

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

In the Matter of a Working Case to Consider     )  
Proposals to create a Revenue Decoupling     )     File No. AW-2015-0282  
Mechanism for Utilities.                             )

**MAWC PREFERRED REVENUE STABILIZATION MECHANISM**

**APPENDIX B**

Missouri-American’s proposed revenue stabilization mechanism (RSM) would apply to residential, commercial, sale for resale, and other public authority customer classes. Industrial customers would be excluded. The basis for calculating any under or over collection of revenue would be the amount of revenue authorized in the last rate case by rate district for each customer class compared to actual revenue billed by rate district for each customer class, less the applicable change in variable costs. Variable costs include power, chemicals, purchased water, and water treatment residuals processing. The total variable costs for each rate district are divided by the pro forma water sales for each customer class to determine a cost per thousand gallons. The change in water sales for each customer class is then multiplied by the unit cost as calculated to determine the change in variable costs and included in the calculation of the revenue over or under collection amount.

The proposed method of implementing an RSM would track actual revenues against the Commission authorized revenue requirement and to surcharge or credit the revenue surplus or shortfall in the subsequent rate year or more frequently (e.g., quarterly) to the extent the Company’s revenue requirement is established by month for the rate year. The annual rate adjustment would continue until new base rates are set in a general rate case establishing a new revenue requirement. The RSM would then be measured against the updated revenue requirement.

A revenue over-collection would be allocated evenly by the number of customers in the rate classification with a monthly credit on their bill. A revenue under-collection would result in a volumetric surcharge based on the volume of water used in the rate classification. Missouri-American’s proposed RSM would not otherwise affect the existing design of customer utility rates. Such a rate design provides incentive for customers to use water more efficiently because reduced consumption translates into a reduced bill. Exhibit 1 illustrates the proposed calculation of residential customer bill impacts over the past three years based on Missouri-American’s authorized revenue as ordered in Case No. WR-2011-0337.

In the first year, when the Company collected more than authorized revenues, a St. Louis Metro customer using 3,000 gallons of water per month would have seen a 14.8% reduction to their monthly water bill while a customer who uses 5,000 gallons per month would have received a 10.6% reduction – the less water a customer uses, the less the customer pays.

In the third year when the Company collected less than authorized revenues, a St. Louis Metro customer using 3,000 gallons of water per month would see a 1.8% surcharge compared to a 2.1% surcharge for a customer using 5,000 gallons per month – the more water a customer uses, the more the customer pays.