

Exhibit No.:
Issue: ISRS
Witness: Jeanne M. Tinsley
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Sponsoring Party: MAWC
Case No.: WO-2015-0211
Date Testimony Prepared: May 20, 2015

**Before the Public Service Commission
of the State of Missouri**

Rebuttal Testimony

of

Jeanne M. Tinsley

on behalf of

Missouri-American Water Company

May 20, 2015

REBUTTAL TESTIMONY OF
JEANNE M. TINSLEY
ON BEHALF OF
MISSOURI-AMERICAN WATER COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. WO-2015-0211

1 **Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.**

2 A. My name is Jeanne M. Tinsley. I am employed by American Water Works Service
3 Company (“Service Company”) as Manager of Rates and Regulation for Iowa-American
4 Water Company (“Iowa-American”) and Missouri-American Water Company (“Missouri-
5 American” or “MAWC”).

6 **Q. ARE YOU THE SAME JEANNE M. TINSLEY THAT PREVIOUSLY PROVIDED**
7 **DIRECT TESTIMONY IN THIS CASE?**

8 A. Yes, I am.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS CASE?**

10 A. I will respond to certain factual statements in the Direct Testimony of Missouri Public
11 Service Commission (“Commission”) Staff (“Staff”) witness Mark L. Oligschlaeger.

12 **Q. WHAT IS YOUR REACTION TO STAFF WITNESS OLIGSCHLAEGER’S**
13 **TESTIMONY?**

14 A. From a factual standpoint, we have only a few differences. Significantly, we agree as to
15 the ISRS cap amount and that MAWC’s current ISRS includes \$1,665,202, of
16 “reconciliation” of previously unrecovered ISRS revenues.

17 **Q. MR. OLIGSCHLAEGER ALSO MAKES STATEMENTS REGARDING**
18 **INTERPRETATION OF THE ISRS STATUTE AND RULE. WILL YOU**
19 **RESPOND TO THOSE STATEMENTS IN YOUR REBUTTAL?**

1 A. No. I will leave those interpretation issues for legal arguments and briefing.

2 **Q. IN HIS “EXECUTIVE SUMMARY,” STAFF WITNESS OLIGSCHLAEGER**
3 **STATES THAT “APPROVAL OF THE FULL AMOUNT OF MAWC’S CURRENT**
4 **INFRASTRUCTURE SURCHARGE REPLACEMENT MECHANISM (ISRS)**
5 **RATE REQUEST, IF GRANTED BY THE COMMISSION, WOULD ALLOW THE**
6 **COMPANY TO COLLECT MORE IN ISRS REVENUES THAN ALLOWED**
7 **UNDER THE PROVISIONS OF THE ISRS STATUTES AND RULES” DO**
8 **YOU AGREE WITH HIS USE OF THE WORD “COLLECT”?**

9 A. No. So far, MAWC has consistently failed to “collect” the ISRS amounts authorized by
10 the Commission. That is why there is a reconciliation process built into the current rate. It
11 is unlikely that MAWC will “collect” ISRS revenues that will exceed the cap amount
12 going forward. If Missouri-American had collected the amounts authorized, there would
13 be no issue in this case.

14 **Q. FROM A PRACTICAL STANDPOINT, DOES INCLUSION OF THE**
15 **RECONCILIATION AMOUNT POTENTIALLY CREATE AN UNREASONABLE**
16 **RESULT BETWEEN RATE CASES?**

17 A. Yes. Using the reconciliation amount in the calculation, makes the assessment of where a
18 company is in regard to the cap a guessing game. For example, if due to severe drought or
19 some other factor, MAWC would collect enough in the current reconciliation period to
20 recover the \$1,665,202, of previously unrecovered ISRS revenues currently built into rates,
21 MAWC would be able to increase its ISRS in September 2015. The idea that MAWC
22 could be below the cap, at the cap, and then again below the cap between rate cases is an
23 unreasonable result.

1 **Q. HOW DOES THIS IMPACT MAWC’S PLANNING?**

2 A. The ISRS has provided Missouri-American with an incentive to be aggressive in the
3 replacement of aging infrastructure in St. Louis County. Not so many years ago, this
4 Commission recognized the problems that had developed in St. Louis County in regard to
5 water infrastructure:

6 St. Louis County Water Company is nearly 100 years old. Its first generation
7 mains, in its oldest service areas like University City, are simply wearing out.
8 Consequently, the Company is experiencing an exponential increase in water
9 main breaks and repair costs. The worn-out piping and mains require
10 replacement. However, the cost of replacing these mains is great. The
11 Company states that it will require a large amount of new capital to invest in
12 infrastructure replacement.

13
14 *In the Matter of the Consideration of an Accounting Authority Order Designed to*
15 *Accrue Infrastructure Replacement Costs for St. Louis County Water Company, 2001*
16 *Mo.PSC LEXIS 515, 10 Mo. P.S.C. 3d 56 (February 13, 2001).*

17 Largely because of the incentive provided by the ISRS, MAWC has invested
18 approximately \$445,515,360 in St. Louis County infrastructure replacement since 2003.
19 However, if the ISRS cap is determined by the usage patterns of MAWC’s customers, over
20 which the Company has no control, it will make it difficult to maximize these investments.

21 **Q. IN REGARD TO MAWC’S REQUEST TO ESTABLISH A REGULATORY ASSET**
22 **IN REGARD TO AMOUNTS IT IS UNABLE TO RECOVER THROUGH THE**
23 **ISRS, STAFF WITNESS OLIGSCHLAEGER STATES THAT “. . . IT IS NOT**
24 **APPROPRIATE TO ALLOW UTILITIES TO ‘GET AROUND’ THE ISRS CAP**
25 **PROVISIONS BY DEFERRING ISRS COSTS IN EXCESS OF THE ISRS CAP**
26 **LEVEL TO A REGULATORY ASSET ACCOUNT, IN ORDER TO AFFORD THE**
27 **COMPANIES AN OPPORTUNITY TO OBTAIN SUBSEQUENT RATE**

1 **RECOVERY OF THESE DEFERRED COSTS IN A LATER ISRS PROCEEDING**
2 **OR GENERAL RATE CASE.” DO YOU AGREE THAT THE REGULATORY**
3 **ASSET WOULD ALLOW MAWC TO “GET AROUND” THE CAP?**

4 A. Given that the regulatory asset is an option provided by the Commission’s Rule, I would
5 not characterize it that way. The Commission’s Rule seems to recognize that there may be
6 under or over recoveries based on the vagaries of the rate design process and provides
7 “companies an opportunity to obtain subsequent rate recovery of these deferred costs.”
8 The under recovery of previously authorized amounts is the only reason MAWC has a cap
9 issue.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 A. Yes, at this time.

12

AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF St. Louis) ss

I, Jeanne M. Tinsley, state that the Rebuttal Testimony attached hereto has been prepared by me or under my direction and supervision; and, that the answers to the questions posed therein are true to the best of my knowledge, information and belief.

Jeanne M. Tinsley

Subscribed and sworn to before me this 19 day of May, 2015.

Donna S. Singler
Notary Public

My Commission Expires:

7/17/2016
(SEAL)

