

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

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                                 )  
File No. WR-2017-0285

**INTERVENORS CITY OF RIVERSIDE AND CITY OF JOPLIN’S INITIAL BRIEF**

**COME NOW** Intervenors City of Riverside and City of Joplin, Missouri, (“Intervenors”) by and through counsel, and for their Initial Brief state as follows:

**I. The Commission Should Adopt Single Tariff Pricing**

The Commission should further consolidate districts in order to protect the true residential rate payer. A just and reasonable design would take that into consideration and establish a specific rate class for the true residential ratepayer who is responsible for paying their individual water bill. In addition to the unjust and unreasonable situation the true residential ratepayers experience due to the current rate design as to customer classes, it is aggravated by the rate design philosophy of “district specific rate making.” It is unjust and unreasonable for a resident to pay a differential of over 100% for his water just because he lives in a particular area. Intervenors believe that the further consolidation as set forth in Missouri American Water Company’s Hearing Exhibit 136 is reasonable and is fully supported by the evidence adduced at the hearing.

The policy decisions this Commission makes in regards to rate design has a significant impact on how residential ratepayers are treated district to district, as well as the impact on those citizens living on a fixed income. The resident ratepayers do not get to ask the government to give them a 9% or 10% raise every year. The true residential ratepayer, homeowner, apartment or duplex resident, is the only ratepayer who does not get to recover her cost of water. It seems a

just and reasonable design would take that into consideration and establish a specific rate class for the true residential ratepayer who is responsible for paying their individual water bill. In addition to the unjust and unreasonable situation the true residential ratepayers experience due to the current rate design as to customer classes, it is aggravated by the rate design philosophy of “district specific rate making”. It is unjust and unreasonable in this day and age for a resident to pay a different amount for his water just because he lives in a particular area.

MAWC should also be required to communicate in their transmittal letter and public communications the cost of water in each district by simply stating the cost per 1,000 gallons used by the true residential customer in the District, instead of the “Average Residential Customer by District” when the average gallon usage changes from one case to the next and then an average bill is referenced with present rate and proposed rate that makes it difficult for the consumer to understand exactly how much the cost of water is going to increase and what it means for her.

The Commission should adopt single tariff pricing because it is in the public interest and protects the residential users across the state. Single tariff pricing would reduce volatility and better protect the residential user from unjust and unreasonable rate increases they have received in the last decade.

Staff’s suggestion that the three-district approach offers the benefits of both consolidated and district specific pricing<sup>1</sup> is not supported by the evidence. First, Staff suggests the current district structure allows investments without extreme customer rate impact.<sup>2</sup> The evidence shows otherwise. Despite very little capital investment in District 3, Staff’s proposal would result in more than a 45% percent increase in the volumetric rate for District 3. If the Commission agrees

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<sup>1</sup> See Exhibit 104, Staff Cost of Service and Rate Design Report, page 11.

<sup>2</sup>*Id.*

with Staff and maintains the three districts with no change to the customer charge, average customers<sup>3</sup> will see 19.1% and 25.4% increases in Districts 2 and 3, respectively. Under consolidated pricing, ratepayers fare far better (with changes to the customer charge), customers will see a 10.5% decrease and a 2.6% increase in Districts 2 and 3, respectively. Only single tariff pricing achieves the benefits which Staff suggests.

Second, Staff suggests maintaining three districts allow the company to invest in smaller systems but allows for “some restraint” on overspending on any given project.<sup>4</sup> There is no evidence that semi-consolidated pricing has restrained the company from overspending.

Third, Staff suggests there is difficulty in allocating corporate costs to separate service territories.<sup>5</sup> The same is true with trying to allocate costs among the three districts. This difficulty is only solved by single tariff pricing.

Finally, Staff suggests that larger districts mitigate against rate shock when the company purchases small systems.<sup>6</sup> Again, the evidence shows some customer’s experience an increase of almost 50% under the three district plan. Single-tariff pricing is the only way to actually realize the benefits of consolidated pricing.

Similarly, the three-district structure is inequitable for the exact same reasons Collins suggests single-tariff pricing is inequitable: (1) there is no common or economic cost structure (or interconnection) across the three districts; (2) consolidated pricing ignores the differences in cost of service; and (3) consolidated pricing creates cross-subsidies.<sup>7</sup> The same arguments can be made for the current three districts. There are no common cost structures or interconnections

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<sup>3</sup> “Average customer” is a customer with monthly usage of 5,000 gallons.

<sup>4</sup> Exhibit 104, Staff Cost of Service and Rate Design Report, pages 11-12.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Exhibit 503, Collins Direct, pages 5-6.

between Platte County and St. Joseph, there are differences in cost of service between Platte County and St. Joseph, and combining them together in District 2 creates cross-subsidies. Indeed, the three-district structure suffers from the same alleged inequities of which opponents of single-tariff pricing complain, except in a more unreasonable and arbitrary manner (simply by how the districts are drawn together). At the same time, the full benefits of single-tariff pricing are not achieved (as described above).

MIEC also argues that requiring suburban customers (with greater density) to pay the same rate as rural customers ignores various choices that those people and businesses have made.<sup>8</sup> Still, this ignores that under the status quo (three water districts, no change to the fixed charge), monthly customers in St. Louis would see a 9.9% increase<sup>9</sup> and under the company's proposal with consolidated pricing and changes to the fixed charge, monthly customers in St. Louis would see a 3.0% decrease.<sup>10</sup> It also ignores that district specific pricing has been perpetuating inequities for some time – Riverside residents have historically paid much higher rates than any other Missouri American customers, for the same service.

Chairman Hall specifically asked for the parties' positions on Single Tariff Pricing with an \$8.00 or \$9.00 Customer Charge.<sup>11</sup> As described above, the City of Riverside and City of Joplin strongly favor single-tariff pricing and support lowering the customer charge on residential (or Rate A) ratepayers as set forth in Exhibits 45 and 46.

## **II. The Commission Should Order an Offset Mechanism Collaborative**

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<sup>8</sup> Initial Brief of MIEC, at page 8.

<sup>9</sup> Based on a monthly usage of 5,000 gallons, See Exhibit 136, p. 2, Column E.

<sup>10</sup> Exhibit B6, p. 2, Column N.

<sup>11</sup> Transcript, Volume 18, p. 928.

Riverside and Joplin support the “rate-offset” mechanism as proposed by the Coalition Cities and Mr. McGarry. Several cities, including St. Joseph and Joplin, have borne the costs of major plant improvements during the “district specific” era. The offset would serve to treat those communities as if single-tariff pricing had been the structure all along – so no community is disadvantaged by the public policy decision to move toward district-specific pricing and then back toward single-tariff pricing. Joplin urges the Commission to order the parties to engage in a collaborative effort to fully develop the offset mechanism and submit the same to the Commission for approval.

**WHEREFORE**, the City of Riverside and City of Joplin urges this Commission to adopt Single Tariff Pricing and Order an Offset Mechanism for all of the reasons set forth above.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

We hereby certify that true copies of the foregoing were sent by email this 30<sup>th</sup> day of March, 2018, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Joseph P. Bednar, Jr. \_\_\_\_\_  
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