

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

In the Matter of Missouri-American Water)
Company’s Request for Authority to Implement) Case No. WR-2017-0285, et al.
General Rate Increase for Water and Sewer)
Service Provided in Missouri Service Areas.)

OPC REPLY TO RESPONSE TO ORDER FILING REGARDING RECONCILIATION

Public Counsel requests that the Commission adopt Public Counsel’s Lead Service Line Revenue Requirement calculation of \$211,519.89 rather than Missouri American’s calculation which overstates interest expense. For Public Counsel’s *Response to Reconciliation*, Public Counsel states:

1. The Commission’s Report and Order states, “the Commission will permit MAWC to amortize over ten years the \$1,668,796 incurred for the LSLR program from January 1, 2017, through December 31, 2017. *MAWC’s long-term debt rate [5.35%] as calculated in Staff’s Cost of Service Report shall also be applied to the LSLR program amount to be amortized.*” Report and Order, Pg. 23. (emphasis added).
2. Missouri American Water Company calculates its “Return on Regulatory Asset” in a manner that overstates interest in a manner that overstates its allowed return on the regulatory asset. See Response to Order Filing Regarding Reconciliation, Attachment B.
3. Under Missouri American’s approach, they would earn \$892,810 in interest on \$1,668,796 in lead service lines costs. Public Counsel estimates that Missouri American’s position overstates interest expense by approximately \$446,407.07, which calculates to a return on the regulatory asset in excess of 10.5%. That is because Missouri American’s calculation would have its ratepayers pay \$89,281 in interest for every \$166,880 Missouri American spent on lead service lines for *every year* during the amortization period. Missouri American’s position

overstates interest because it fails to contemplate the fact that the value of the regulatory asset is declining over time.

4. By overstating interest expense, Missouri American fails to comply with the Commission's Report and Order limiting the return on the regulatory asset to 5.35%.

5. Public Counsel recommends the Commission reject Missouri American's overstatement of interest and adopt Public Counsel's Lead Service Lines Revenue Requirement contained in Attachment A, which explains the methodology Public Counsel used to accurately comply the Commission's Report and Order.

For the foregoing reasons, Public Counsel requests that the Commission adopt Public Counsel's Lead Service Line Revenue Requirement calculation of \$211,519.89 rather than Missouri American's calculation, which overstates interest expense.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/Ryan Smith
Ryan Smith, Mo. Bar No. 66244
Senior Counsel
PO Box 2230
Jefferson City, MO 65102
P: (573) 751-4857
F: (573) 751-5562
E-mail: ryan.smith@ded.mo.gov

CERTIFICATE OF SERVICE

On this 7th day of July, 2018, I hereby certify that a true and correct copy of the foregoing motion was submitted to all relevant parties.

/s/ Ryan D. Smith