

**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-2015-0301
General Rate Increase for Water and Sewer	)	Case No. SR-2015-0302
Service Provided in Missouri Service Areas.	)	

**JOINT REQUEST OF MISSOURI-AMERICAN WATER COMPANY  
AND THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION  
FOR CLARIFICATION**

Come now Missouri-American Water Company (MAWC or Company) and the Staff of the Missouri Public Service Commission (Staff), and for their joint request for clarification of certain directives contained in the Commission’s Report and Order issued May 26, 2016, in the above-captioned matter, state as follows:

A. Allocation of Corporate Expense to Small Water and Sewer Companies

1. On page 29 of the Report and Order, the Commission stated it “will adopt Missouri-American’s limitation on the allocation of corporate expense to small water and sewer companies. That may eliminate the so-called sewer shortfall that Staff had proposed to collect from Missouri-American’s water customers.” This statement raises the question as to whether the Commission was adopting Missouri-American’s limitation on the allocation of corporate expense to small sewer districts or to both small water and sewer districts. The second sentence of the above quote would indicate that the Commission was only interested in limiting the allocation of corporate expense to the small sewer districts. Moreover, given the Commission’s decision to consolidate the existing water districts into three large districts, which will mitigate future rate increases for small water districts, it does not appear that it will be necessary to limit

the allocation of corporate costs to small water districts. Accordingly, MAWC and Staff request clarification of the Commission's intent in regard to the allocation of corporate costs.

B. Resulting Rates for Sewer Districts Other than Arnold

2. The Commission directed that the existing sewer districts be consolidated into two districts as proposed by Missouri-American, thus leaving Arnold as one sewer district (Sewer District 1) and all other sewer districts as the second district (Sewer District 2). For the districts other than Arnold, the Commission stated, "(A)ssuming there will be no shortfall in sewer revenue after the allocation of corporate expense to small companies is implemented, the rates currently paid by the individual sewer systems shall remain unchanged, as originally proposed by Staff. If there is a revenue shortfall for sewer, it shall be recovered pro-rata among all the consolidated sewer systems and their individual rates shall be adjusted as necessary." (*Report and Order*, p. 29) While the Commission has addressed the situation where revenues from the sewer systems comprising Sewer District 2 are not sufficient to recover their costs, even after implementation of the cap on the allocation of corporate expenses, it has not specifically addressed the situation where revenue from these sewer systems under existing rates exceed the costs allocated to the new Sewer District 2. MAWC believes it was the intent of the Commission not to require a reduction in existing sewer rates for the sewer systems comprising Sewer District 2; however, Staff does not agree. Accordingly, MAWC and Staff request the Commission to clarify whether existing sewer rates for those sewer systems comprising Sewer District 2 must be reduced if the existing sewer revenues from those districts exceed their allocated cost of service. If such a reduction is to be made, how should such a reduction in rates be apportioned or applied?

C. Limitation on Allocation of Corporate Costs to the Arnold Sewer District

3. While the Commission adopted Missouri-American's limitation on the allocation of corporate expenses to small water and sewer companies (i.e., those districts with less than 3,000 customers), it established Arnold as its own sewer district and directed that it be "responsible for its own share of costs." In the Company's original filing (and in its true-up data provided to the parties on February 19, 2016), it proposed an annual allocation of corporate costs to the Arnold district of \$140,000 (MAWC Exhibit 45; Company Accounting Schedules – Schedule CAS-9, p. 33 of 33), and not upon the allocation method used by MAWC to allocate corporate costs to large water districts (i.e., those with more than 3,000 customers). Accordingly, MAWC and Staff request clarification as to whether the Commission intended for Arnold to receive an allocation of corporate costs based upon the Company's direct testimony filing (i.e., \$140,000) or \$616,808 based upon the Staff's allocation method used to allocate corporate costs to districts with more than 3,000 customers.

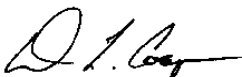
D. Rate Structure for Residential, Small Commercial, Small Industrial and Other Public Authority Customers in Districts 2 and 3

4. While the Commission has decided to establish a one-block uniform volumetric rate in all the water districts for all rate classes (*Report and Order*, p. 41), the way in which the uniform volumetric rate should be established for Residential, Small Commercial, Small Industrial and Other Public Authority (OPA) customers in Districts 2 and 3 does not appear to be resolved. In Staff's Response to Order Directing Staff to Prepare Scenarios filed on May 16, 2016, Staff noted that Staff and Company had two different interpretations of the Commission's directive. The difference between the two is that Staff proposes to maintain the existing

Residential, Small Commercial, Small Industrial and OPA customer classes in its Districts 2 (St. Joseph, et al.) and 3 (Joplin, et al.). MAWC, on the other hand, proposed to use its St. Louis Metro rate structure statewide and, thus consolidate Residential, Small Commercial, Small Industrial and OPA customers in all water districts into Rate A. MAWC's Rate A classification differentiates between large and small users based on the size of the meter serving the premises (i.e., the larger the customer, the larger the meter and, thus, the larger the customer charge). MAWC's and Staff's interpretations of the Commission's Order were displayed in the two scenarios attached to Staff's Response. However, it does not appear from the Commission's Report and Order that it has decided which of these two rate structures it wants to implement in Districts 2 and 3. Therefore, MAWC and Staff request further clarification in that regard.

**WHEREFORE**, MAWC and Staff respectfully request that the Commission issue its Order clarifying the issues set forth above, and for such other relief as may be appropriate in the circumstances.

Respectfully submitted,



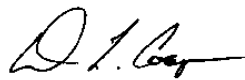
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## CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on June 3, 2016, to counsel for the parties.



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