

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

In the Matter of Missouri-American Water Company )  
Request for Authority to Implement a General Rate ) **Case No. WR-2015-0301**  
Increase for Water and Sewer Service Provided in )  
Missouri Service Areas. )

**NON-UNANIMOUS REVENUE REQUIREMENT  
STIPULATION AND AGREEMENT**

As a result of discussions among Missouri-American Water Company (“MAWC”), the Missouri Public Service Commission Staff (“Staff”), the Office of the Public Counsel (“OPC”), the Missouri Industrial Energy Consumers (“MIEC”), the Missouri Division of Energy (“MoDOE”), (collectively “the signatories”), an agreement has been reached on certain revenue requirement issues as set forth below.

**SPECIFIC PROVISIONS**

1. **RATE INCREASE:** The signatories agree to increase MAWC’s annual revenue requirement on a total company basis by **\$30.6 million** in order to resolve the issues set out in Paragraph 2, below.

2. **ISSUES RESOLVED:** This *Non-unanimous Stipulation and Agreement* is designed to resolve the following issues as described in the *List of Issues, List and Order of Witnesses, Order of Opening Statements, and Order of Cross-Examination*, filed with the Commission on March 10, 2016: Affiliate transactions rulemaking, cost of capital and capital structure, revenue stabilization mechanism (“RSM”) proposal, the Atrazine settlement proceeds, environmental cost adjustment mechanism (“ECAM”) proposal, rate base treatment of Emerald Pointe pipeline, Arnold plant amortization, non-residential revenues, miscellaneous charges, business transformation program costs, service company costs, advertising expense, the capitalization of certain O&M

depreciation expense, cash working capital, chemicals expense, corporate franchise tax expense, district allocations, dues and donations expense, electricity, fuel and heating oil expense, incentive compensation expense, income taxes, insurance other than group expense, legal expense, lobbying expense, main break expense, miscellaneous expense, other employee benefits and group insurance expense, outside services expense, payroll and payroll taxes, pension and OPEBs expense, postage expense, promotional items expense, property tax expense, purchased water expense, relocation expense, rents and leases expense, tank painting expense and the tank painting tracker, uncollectibles expense, waste disposal expense, Faulty Metering Issue, Demand Side Energy Efficiency, Depreciation Issues, Rate Case Expense, and Infrastructure System Replacement Surcharge (ISRS). This agreement also resolves all true-up issues.

3. **DEPRECIATION:** The parties recommend that the Commission order MAWC to use the agreed upon depreciation rates:

A. All existing water districts will have the same depreciation rates as shown on Attachment A.

B. All existing sewer districts will have the same depreciation rates as shown on Attachment B.

C. MAWC will continue to book assets utilizing the property retirement units under current practice.

4. **GENERAL LEDGER:** MAWC will provide a General Ledger maintained in National Association of Utility Regulatory Commissioners Uniform Systems of Accounts

(“USOA”) format with beginning balance, all monthly activity, and an ending balance for each account as of the first report following January 1, 2017.

5. **ENERGY EFFICIENCY:**

A. **DEMAND SIDE:** The Company will offer a demand-side efficiency pilot program in the Jefferson City and St. Louis service areas at a total funding level of \$150,000.

1. Programmatic funding will consist of \$100,000 of the \$150,000 total, and the remaining \$50,000 shall be allocated towards related administration, outreach, and evaluation activities.

2. Of the \$100,000 in programmatic funding, \$25,000 shall be allocated towards rebates for high-efficiency toilets in multi-family units, with preference for low-income units. The remaining \$75,000 shall be allocated towards the installation of efficiency kits, with a division of these funds between efficiency kit installations for low-income and non-low-income customers after discussion by the collaborative.

3. A collaborative consisting of Staff, OPC, MoDOE, and other interested participants in the current general rate case (WR-2015-0301 and SR-2015-0302) shall be formed. The Company shall work with the collaborative to determine details regarding demand-side efficiency program budgets, implementation, evaluation, outreach, and administration. The collaborative shall meet on at least a quarterly basis either in person or by telephone conference. Parties

may, in consultation with the collaborative, add members or consult with outside experts.

4. The Company and the collaborative will work to re-allocate any unspent funding between the high-efficiency toilet rebates and the efficiency kit installations.

5. Upon termination of the pilot, unspent funding shall be carried forward for use in funding other demand-side efficiency programs offered by the Company or shall be credited to customers in setting rates in the next general rate case.

6. The collaborative may consider, in association with the efficiency kit installations, providing an efficiency kit at cost to a customer upon request for self-installation at the customer's expense.

7. Customers participating in the program shall consent to review of billing and usage data necessary for purposes of program evaluation. Customer-specific information shall be treated as confidential consistent with Commission rules and shall be used only for the purpose of program evaluation.

8. Program evaluation shall occur at the earlier of the depletion of the programmatic funding or three years following the current general rate case (WR-2015-0301 and SR-2015-0302). The evaluation shall be performed by a third-party contractor, and the draft and final evaluations shall be reviewed by the collaborative.

9. If, for some unforeseen reason, the Company cannot offer a demand-side efficiency pilot program in either the Jefferson City or St. Louis service areas, then the Company will select an alternative service area after consultation with collaborative members.

B. **SUPPLY SIDE:** To be addressed in a subsequent agreement.

6. **INFRASTRUCTURE SYSTEM RELACEMENT SURCHARGE (“ISRS”):**

A. MAWC’s current ISRS tariff will be reset to zero as of the effective date of new rates resulting from this proceeding.

B. For purposes of the ISRS only, the overall pre-tax weighted average cost of capital shall be 10.35% (tax grossed-up rate of return).

C. Annualized revenues for purposes of determining the ISRS cap are not yet available. This figure will not be available until the issue of billing determinants is resolved.

7. **PENSIONS AND OPEBs:** Pensions and OPEBs will be treated in the same manner as agreed by the parties in MAWC’s last rate case, Case No. WR-2011-0337, *Non-Unanimous Stipulation and Agreement*, Paragraph 7; approved by the Commission on March 7, 2012; as described in Attachment C.

8. **REVENUE STABILIZATION MECHANISM (“RSM”):** MAWC will withdraw the RSM proposed in this case.

9. **ENVIRONMENTAL COST ADJUSTMENT MECHANISM (“ECAM”):** MAWC will withdraw the ECAM proposed in this case.

10. **TANK PAINTING TRACKER:** The tank painting tracker shall be discontinued on the effective date of rates in this rate case. The existing regulatory

asset balance of \$1,382,938 at January 31, 2016, will be amortized over five years beginning on the effective date of rates in this rate case.

11. **FAULTY METERING AND NEGATIVE RESERVE BALANCES:** The parties will jointly request the Commission open investigatory dockets regarding the faulty metering and negative reserve balances issues; MAWC will participate and cooperate fully in these investigations.

12. **RATE CASE EXPENSE:** MAWC will recover in rates 50% of its expenditures for this case, amortized over 30 months; however, 100% of the costs associated with the PricewaterhouseCoopers (“PwC”) audit and Customer Notices will be amortized over 30 months and 100% of the costs for MAWC’s depreciation study will be amortized over 60 months.

13. **SEWER TARIFF CONSOLIDATION:** MAWC, Staff, OPC, and any other interested party, will participate in a sewer tariff workgroup, for the purpose of developing a single sewer tariff document that will replace current MAWC sewer tariffs and be applied to any future MAWC sewer service area. The first meeting shall occur within 30 days of the effective date of the Commission’s order in this case and the workgroup will adopt a goal of finalizing a tariff document that can be filed for Commission approval not later than 180 days after the effective date of the Commission’s order in this case, or as soon thereafter as possible. If the workgroup does not complete a consolidated tariff document by this date, it will submit status reports to the Commission within 10 days after this date, and after each 30 day period thereafter.

## **GENERAL PROVISIONS**

14. This Stipulation is being entered into for the purpose of disposing of the issues specifically addressed herein. In presenting this Stipulation, none of the signatories shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle including, without limitation, any method of cost or revenue determination or cost allocation or revenue-related methodology and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation (whether it is approved or not) in this or any other proceeding other than a proceeding limited to enforce the terms of this Stipulation except as otherwise expressly specified herein. This Stipulation has resulted from extensive negotiations and the terms hereof are interdependent. If the Commission does not approve this Stipulation, or approves it with modifications and/or conditions to which a party objects, then this Stipulation shall be void and no signatory shall be bound by any of its provisions. Moreover, if the Commission does not implement the terms and conditions agreed upon in this Stipulation, then this Stipulation shall also become void and no signatory shall be bound by any of its provisions.

15. If the Commission does not unconditionally approve this Stipulation without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any signatory has for a decision in accordance with Section 536.080, RSMo., or Article V, Section 18 of the Missouri Constitution. The signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any

suggestions or memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

16. If the Commission unconditionally accepts the specific terms of this Stipulation without modification, the signatories waive, with respect to the issues resolved herein: their respective rights (1) to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo.; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo.; (3) their respective rights to seek rehearing pursuant to Section 386.500, RSMo., and (4) their respective rights to judicial review pursuant to Section 386.510, RSMo. These waivers apply only to a Commission order respecting this Stipulation issued in this above-captioned proceeding and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation. Pre-filed testimony on the issues resolved herein will be admitted to the record.

17. This Stipulation contains the entire agreement of the signatories concerning the issues addressed herein.

18. This Stipulation does not constitute a contract with the Commission. Acceptance of this Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigatory powers or other powers which the Commission presently has. Thus,



nothing in this Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information.

**NON-SIGNATORY PARTIES**

19. Triumph Foods, LLC, Public Water Supply Districts Nos. 1 and 2 of Andrew County, Missouri (“PWSDs”), the Utility Workers Union of America Local 335 (“Union”), and the Cities of Brunswick, Joplin, Riverside, St. Joseph, and Warrensburg, and Stonebridge Village have indicated that while they will not sign this Stipulation, they will not oppose it.

**WHEREFORE**, the signatories respectfully request the Commission to issue an Order in this case approving this *Non-unanimous Stipulation and Agreement*.

Respectfully submitted,

/s/ Kevin A. Thompson  
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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing document was served on all parties of record via electronic mail (e-mail) **on this 16<sup>th</sup> day of March, 2016.**

/s/ Kevin A. Thompson  
**KEVIN A. THOMPSON**