

Exhibit No.:
Witness: Brian C. Collins
Type of Exhibit: Rebuttal Testimony
Issue: Revenue Requirement
Sponsoring Parties: Missouri Industrial Energy Consumers
Case No.: WR-2008-0311

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

In the Matter of Missouri-American)
Water Company's Request for)
Authority to Implement a General Rate) **Case No. WR-2008-0311**
Increase for Water and Sewer Service)
Provided in Missouri Service Areas)

Rebuttal Testimony of

Brian C. Collins
on Revenue Requirement Issues

On Behalf of

Missouri Industrial Energy Consumers



BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

September 30, 2008
Project 8980

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

In the Matter of Missouri-American)	
Water Company's Request for)	
Authority to Implement a General Rate)	Case No. WR-2008-0311
Increase for Water and Sewer Service)	
Provided in Missouri Service Areas)	

Rebuttal Testimony of Brian C. Collins

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

2 A My name is Brian C. Collins and my business address is 16690 Swingley Ridge
3 Road, Suite 140, Chesterfield, MO 63017.

4 **Q ARE YOU THE SAME BRIAN C. COLLINS WHO PREVIOUSLY SUBMITTED**
5 **TESTIMONY IN THIS CASE?**

6 A Yes.

7 **Q PLEASE SUMMARIZE THE ISSUE YOU WILL ADDRESS IN YOUR REBUTTAL**
8 **TESTIMONY.**

9 A In this testimony, I will address the Missouri Public Service Commission Staff's (Staff)
10 recommendation for the St. Louis District to provide a revenue subsidy to certain
11 Missouri-American Water Company (Missouri-American or Company) operating
12 districts. It should be noted that in my direct testimony, I addressed the Company's
13 proposal for a subsidy to be provided by the St. Louis Metro District (the combined
14 St. Louis, St. Charles, and Warren County Districts). The Staff proposal includes a
15 subsidy to be provided by the St. Louis District only.

**Brian C. Collins
Page 1**

1 Q WHAT IS STAFF'S RECOMMENDATION WITH RESPECT TO THE COMPANY'S
2 PROPOSAL FOR A REVENUE SUBSIDY TO BE PROVIDED BY THE ST. LOUIS
3 METRO DISTRICT?

4 A According to the testimony of Staff witness James M. Russo at page 3 of his direct
5 testimony on rate design, he states the following:

6 Staff also recommends moving all districts to their appropriate cost-of-
7 service, with the exception of Brunswick and Warren County. Staff is
8 proposing that these two districts continue to receive relief from the
9 St. Louis district, albeit a smaller contribution than in previous cases.

10 Q DOES MR. RUSSO DEFINE WHAT IS MEANT BY A "SMALLER CONTRIBUTION"
11 FOR RELIEF PROVIDED BY THE ST. LOUIS DISTRICT TO OTHER OPERATING
12 DISTRICTS OF THE COMPANY?

13 A No, he does not.

14 Q DOES MR. RUSSO PROVIDE STAFF'S RECOMMENDED LEVEL OF SUBSIDY TO
15 BE PROVIDED BY THE ST. LOUIS DISTRICT?

16 A No, he does not.

17 Q DOES MR. RUSSO PROVIDE ANY SUPPORT IN HIS TESTIMONY FOR STAFF'S
18 RECOMMENDATION FOR A SUBSIDY TO BE PROVIDED BY THE ST. LOUIS
19 DISTRICT TO OTHER OPERATING DISTRICTS OF THE COMPANY?

20 A No, he does not. Furthermore, in formulating its recommendation for the St. Louis
21 District to provide a subsidy, Staff apparently ignored four other operating districts
22 which are projected to be granted smaller percentage increases in cost of service
23 than the St. Louis District's 16.84% increase. In fact, Staff projects a reduction in the
24 current rates for the St. Joseph District. Table 1, below, lists these other operating

Brian C. Collins
Page 2

1 districts of the Company with their projected percentage increases in cost of service
2 based on the Staff's audit.

<u>Operating District</u>	<u>Annualized Revenue</u>	<u>Staff Proposed Revenue Requirement</u>	<u>Revenue % Increase</u>
St. Louis	\$130,505,305	\$21,982,339	16.84%
Jefferson City	\$5,391,317	\$463,032	8.59%
St. Charles	\$10,301,028	\$492,896	4.78%
Mexico	\$3,533,789	\$34,840	0.99%
St. Joseph	\$21,844,159	(\$1,088,088)	(4.98%)

3 Staff's proposal to increase St. Louis District rates, while ignoring other
4 operating districts who will receive smaller percentage increases, is unjustified.

5 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO A REVENUE SUBSIDY**
6 **BEING PROVIDED BY THE ST. LOUIS METRO DISTRICT?**

7 A As in my direct testimony, I continue to recommend that the Commission eliminate
8 the Company's proposed subsidy provided by the St. Louis Metro District to other
9 operating districts of the Company. My recommendation would reduce the St. Louis
10 Metro District's revenue requirement, as proposed by the Company, by \$2,028,738.
11 The Commission determined in a previous rate case that district-specific pricing
12 should be used to determine cost of service. Providing subsidies to certain operating
13 districts undermines this pricing theory. However, if the Commission determines a

1 subsidy should be implemented, other operating districts besides St. Louis should be
2 considered for a subsidy contribution.

3 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

4 **A Yes.**

\\Huey\Shares\PLDocs\SDW\8980\Testimony - BAI\144866.doc