

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

In the matter of the Petition of)
Missouri-American Water Company for) **File No. WO-2022-0176**
Approval to Change a Water and Sewer)
Infrastructure Rate Adjustment (WSIRA).)

**RESPONSE OF MISSOURI-AMERICAN WATER COMPANY
TO STAFF’S RECOMMENDATION AND MIEC’S FILING**

COMES NOW Missouri-American Water Company ("MAWC"), and as its Response to Staff’s Recommendation and Missouri Industrial Energy Consumers’ (“MIEC”) June 3, 2022 filing, states as follows to the Missouri Public Service Commission (“Commission”):

1. On March 4, 2022, MAWC filed a *Petition to Change a Water and Sewer Infrastructure Rate Adjustment* (“*Petition*”) with the Commission. The *Petition* seeks to recover Water and Sewer Infrastructure Rate Adjustment (“WSIRA”) investment that was placed into service for the period November 1, 2021 to January 31, 2022, with estimated WSIRA costs for February 1, 2022 through April 30, 2022, also included. The Commission assigned File Nos. WO-2022-0176 and SO-2022-0177 to the *Petition*.

2. On March 9, 2022, the Commission issued its *Order Directing Notice, Setting Deadlines, Directing Filings, Consolidating Cases, and Suspending Tariffs* (“*Order*”). The *Order*: consolidated File Nos. WO-2022-0176 and SO-2022-0177, with File No. WO-2022-0176 being the lead case; issued notice of the *Petition*; directed the Staff of the Commission to file its recommendation no later than June 2, 2022; directed the Office of the Public Counsel and any other parties to file objections, recommendations, or requests for hearing no later than June 2, 2022; and for MAWC to respond to Staff’s recommendation or other objections or recommendations no later than June 13, 2022.

3. On June 2, 2022, Staff filed its recommendation for the Commission to: approve

WSIRA surcharge revenues in the incremental pre-tax revenue amount of \$18,302,606 for the St. Louis County water service area, \$2,658,518 for All Other water service area, \$16,951 for Arnold sewer service area, and \$225,490 for All Other sewer service area for a total in this filing of \$21,203,565 and a total current and cumulative WSIRA surcharge of \$40,206,346; and authorize MAWC to file revised tariff sheets for each utility, service area, and customer class, as reflected in Staff's Appendix 1, to generate \$21,203,565.

4. MAWC agrees with the Staff recommendation as stated herein.

5. On June 3, 2022, MIEC filed out of time the "Direct Testimony" of Greg R. Meyer objecting to the level of property taxes included in the WSIRA.

6. MAWC does not agree with the position of MIEC. First, MIEC's assertion that MAWC has significantly overstated estimated property taxes is not accurate. MIEC's analysis is incomplete. A more complete analysis provides a more complete picture and demonstrates the weakness of many of MIEC's claims. Second, MIEC states that MAWC utilized their preferred methodology in prior Infrastructure System Replacement Surcharge ("ISRS") cases, but ignores the fact that the methodology MAWC used in this WSIRA case has been utilized in MAWC's eight (8) most recent ISRS & WSIRA cases. Additionally, this methodology is consistent with other infrastructure surcharge cases filed by other Missouri utilities and approved by the Commission. MIEC's implication that this is a sudden departure from past practice is false. Third, MIEC notes there is no true up of property taxes actually paid compared to what is included in the WSIRA rates. MIEC suggests a property tax true up should be part of the WSIRA reconciliation process. Including such a true up would be outside the scope of the legislation authorizing WSIRA. The WSIRA legislation clearly describes the reconciliation as the difference between the WSIRA revenues collected from customers and the WSIRA revenues authorized by the Commission.

Lastly, MIEC believes that the recently passed, but not yet signed into law, Senate Bill 745 could create the risk to customers of double recovery of property taxes. This bill, if it becomes law, would allow for utilities to defer to a regulatory asset or liability the difference between property taxes incurred and property taxes allowed in rates. MIEC believes MAWC should simply stop including property taxes in WSIRA cases. Doing so would be contrary to the WSIRA statute and, as a practical matter, MIEC's concern for customers can be easily addressed by including in the calculation of the regulatory asset or liability the authorized property taxes from MAWC's most recent rate cases and any WSIRA or ISRS cases that take effect. MAWC has no intention of trying to recover the same cost twice from its customers.

WHEREFORE, MAWC requests the Commission issue an order approving WSIRA surcharge revenues in the incremental pre-tax revenue amounts in Staff's Recommendation and restated herein, authorize MAWC to file revised tariff sheets for each utility, service area, and customer class, as reflected in Staff's Appendix 1, to generate \$21,203,565, and for such other and further relief as deemed appropriate in the circumstances.

Respectfully submitted,



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**ATTORNEYS FOR MISSOURI-AMERICAN
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail to all counsel of record this 13th day of June 2022.


