

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

In the Matter of Missouri-American )  
Water Company's Request for Authority to ) **WR-2011-0337**  
Implement a General Rate Increase for ) **SR -2011-0338**  
Water and Sewer Service Provided in )  
Missouri Service Areas )

**STATEMENT OF POSITIONS – CITY OF ST. JOSEPH**

COMES NOW the City of St. Joseph, Missouri, Intervenor herein, and files its Statement of Positions in this matter.

***Revenue Requirement Issues (Joint Issues List items A through D):***

The City of St. Joseph encourages the Missouri Public Service Commission to closely and carefully examine the testimony on these issues and to pare Missouri-American's requested revenue requirement increase to the lowest amount absolutely necessary to ensure lawfully just and reasonable rates for the Company. The City suggests the Commission particularly look for answers to such questions as: (1) Do the administrative and overhead costs of American Water Works Company, which seem to ever increase, serve Missouri-American ratepayers in a prudent and necessary way? (2) Does MAWC invest as much as necessary in upgrading and expanding infrastructure in existing districts, or *instead* invest in acquiring small water and sewer company systems that will create the perceived need for subsidies from existing MAWC customers in other districts?

***Rate Design and Miscellaneous Issues (Joint Issues List item E):***

**1. Cost of Service/Revenue Requirements**

**How should rates be designed in order to collect the revenue requirement from each customer class (i.e., district specific, single tariff or hybrid)?**

**ST. JOSEPH POSITION:**

Rates should be set on a District-Specific Pricing Basis. The costs, water sources and operating characteristics of each of the MAWC districts are unique. In order for costs to be appropriately assigned to the customers causing those costs, pricing should be District-Specific.

Setting rates on a consolidated basis would encourage the Company to spend resources less carefully and prudently, for at least three reasons: (1) The consolidated nature of the Company's books would make it more difficult for Staff and other parties to ferret out unreasonable or imprudent expenditures; (2) Consolidated rates inherently and unfairly require some districts to subsidize others, and (3) Fewer parties, such as industrial customers and municipalities, are likely to intervene in the Company's rate cases, since their direct stake in the outcome will have become diluted.

The most auditable, fair and reasonable way to set MAWC's rates is on a District-Specific Pricing (DSP) basis.

**Should any district provide a revenue support or subsidy to another district? If so, which districts should receive support and which districts should be required to provide that support?**

**ST. JOSEPH POSITION:**

No. The citizens of St. Joseph have been paying the entire costs associated with MAWC's new water treatment plant in St. Joseph since that plant was completed, by reason of the Commission's decision in WR-2000-281. In that case, water rates in St. Joseph were increased more than 100%, including 233% for the water districts that purchase their water from the St. Joseph District of MAWC. (See, Gorman Rebuttal – Rate Design, January 19, 2012, page 5, lines 15-23 and official record of Case No. WR-2000-281.) **No customers from any other MAWC district have helped subsidize St. Joseph's costs since 2000. It would be entirely unfair to now ask St. Joseph customers to subsidize increased costs in other districts as they occur.**

Both the Company's proposed consolidated rate tariffs and Staff's proposed hybrid districts would violate the fundamental principle that costs should be paid by the cost-causer. Staff's proposal would "reward" St. Joseph customers for bearing the entirety of their own treatment plant costs since 2000 by turning St. Joseph into a designated donor to two of the highest-cost districts of MAWC: Brunswick and Platte County. St. Joseph customers should not be required to continue to bear their own costs *and* be the subsidizers of the cost of service in other districts.

**Should water service provide a revenue support or subsidy to sewer?**

**ST. JOSEPH POSITION:**

Absolutely not. This would be tantamount to raising Ameren's natural gas rates in order to mitigate increases in electricity costs, or vice versa. And, in St. Joseph's case, it would be like raising Laclede's natural gas rates in order to mitigate increases in Ameren's electricity rates.

It is St. Joseph's position that it should not be required to subsidize the water rates of other MAWC districts via St. Joseph's water rates. It would be all the *more* unfair and unreasonable to increase St. Joseph's water rates in order to subsidize the customers of an entirely different type of utility.

The City of St. Joseph operates its own municipal sewer system. Therefore, the St. Joseph District would *never* benefit from MAWC water service providing a revenue support or subsidy to sewer. Rather, St. Joseph customers would be paying a subsidy to sewer customers of MAWC in other districts with no possibility of ever receiving a subsidy for St. Joseph's own sewer system costs. If the Commission were to decide that it has the legal authority to order MAWC water customers to subsidize MAWC sewer customers and that, as a matter of policy, it should do so, any such subsidy should come only from districts where MAWC provides both water and sewer.

***Other Issues:***

The City of St. Joseph takes no position on the other specific issues set out in the *Joint Issues List*, except to encourage the Commission to look carefully at questions raised by the City of Brunswick as to *why* MAWC's cost of service in Brunswick appears to be so disproportionately high and by the City of Riverside as to whether water service there is adequate from a public safety perspective.

St. Joseph reserves the right to question any witness and take any position on other issues deemed appropriate at hearing or in its briefs.

WHEREFORE, the City of St. Joseph, Missouri, respectfully submits its Statement of Positions in this proceeding.

Respectfully submitted,

***/s/ William D. Steinmeier***

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JOSEPH, MISSOURI

### **CERTIFICATE OF SERVICE**

I hereby certify that the undersigned has caused a complete copy of the attached document to be electronically filed and served on the Commission's Office of General Counsel (at [gencounsel@psc.mo.gov](mailto:gencounsel@psc.mo.gov)), the Office of Public Counsel (at [opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov)), counsel for Missouri-American, and all counsel of record on this 15<sup>th</sup> day of February 2012.

***/s/ William D. Steinmeier***