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

In the Matter of a Proposed Rule )

Regarding Incentives for Acquisition ) **File No. AX-2018-0240**

of Nonviable Utilities )

**COMMENTS OF MISSOURI-AMERICAN WATER COMPANY**

COMES NOW Missouri-American Water Company (“MAWC” or “Company”) and, pursuant to the Notice to Submit Comments in this docket published in the Missouri Register, hereby submits these comments on the proposed adoption of 4 CSR 240-10.085, as follows:

1. The Commission has stated that the goal behind this rulemaking is “to encourage acquisition of nonviable water or sewer utilities by entities that are better able to provide service to the public.” The Company supports this goal and to the extent it is able to, it has acquired non-viable water and sewer utilities, particularly when they could be easily “tucked in” to its existing operations. Relatively recent examples are Meramec Sewer Co. (SO-2013-0260), Hickory Hills Water & Sewer Company (WA-2016-0019), Benton County Sewer District #1 (SA-2015-0065) and the current Rogue Creek Utilities, Inc. (WM-2019-0018) matter pending before the Commission.
2. From a financial and operational perspective, the Company is limited in how many non-viable systems it can take on, and is encouraged by a proposed rule that specifically provides incentives for the acquisition of such non-viable utilities.
3. The remainder of these comments provide specific suggestions and supporting commentary for appropriate measures to incentivise water and sewer utilities to acquire non-viable utilities.

**4 CSR 240.10.085**

1. There should be an “or” after section (1)(A)(1.) and (1)(A)(2.) to make it clear that a system can be found to be non-viable by meeting any one of these four items.
2. It is not clear to the Company whether the “rate of return premium” is to be applied to the acquiring utility’s entire system or just to the acquired system’s rate base. MAWC submits that it should be applied to the entire system for the premium to be an effective incentive.
3. MAWC submits that (1)(A)(C) **Debit Acquisition Adjustment** should be changed to:

*Adjustments to an acquiring utility’s rate base to reflect ~~a portion of~~ all of the ~~excess~~ acquisition cost over depreciated original cost of the acquired system; and*

1. (1)(A)(D) **Plant in Service Study** requires a “report detailing a determination of the value of the original costs of the property…..” The rule should take into account the fact that many non-viable utilities have non-existent books and records. Non-viable utilities often do not have have invoices for their assets, and it is not always clear whether property has been contributed or not. The rule should allow for some flexibility so the acquiring utilities are not charged with producing a report that may be impossible to develop.
2. (3) **Filing Requirements** – There are several places in this section which discuss records of the non-viable utility. As stated above, there will be certain situations where the described books and records for the non-viable utility just do not exist. The section further states that if some of the records are “unavailable at the time the application is filed, they **shall** be furnished by the acquiring utility prior to the next rate case” (emphasis added). Again, the acquiring utility cannot produce records that do not exist. The rule should be changed to address this situation.
3. Section (5) would require the acquiring utility to file a rate case no later than twelve months after commission grants approval of the acquisition. This entire section should be deleted as it would be impracticable for MAWC to base a rate case filing that would implicate the rates of over 450,000 customers on this requirement pertaining to one small water or sewer system. Rate cases are expensive, time consuming and take a toll on a company’s resources. It is to the benefit to the Company and its customers to stay out between rate cases as long as possible. The rule should not require MAWC to file a full rate case just because it seeks an incentive relative to the acquisition of a non-viable utility which in most cases will be very small relative to MAWC’s entire water and sewer customer base. The way the rule is currently drafted would essentially make the incentive unavailable to MAWC. This would be unfair and unreasonable under the circumstances and place MAWC on an uneven playing field.
4. (5)(A) MAWC has the same comments above requiring the acquiring utility to create books and records that do not exist. The rules should reflect this and emphasize maintaining appropriate documentation on “a going forward basis” as mentioned in (5)(C).
5. (6) MAWC would prefer a that the Commission and the Company come to agreement on the acquiring utilities plant-in-service study at the time of the acquisition rather than leaving it to a determination at the first subsequent rate proceeding.

The Company appreciates the opportunity to submit these comments.

Respectfully submitted,

**MISSOURI-AMERICAN WATER COMPANY**

/s/ Timothy W. Luft

Timothy W. Luft, #40506

727 Craig Road

St. Louis, Missouri 63141

314-996-2270

[tim.luft@amwater.com](mailto:tim.luft@amwater.com)

Dated: August 1, 2018