BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

)

)

)

In the Matter of the Petition of Missouri-American Water Company for Approval to Establish an Infrastructure System Replacement Surcharge (ISRS)

<u>Case No. WO-2018-0373</u> Tariff No. YW-2019-0018

OFFICE OF THE PUBLIC COUNSEL'S RESPONSE TO THE STAFF RECOMMENDATION

COMES NOW the Office of the Public Counsel and in response to the Commission Staff's Recommendation regarding Missouri-American Water Company's (MAWC or Company) August 20, 2018 *Petition to Establish an Infrastructure System Replacement Surcharge & Motion for Approval of Customer Notice* (Petition) states as follows:

1. On October 19, 2018, Staff filed its *Staff Report and Recommendation Regarding the Petition of Missouri-American Water Company for Approval to Establish an Infrastructure Replacement Surcharge (ISRS)* (Recommendation or Memorandum).

2. Public Counsel does not oppose Staff's (Staff) Recommendation in this case that the Commission "approve ISRS surcharge revenues in this docket in the incremental pre-tax revenue amount of \$6,377,082." Staff Recommendation (pleading) at p.2.

3. Public Counsel also supports the Staff's removal of costs that are ineligible "that were charged to ISRS eligible projects that did not meet ISRS requirement" and removal of "MAWC's proposed net operating loss ("NOL") of \$9.368,663" In support, Staff notes its understanding MAWC has <u>not actually generated any</u> "amount of net NOL ... for income tax purposes ... on an aggregated basis since January 1, 2018" (the beginning of this ISRS period.) Memorandum p. 4, No. 3.

4. One of the issues Public Counsel raises for consideration in future ISRS cases is the Company's inclusion of ISRS-<u>in</u>eligible costs in its Petition. Those costs, which Staff correctly

removed include:

- 1. Repairs to customer owned appliances and equipment of \$15,100
- 2. Duplicate charges of \$24,586
- 3. Installation of new service lines of \$22,708
- 4. Customer owned lead service line replacement costs (beyond the \$63,295 already removed by both MAWC and Staff) of \$48,508.

5. In its Petition, MAWC also sought "to recover all state, federal and local income or excise taxes applicable to such ISRS income and to recover all other ISRS costs such as depreciation expense and property taxes due within 12 months of this filing." Again Staff correctly did not include property taxes "as there will be no property tax liability from MAWC due within the next 12 months related to this ISRS investment." Memorandum p. 4.

6. It seems logical to think MAWC would be aware of the fact that it would have no property tax liability due on this investment in the next 12 months, so this cost should not have been included in the verified petition.

7. In MAWC's next ISRS filing Public Counsel intends to pursue review of the company's Main Replacement Program. In response to OPC Data Request 1, the Company responded that their Main Replacement Program "is not a physical document rather it is maintained (in a system called) ArcGIS Online."

8. MAWC suggests, and Public Counsel will arrange a mutually agreeable time with the Company to review the program at MAWC's facility in St. Louis.

9. In response to OPC Data Request 2, when asked how the Company determines the priority of replacement, MAWC indicated that "[t]he condition of the water main is evaluated when a main is repaired due to a water main break." MAWC employees "inspect the water main during the repair and determine if it is deteriorated or worn out." Public Counsel recommends MAWC keep records of the findings from the inspection including but not limited to a full description of the results of the inspection, including but not limited to ID and OD measurements, photographs of the worn out or deteriorated pipe, and any other evidence of the condition of the pipe which forms the basis for ISRS eligibility.

WHEREFORE Public Counsel offers this response to the Staff's Recommendation.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

<u>/s/ Lera Shemwell</u> Lera Shemwell, #43792 Senior Counsel <u>Lera.shemwell@ded.mo.gov</u> 200 Madison Street, Suite 650 Jefferson City, MO 65102 P: (573) 751-5565 F: (573) 751-5562

Attorney for the Office of the Public Counsel

CERTIFICATE OF SERVICE

We hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 29th day of October, 2018, with notice of the same being sent to all counsel of record.

/s/ Lera Shemwell