014.html>) (http://www.census.gov/popest/data/cities/totals/2014/files/SUB-EST2014_29.csv)

³ Direct Testimony of Geoff Marke, Ex. 9, Table 2, p. 17:1, Doc. 259.

⁴ Missouri American Water Company Comparison of Water CTP Versus Present Rates, Ex. 48R, p. 1, Doc. 274.

⁵ *Id.*

Spring Valley LWM, has the highest rates at \$76.31 and \$108.86 for, respectively, 5,000 and 8,000 gallons of usage.⁶

TESTIMONY

The adverse effects of applying pure district-specific pricing (DSP) to Brunswick's rates was recognized by Mr. Busch, who provided testimony for Staff Counsels Office, and Mr. Collins, who provided testimony for MIEC. Mr. Busch stated the following about rate impact on Brunswick:

Q. And I want to explore the full district-specific pricing because that results in rates that not only would be characterized as rate shock, but perhaps unaffordable, wouldn't it?

A. Without calculating the rates as they are, based upon the revenue requirement, yes, I think you could see some very high rates. I'm thinking of Brunswick, already pays a 22 dollar customer charge and a \$10.85 per thousand gallon usage. According to the revenue requirements by Staff, their rates would go up to 80 percent. So yes, you would -- in the Brunswick area for sure you would see massive rate shock.⁷

Mr. Collins affirmed that Brunswick's rates would have to increase by 59.6 percent to bring the rates up to the cost of service under MAWC's original revenue requirements if pure DSP was used. He stated:

And you list a percentage increase for Brunswick of 59.6 percent that would be required if you were -- if they were meeting the revenue requirement based on their cost of service; is that correct?

⁶ *Id.*

⁷ Transcript of Proceedings , Volume 16, Doc. 242 at 422 (Tr. 505:2-14).

A. Yes, that would be the increase needed to bring them to cost of service.⁸

Both gentlemen agreed that Brunswick would need some form of rate mitigation. Mr. Busch stated that "[w]e recognized as an office that Brunswick was important and that merit[s] further consideration as far as a small system to have some form of relief."⁹ Mr. Collins stated "[w]ith these high-level increases, I would definitely think the situation would involve some type of rate mitigation" for Brunswick, Rankin Acres, and Spring Valley.¹⁰ He later states:

A. Right, I think it's important to determine the district's cost of service, but we have to look at what that cost increase would be to bring those rates up to cost of service. And if, you know, for example, those rates are very high, the increase is very high, then I think we have to look at that and come up with some, you know, reasonable rate mitigation.¹¹

The basis for his opinion was that rate mitigation was "a pretty recognized principle of ratemaking."¹² In addition, [a]ffordability is definitely a principle of sound rate design."¹³ Mr. Busch addresses the issue of affordability by stating "the more consolidation you do, the less likely you are to have rates that are unaffordable."¹⁴

With respect to DSP in general, Mr. Busch states:

Q. So as a practical matter, one end of the spectrum really isn't possible.

Right? Full district-specific pricing.

A. It's possible, but I would not recommend it. That would be -- I mean the rates would be a hundred of dollars or more for water service.¹⁵

⁸ Transcript of Proceedings, Volume 18, Doc. 279 at 201 (Tr. 723:18-24) (referencing Direct Testimony of Brian C. Collins, Ex. 5, Schedule BCC-1, Doc. 249 at 21).

⁹ Doc. 242 at 425 (Tr. 505:19-22).

¹⁰ Doc. 279 at 209 (Tr. 731:12-19).

¹¹ *Id.* at 210 (Tr. 732:4-15).

¹² *Id.* at 210-11 (Tr. 732:21-7336).

¹³ *Id.* at 211 (Tr. 733:17-25).

¹⁴ Doc. 242 at 422-23 (Tr. 505:25-506:5).

¹⁵ *Id.* at 422 (Tr. 505:15-20).

LEGAL BASIS

The courts have held that the Missouri Public Service Commission's (Commission's) has discretion in setting rates. The Missouri Court of Appeals for Western District stated "[i]t is not methodology or theory but the impact of the rate order which counts in determining whether rates are just, reasonable, lawful, and non-discriminating."¹⁶ The Court reaffirmed this position in 2011 by stating:

The Commission has considerable discretion in rate setting due to the inherent complexities involved in the rate setting process. *State ex rel. Associated Natural Gas Co. v. Public Serv. Comm'n*, 706 S.W.2d 870 (Mo.App.1985). It is not the theory or methodology, but the impact of the rate order which counts. *State ex rel. Missouri Water Co. v. Public Serv. Comm'n*, 308 S.W.2d 704, 714 (Mo.1957).¹⁷

CONCLUSION

Therefore, the City of Brunswick respectfully asks the Commission to adopt the Non-Unanimous Stipulation and Agreement on Rate Design, District Consolidation and Sewer Revenue (Stipulation) that was filed on March 22, 2016. In the alternative, the City of Brunswick requests that the Commission design district consolidation prevent "rate shock" to the citizens of Brunswick.

Respectfully submitted,

/s/ Gary Drag

Gary Drag Mo. Bar No. 59597
Law Office of Gary Drag
3917A McDonald Avenue

¹⁶ *State ex rel. City of West Plains v. Public Serv. Comm'n*, 310 S.W.2d 924, 933 (en banc 1958).

¹⁷ *State ex rel. Praxair, Inc. v. Public. Serv. Comm'n*, 328 S.W.3d 329, 339 (Mo. App. 2011) (quoting *State ex rel. Office of Public Counsel v. Public Serv. Comm'n*, 938 S.W.2d 339, 344 (Mo. App. W.D. 1997).

St. Louis, Missouri 63116-3816
Phone: 314-496-3777 Fax: 314-664-1406
E-mail: GDDrag@LawOfficeOfGaryDrag.com
Attorney for the City of Brunswick, Missouri

CERTIFICATE OF SERVICE

I certify that true and accurate copies of this document were sent by e-mail on April 8, 2016, to all parties on the official service list for this case.

/s/ Gary Drag

Gary Drag Mo. Bar No. 59597
Attorney for the City of Brunswick, Missouri