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Case No.: WR-2020-0344
Date Testimony Prepared: December 9, 2020

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

_____)
In the Matter of the Application of)
Missouri-American Water Company's)
Request for Authority to Implement) **Case No. WR-2020-0344**
General Rate Increase for Water and)
Sewer Service Provided in Missouri)
Service Areas)
_____)

Direct Testimony and Schedule of

Jessica A. York

On behalf of

Missouri Industrial Energy Consumers

December 9, 2020



Project 10995

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OF THE STATE OF MISSOURI**

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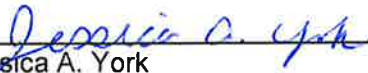
Case No. WR-2020-0344

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

Affidavit of Jessica A. York

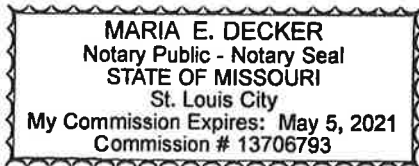
Jessica A. York, being first duly sworn, on his oath states:


1. My name is Jessica A. York. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on its behalf.
2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedule which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2020-0344.
3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.



Jessica A. York

Subscribed and sworn to before me this 8th day of December, 2020.





Notary Public

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

In the Matter of the Application of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas))))))))))	Case No. WR-2020-0344
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Direct Testimony of Jessica A. York**

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1 **Q WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A The purpose of my testimony is to respond to the Company's proposal for consolidated
3 tariff pricing ("CTP") for its operating districts throughout Missouri. For the reasons
4 described in my testimony, I recommend that the Company's proposal for consolidated
5 pricing be rejected, and that the Company maintain the two-district structure (St. Louis
6 County, and Non-St. Louis County) approved by the Missouri Public Service
7 Commission ("Commission") in the Company's last rate case.

8 I will also address the Company's cost of service study ("COSS"), and proposed
9 implementation of Rate L. Specifically, I recommend that the Company's COSS be
10 rejected. Further, I recommend that the Commission order MAWC to conduct a class
11 COSS in the next case consistent with the number of districts and number of rate
12 classes ordered by the Commission. In this way, the Commission may accurately
13 assess the magnitude of any increases from current rates. This is not meant to
14 preclude the Company from conducting additional studies that reflect consolidation and
15 rate design changes that it seeks to propose.

16 Additionally, I recommend that the Company's proposal to eliminate Rate J and
17 replace it with a higher usage threshold Rate L be rejected because it seeks to move a
18 significant number of Rate J customers that are not eligible to Rate A despite their
19 radically different usage characteristics from the other Rate A customers. Rate J
20 should be maintained. I support consideration of an additional large user option such
21 as Rate L, to the extent that rates are cost-based, as determined by an accurate,
22 district-specific COSS.

23 My silence on any issues addressed by the Company's testimony should not
24 be taken as tacit approval or agreement regarding those issues.

Jessica A. York
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1 **II. Company's Proposal for Consolidated Tariff Pricing**

2 **Q PLEASE DESCRIBE MAWC'S PROPOSAL FOR CONSOLIDATED TARIFF**
3 **PRICING.**

4 A As discussed in the direct testimony of Mr. Rea, the Company proposes to move to a
5 single statewide rate for all customers by consolidating general service rates in its
6 existing two districts – namely, St. Louis County and Non-St. Louis County.

7 **Q WHAT REASONS DOES MR. REA PROVIDE IN SUPPORT OF THE COMPANY'S**
8 **PROPOSAL FOR CTP?**

9 A Mr. Rea claims that consolidating rates across districts improves affordability of water
10 service for all customers over the long-term and is in the long-term best interest of all
11 customers.¹ He also claims that CTP would result in lower administrative and
12 regulatory costs.² Mr. Rea also recommends consolidated pricing based on public
13 policy benefits, which he claims result in the form of reduced inefficiencies by
14 consolidating smaller water systems with larger water systems.³

15 **Q HAS MAWC PRODUCED ANY EVIDENCE SUPPORTING THE CLAIM THAT CTP**
16 **IMPROVES AFFORDABILITY AND THAT ALL CUSTOMERS WILL BENEFIT FROM**
17 **CTP?**

18 A No. MAWC has not provided any quantitative analysis or evidentiary basis for these
19 claims. MAWC has made no attempt to determine CTP's financial impacts on
20 customers or forecast CTP's impact on future rates.⁴

¹Direct Testimony of Mr. Charles B. Rea at 21.

²*Id.* at 24.

³*Id.* at 25.

⁴MAWC's response to Data Request MIEC 2-005, attached as Schedule JAY-1, page 1.

1 **Q HAS AMERICAN WATER WORKS DEMONSTRATED THAT ADMINISTRATIVE**
2 **AND REGULATORY COST SAVINGS HAVE RESULTED FROM THE**
3 **IMPLEMENTATION OF CTP IN THE SERVICE TERRITORIES OF OTHER**
4 **AMERICAN WATER WORKS SUBSIDIARIES?**

5 A No. In response to Data Request MoPSC 0088, MAWC noted that CTP has been
6 implemented in Iowa, Kentucky, Maryland, and West Virginia. Of these states, West
7 Virginia has the greatest number of customers – namely, 167,000.⁵

8 When asked to provide cost-savings from statewide CTP in these states,
9 MAWC indicated that the Company does not specifically track the impact of simplifying
10 rate structures on administrative costs, the cost of billing and collections, or regulatory
11 costs associated with the complexity of filing and supporting separate rate structures.⁶
12 The Company also stated that it does not track benefits to AWW subsidiary customers
13 from the implementation of statewide CTP.⁷

14 **Q YOU MENTIONED THAT CTP HAS BEEN IMPLEMENTED IN IOWA, KENTUCKY,**
15 **MARYLAND AND WEST VIRGINIA. WHAT ABOUT THE OTHER AMERICAN**
16 **WATER WORKS STATES?**

17 A According to its most recent 10-K filing with the Securities Exchange Commission,
18 American Water Works operates in 16 states. Therefore, while American Water Works
19 may have CTP in four states, it does not have CTP in 12 other states (New Jersey,
20 Pennsylvania, Missouri, Illinois, California, Indiana, Georgia, Hawaii, Michigan, New
21 York, Tennessee, and Virginia). Importantly, American Water Works' six largest states,

⁵American Water Works Company, Inc. Annual Report Form 10-k, Calendar Year 2019, page 4.
⁶MAWC's response to Data Request MoPSC 0088, attached as Schedule JAY-1, pages 2
and 3.

⁷*Id.*

1 which represent over 80% of its customers do not have CTP. Therefore, while
2 consolidation may have occurred in four of its states, that consolidation clearly involved
3 much fewer customers than it would in the larger states. As such, consolidation was a
4 more simple undertaking involving very few customers. If approved, Missouri would be
5 the largest state (with approximately 470,000 customers), of the 16 states in which
6 American Water Works operates, to have approved a consolidated rate.

7 **Q ARE THE ST. LOUIS COUNTY AND NON-ST. LOUIS COUNTY DISTRICTS**
8 **RECEIVING SERVICE UNDER SUBSTANTIALLY SIMILAR CONDITIONS OR**
9 **CIRCUMSTANCES?**

10 A No. First, MAWC's customers in St. Louis County pay an Infrastructure System
11 Replacement Surcharge ("ISRS") authorized by statute. The Missouri Legislature has
12 not authorized the ISRS for MAWC customers outside of St. Louis County and has not
13 authorized ISRS on a statewide basis. Due to the ISRS statute, the revenues and costs
14 associated with ISRS must remain with the St. Louis County district. Therefore, the St.
15 Louis County district cannot be consolidated with other districts.

16 Second, a statewide consolidation would likely result in St. Louis County
17 customers subsidizing customers outside of the County. This subsidy would occur
18 because St. Louis County customers use significantly higher levels of water than other
19 customers.⁸ A significant level of MAWC's proposed revenue requirement is collected
20 through usage-based rates - 94% of MAWC's proposed revenue requirement is fixed,

⁸For example, St. Louis County's average monthly Residential use per customer is approximately 40% higher than Residential use per customer outside of St. Louis County. Average monthly use per customer for commercial, industrial, and sales for resale customers in St. Louis County exceeds the average monthly use of customers outside St. Louis County by about 51%, 30%, and 974%, respectively.

1 but 77% of the proposed revenue requirement would be recovered through volumetric
2 charges. Given their higher usage, St. Louis County customers would be paying a
3 significant level of fixed costs incurred to serve customers outside of their district.

4 If rates were consolidated, current St. Louis County customers would be
5 significantly subsidizing Non-St. Louis County customers. This would not reflect
6 cost-causation.

7 **Q WHY DID THE COMMISSION DETERMINE IN THE LAST RATE CASE, CASE NO.**
8 **WR-2017-0285, THAT ST. LOUIS COUNTY SHOULD REMAIN A SEPARATE**
9 **DISTRICT?**

10 **A** In that case, the Commission rejected MAWC's proposal to implement consolidated
11 pricing and instead utilize two districts. Specifically, the Commission found that:

12 ..."St. Louis County's unique circumstance makes it inappropriate to
13 consolidate all three water districts at this time. St. Louis County is
14 subject to the ISRS, which is a surcharge not recovered from other
15 customers of MAWC, which can increase a customer's bill by as much
16 as ten percent of the Company-wide revenues. By combining all three
17 districts, customers in St. Louis County would be disadvantaged by
18 being the only area paying the additional surcharge until costs can be
19 included in rate base, while still contributing to improvements in other
20 areas."⁹

21 "Full consolidation would increase the potential for imprudent spending
22 by MAWC, since the impact of increases will be shared by more
23 customers. By combining Districts 2 and 3, the Company can still seek
24 to acquire small struggling systems and make system improvements
25 while avoiding rate shock."¹⁰

⁹Case No. WR-2017-0285. Final Order at 30.

¹⁰*Id.* at 30-31.

1 **Q IS THE COMMISSION'S REASONING FROM THE PRIOR RATE CASE STILL**
2 **VALID?**

3 A Yes. The ISRS still exists, and is applicable only to St. Louis County customers. While
4 MAWC appears to have disregarded Missouri's ISRS statute and the Commission's
5 ruling in the previous rate case, the Commission's finding in the last case is still relevant
6 and valid. The St. Louis County district should not be consolidated with the Non-St.
7 Louis County district.

8 **Q DOES CTP FOLLOW COST-CAUSATION PRINCIPLES?**

9 A No. In general, the proposal for CTP ignores the principle of cost-causation. A
10 particular water district's rates should be based on the costs that MAWC incurs to
11 provide that district with service. MAWC's water system is not an integrated system.
12 CTP ignores the fact that not all of MAWC's water districts are interconnected and thus
13 the Company cannot serve all of its districts with the same group of water treatment
14 plants or other plant investment.

15 **Q ARE YOU AWARE THAT CURRENTLY THE NON-ST. LOUIS COUNTY DISTRICT**
16 **IS COMPOSED OF SEVERAL WATER DISTRICTS THAT HAVE ALREADY BEEN**
17 **CONSOLIDATED FOR TARIFF PRICES?**

18 A Yes. To be clear, I am not proposing the Commission reverse its previous decision to
19 have two districts. However, the move to consolidation of the two remaining districts
20 should be rejected.

1 **Q PLEASE ELABORATE ON WHY CTP IGNORES COST-CAUSATION PRINCIPLES**
2 **AND IS NOT REASONABLE.**

3 A In general, consolidated pricing is inappropriate for several reasons. First, the districts
4 are not interconnected to the same (or group of same) water treatment plants. Water
5 treatment plants serving the districts are supplied from district-specific raw water
6 sources (including both groundwater and surface water), which impact water treatment
7 costs. In contrast to power plants in a geographically dispersed, but interconnected
8 electric system, a water treatment plant in Joplin or St. Joseph, for example, cannot
9 provide treated water to the St. Louis County district since those districts are not
10 interconnected. The water treatment plants, distribution networks, pumping equipment
11 and even the electric utilities serving the various MAWC territories are distinct across
12 the state, and the various geographic characteristics of each MAWC service territory
13 impact costs related to storage, pressure, pumping, chemicals and other costs
14 associated with providing water service in those areas.

15 Second, consolidated pricing ignores the differences in costs of providing
16 service in each non-interconnected water district including, but not limited to, water
17 treatment and supply, labor force, and delivery. Consolidated pricing also ignores the
18 differences in rate base investment that have occurred to provide water service in each
19 operating district. Consolidated pricing is inconsistent with traditional cost of service
20 principles and ignores the concept of cost-causation. In essence, consolidated pricing
21 results in price subsidies to customers in a high-cost district at great cost to customers
22 in a low-cost district. For example, the cost to install water pipe in a district with rocky
23 soil is higher than the cost to install water pipe in a district without rocky soil. Under
24 consolidated pricing, the customers in the lower-cost district with non-rocky soil would
25 subsidize a portion of the cost to install pipe in the higher-cost district with rocky soil.

1 Moreover, the unjust cross-subsidies created by consolidated pricing could
2 erode the efficiency of the water system. These rate subsidies would erode the
3 economic incentive for customers in high-cost districts to be more efficient in placing
4 demands on the water utility because the prices they pay do not accurately reflect the
5 cost of receiving water service. Hence, customers with subsidized prices may impose
6 greater and less efficient demand on a high-cost district, which could cause greater
7 cost at the high-cost district and increase customer subsidies required to bring that
8 district's price down to the consolidated rate. To better reflect cost-causation, it is
9 appropriate for the Company's rates in each district to be compensatory and free of
10 subsidies.

11 **Q PLEASE EXPLAIN HOW CONSOLIDATED PRICING CAN ERODE SYSTEM**
12 **EFFICIENCY.**

13 A Consolidated pricing could provide management teams in high cost districts
14 disincentives for cost control, because those costs would be comingled with other,
15 lower cost districts across the state. This would reduce the incentive to manage water
16 costs. As indicated, the Commission recognized this possibility in its decision in the
17 last case when it said, "[f]ull consolidation would increase the potential for imprudent
18 spending by MAWC, since the impact of increases will be shared by more customers."

19 **Q DO YOU HAVE ANY OTHER CONCERNS WITH CTP?**

20 A Yes. CTP reduces the Company's incentive to perform due diligence before acquiring
21 new water systems. The impact of acquiring a new system will be significantly reduced
22 because all operation and maintenance costs will be consolidated into one tariff price.
23 This may result in MAWC acquiring a system that disguises the impact of the

1 acquisition on all customers. New systems could be acquired without adequate
2 consideration as to whether the costs to operate those systems are economical since
3 those costs would be rolled into existing rates under consolidated pricing. Besides, the
4 Commission already recognized in its last decision that the establishment of two
5 districts provides sufficient incentive for the Company to acquire “small struggling
6 systems.”

7 **Q HAS THE COMPANY ACQUIRED SMALL WATER SYSTEMS?**

8 A Yes. As shown in Table 3 of Mr. Greg Meyer’s direct testimony on revenue
9 requirement, MAWC has acquired many water systems over the last ten years. Many
10 of these acquisitions were made prior to rates being consolidated down to two districts.
11 Clearly, the creation of a consolidated state-wide rate was not needed for MAWC to
12 acquire other small systems.

13 **Q DOES THE COMPANY CITE RATE AFFORDABILITY AS A REASON FOR**
14 **CONSOLIDATED PRICING?**

15 A Yes.

16 **Q HAS MAWC PROVIDED EVIDENCE OF RATE AFFORDABILITY ISSUES FOR ITS**
17 **CUSTOMERS UNDER THE CURRENT DISTRICT-SPECIFIC PRICING?**

18 A No.

19 **Q PLEASE STATE YOUR RECOMMENDATION WITH RESPECT TO CTP.**

20 A I recommend that the Commission reject MAWC’s proposal for CTP, and instead
21 maintain the two pricing districts approved by the Commission in the last rate case. I

1 recommend that the respective revenue requirement for St. Louis County customers
2 and Non-St. Louis County customers be recovered through proposed rates based on
3 each district's respective cost of service.

4 **III. MAWC's Proposal for Rate L and Rate J**

5 **Q PLEASE DISCUSS MAWC'S PROPOSED RATE L.**

6 A The Company is proposing a new large user tariff titled Rate L, which it proposes would
7 ultimately take the place of the current Rate J offering.¹¹ To qualify for service under
8 Rate L, customers must use an average of at least 3,000,000 gallons per month.¹² A
9 signed agreement between the Company and the customer will be required as well.¹³

10 Rate L meter charges would be the same as all other general service customer
11 classes. There will be a two-block volumetric rate referred to as a "Base Rate" and an
12 "Extra Rate." The Base Rate will apply to a customer's usage up to a baseline usage
13 level every month, and the Extra Rate will apply to usage above the baseline. Under
14 MAWC's proposal, the Base Rate would be \$2.845 per 1,000 gallons, and the Extra
15 Rate would be \$5.690 per 1,000 gallons.

16 **Q WHAT REASONS DOES MAWC PROVIDE FOR ITS PROPOSAL TO IMPLEMENT**
17 **RATE L AND PHASE OUT RATE J?**

18 A MAWC cites two reasons for its proposal to implement Rate L and phase out Rate J:
19 (1) the cost basis of Rate L, and (2) difficulties in administering the current Rate J
20 offering.¹⁴

¹¹Direct Testimony of Charles B. Rea at 31.

¹²*Id.* at 32.

¹³*Id.*

¹⁴*Id.* at 35.

1 Q WHAT ADMINISTRATIVE DIFFICULTIES DOES MAWC CLAIM WITH RESPECT
2 TO RATE J?

3 A Administrative difficulties cited by MAWC include the following:

- 4 • MAWC claims that the mix of monthly and quarterly metering for potential
5 customers means that some customers may qualify for the rate that currently are
6 not on the rate because monthly usage data is not available to verify qualification.¹⁵
- 7 • MAWC states that the Rate J restriction on residential usage has been challenging
8 to enforce because of confusion and disagreement as to what qualifies as a
9 residential customer.¹⁶
- 10 • MAWC claims that the extreme differences in volumetric rates between Rate A and
11 Rate J gives non-qualifying customers an inappropriate incentive to use water
12 simply for purposes of qualifying for Rate J – which would increase water
13 consumption and cost on the system, but would reduce the customer’s actual bill.¹⁷

14 Q HOW DO YOU RESPOND TO THE ADMINISTRATIVE DIFFICULTIES CITED BY
15 MAWC?

16 A Regarding MAWC’s first concern identified above, MAWC’s claim is incorrect. MAWC
17 is transitioning all of its customers to monthly billing – a process that is 95% complete.¹⁸
18 Therefore, MAWC should be able to accurately assess which customers qualify for
19 Rate J.¹⁹

20 Regarding MAWC’s concern that Rate A customers could increase usage and
21 receive a lower bill by transitioning to Rate J, this is improbable. The average monthly

¹⁵*Id.* at 36.

¹⁶*Id.*

¹⁷*Id.*

¹⁸MAWC’s response to Data Request MIEC 1-009, attached as Schedule JAY-1 page 4.

¹⁹It is important to note that while 140 customers currently take service under Rate J, many more qualify for Rate J, but have inexplicably not been moved to Rate J. Therefore, while these customers qualify for Rate J, they are currently paying the much higher rates under Rate A. In fact, there are at least six customers that would qualify for the new Rate L, but MAWC continues to charge these customers under Rate A. See MAWC’s responses to MoPSC Data Request 0226 and MIEC Data Request 3-0012, attached as Schedule JAY-1, pages 5 and 6.

1 usage for a Non-Residential Rate A customer is about 32,000 gallons per month.²⁰ To
2 reach the 450,000 gallon requirement for service under Rate J, the average
3 Non-Residential Rate A customer would have to increase usage by 14 times the current
4 average monthly usage.

5 **Q APPROXIMATELY HOW MANY CUSTOMERS COULD TRANSITION TO RATE L?**

6 A Currently, there are about 140 customers taking service under Rate J.²¹ MAWC states
7 that 47 customers will qualify for the new Rate L based on their current average monthly
8 use.²² Most of these customers are Rate J customers, but a small number are currently
9 on Rate A.²³

10 **Q WHAT IS THE IMPLICATION OF MAWC'S PROPOSAL FOR RATE J CUSTOMERS**
11 **THAT DO NOT QUALIFY FOR RATE L?**

12 A Those Rate J customers that do not meet the 3,000,000 gallons / month threshold
13 would move to a non-residential Rate A class. MAWC claims that Rate J customers
14 that do not qualify for Rate L will be transitioned to Rate A over a number of future rate
15 cases in order to mitigate rate impacts.²⁴ However, MAWC proposes to move them
16 about half way²⁵ to Rate A (termed J1) in this case, so the migration to Rate A would
17 likely be fully completed in MAWC's next rate case. Accordingly, MAWC's proposal
18 would create drastic rate increases for Rate J customers.

²⁰From CAS 11 and CAS 12. 108,928,488 hundred gallons / 28,270 customers / 12 months.

²¹*Id.*

²²*Id.* at 34 and 35.

²³*Id.* at 35.

²⁴*Id.* at 37.

²⁵*Id.*

1 **Q WHAT ARE THE IMPACTS ON EXISTING RATE J CUSTOMERS RESULTING**
2 **FROM MAWC'S PROPOSED IMPLEMENTATION OF RATE L?**

3 A For Rate J customers that do not qualify for Rate L, the impacts of moving directly to
4 Rate A are extreme – well over 100%, as acknowledged by MAWC.²⁶ Even with the
5 Company's phased approach to such a transition, the impact on Rate J customers is
6 extreme. As shown below in Table 3, the Company's proposal would result in
7 approximately an 85% increase for Rate J customers in St. Louis County, and about a
8 23% increase for Rate J customers outside of St. Louis County. The impact to the
9 Rate J class on a consolidated basis is an increase of 67%.

10 **Q WHAT ARE THE IMPACTS ON CUSTOMERS SWITCHING TO RATE L?**

11 A As shown in Table 3, switching to Rate L would result in an increase of 96% relative to
12 current rates for St. Louis County customers. Outside of St. Louis County, new Rate L
13 customers would see an increase of about 11%. The transition to Rate L on a
14 consolidated basis results in an average increase of about 42%.

15 **Q DO YOU SUPPORT RATE L AS IT HAS BEEN PROPOSED BY MAWC?**

16 A No. I am supportive of examining another large user tariff such as Rate L, but any such
17 rates should be designed to recover Rate L's cost of service in each district, based on
18 a more accurate cost of service study as described later in this testimony.

²⁶*Id.*

1 Q **WHAT IS YOUR RECOMMENDATION WITH RESPECT TO RATE J AND RATE L?**

2 A While I support examining the creation of a higher threshold Rate L class, I also
3 recommend maintaining Rate J, as it is currently structured. As discussed in the COSS
4 section of this testimony, Rate J customers using between 450,000 gallons and
5 3,000,000 gallons per month have different usage characteristics and cause the
6 Company to incur less capacity costs than Rate A customers. Load and service
7 characteristics indicate Rate J customers should remain in their own separate customer
8 class.

9 I support considering an option such as Rate L, to the extent that rates are
10 cost-based, as determined by an accurate, district-specific COSS.

11 **IV. MAWC's Class Cost of Service Study**

12 Q **DID YOU REVIEW MAWC'S CLASS COST OF SERVICE STUDY SPONSORED BY**
13 **MR. CHARLES B. REA?**

14 A Yes. His class cost of service study is based on the future test year ended May 31,
15 2022, and using the widely accepted Base-Extra Capacity method for functionalizing,
16 classifying and allocating costs to MAWC's various customer classes. Investment in
17 water utility plant and operating costs are first functionalized according to the role they
18 play in providing water service: water supply, pumping, treatment, transmission,
19 distribution, metering and billing. Next, these costs are classified into cost categories
20 that reflect the causation of these costs: Base, or average day rates of flow; Extra
21 Capacity-Maximum Day and Extra Capacity-Maximum Hour rates of flow; and
22 Customer-related costs, such as metering and billing.

1 **Q IS MAWC’S CLASS COST OF SERVICE STUDY REASONABLE?**

2 A In general, the Base-Extra Capacity cost allocation method is a reasonable approach.
3 However, the Company’s COSS is not reasonable.

4 **Q WHY DO YOU SAY MAWC’S COSS IS NOT REASONABLE?**

5 A MAWC provided a single, statewide class cost of service study that reflects its
6 proposals: (1) to consolidate districts, (2) to phase out Rate J by transitioning many
7 Rate J customers to Rate A, and (3) to implement a new large user tariff known as
8 Rate L. This is unreasonable and inaccurate for several reasons.

9 First, MAWC’s COSS disregards the Commission’s finding in the prior case that
10 the St. Louis County district must remain separate from MAWC’s remaining service
11 territory because of the existence of the ISRS.

12 Second, MAWC combined current non-residential Rate A and Rate J customers
13 that would not otherwise qualify for Rate L into a Non-Residential class in its COSS.
14 These Rate J non-residential customers have different load and service characteristics
15 from current Rate A non-residential customers, and to combine them as proposed by
16 MAWC violates cost-causation principles. As a result, MAWC’s COSS provides no
17 insight into the cost of providing service to these Rate J customers, despite that this
18 class currently exists, and will continue to exist for the foreseeable future.²⁷

19 Third, MAWC has inexplicably oversimplified its COSS in this case, by ignoring
20 numerous cost-causing differences among customers that should be recognized. This
21 is a change from the detailed COSS models that were provided in prior cases. It is
22 difficult to reconcile MAWC’s study in this case with the model provided in the last case

²⁷There is no definitive timeline for completing the phase-out of Rate J. MAWC states the transition will occur over a number of future rate cases. Direct Testimony of Charles B. Rea at 37.

1 to confirm that costs have been functionalized, classified and allocated consistently,
2 and in accordance with the Base-Extra Capacity method.

3 For the reasons stated above, MAWC's COSS does not provide any cost of
4 service basis for the significant increases proposed by the Company for its customers.

5 **Q WHY SHOULD RATE J REMAIN SEPARATE FROM RATE A?**

6 A Rate J is a large user rate applicable to customers using more than 450,000 gallons
7 per month, where usage is fairly constant throughout the year, and usage is not for
8 residential, irrigation, or construction use.²⁸ Table 1, below, presents historical
9 maximum day and maximum hour capacity ratios for MAWC's customer classes.
10 These ratios represent the relationship between each class's maximum daily use and
11 average daily use, or maximum hourly use and average hourly use during the year. As
12 shown below in Table 1, Rate J customers have historically had lower maximum day
13 and maximum hour demands relative to their average day and average hour demands,
14 than Rate A customers. Specifically, this historical data shows that Rate A customers
15 have a maximum daily usage that is 2.0 – 2.3 times its average daily usage. In contrast,
16 Rate J customers have a maximum daily usage that is only 1.4 times its average daily
17 usage. This contrast also exists when the analysis focuses on maximum hourly usage.
18 This indicates that Rate J loads are less "peaky" than Rate A, and more efficiently utilize
19 the capacity installed on MAWC's system to serve them.

²⁸Direct Testimony of Charles B. Rea at 32.

TABLE 1
Capacity Factors by Customer Class

<u>Description</u>	<u>Test Year Ended</u>			
	<u>12/2010¹</u>	<u>12/2014²</u>	<u>5/2019³</u>	<u>5/2022⁴</u>
Maximum Day Extra Capacity Ratio				
Rate A - Residential	2.00	2.10	2.30	1.63
Rate A - Non-Residential	2.00	2.10	2.00	1.59
Rate J - Large User	1.40	1.40	1.40	
Rate L - Large User				1.35
Maximum Hour Extra Capacity Ratio				
Rate A - Residential	4.50	4.00	4.00	3.72
Rate A - Non-Residential	4.50	4.00	4.00	2.11
Rate J - Large User	2.50	2.00	2.00	
Rate L - Large User				1.74

Sources

¹ Case No. WR-2011-0337, Workpaper labeled COS-MOAW All Districts 2011.

² Case No. WR-2015-0301, Direct Testimony of Paul R. Herbert, Schedule C.

³ Case No. WR-2017-0285, Direct Testimony of Constance Heppenstall, Schedule CEH-1.

⁴ Case No. WR-2020-0344, MO COSS Workpaper.xlsx.

1 These capacity ratios are used to develop allocation factors for fixed, capacity-related
2 costs. Given that 94%²⁹ of MAWC's costs are fixed costs, it is important that these
3 costs be fairly and accurately allocated to each customer class. Combining Rate J and
4 Rate A customers into a single class in the COSS produces an inaccurate measure of
5 the capacity costs incurred to serve both Rate A and Rate J, to the detriment of Rate J
6 customers.

²⁹MAWC's response to Data Request MIEC 2-012, attached as Schedule JAY-1, page 7.

1 In addition, Non-Residential Rate A water usage is served by distribution mains
2 (smaller than 10 inches in diameter).³⁰ Therefore, in addition to the transmission mains
3 used to serve these customers, Rate A customers in the Non-Residential class should
4 also receive an allocation of distribution main costs. However, of the Rate J usage
5 included in the Non-Residential class, 55% is served directly from transmission mains
6 (sized ten inches in diameter and above) and do not utilize any of the distribution
7 system. As a result, charging such users a lower rate is justified, because the cost of
8 service is lower.³¹

9 MAWC attempted to reflect this distinction in main size in its COSS by using a
10 distribution multiplier in the development of its capacity-related allocation factors.
11 However, combining Rate A and Rate J results in an allocation to Rate J customers of
12 distribution main costs that are not incurred to serve their load.

13 Load and service characteristics associated with Rate J customers differ from
14 Rate A. Combining these classes in the COSS, as MAWC has done, does not
15 accurately, or fairly, measure the cost of providing service to either of these customer
16 classes.

17 **Q PLEASE ELABORATE ON HOW MAWC'S COSS IS OVERSIMPLIFIED.**

18 **A** MAWC has modified its COSS model from the detailed model it used in prior rate cases,
19 to a much less detailed model in this case. In past COSS models, the process of
20 functionalizing and classifying costs was very clear, and one could assess the
21 reasonableness of MAWC's selected allocation factors. In this new model, MAWC

³⁰MIEC 3-001_Attachment v2.xlsx. Provided as an updated response to Data Request MIEC 3-001. Attached as Schedule JAY-1, pages 8-10.

³¹*Id.* at 35.

1 does not show how each cost is allocated to the Base, Maximum Day, Maximum Hour,
2 Meters, Services, Billing and Collecting, and Fire Service functional cost components,
3 as described in the American Water Works Association's ("AWWA") M-1 Manual.
4 Instead, MAWC develops a total revenue requirement by "business function." The
5 business functions identified by MAWC do not align with the standard functional cost
6 components described by the AWWA M-1 Manual. MAWC then allocates each
7 business function's revenue requirement to its customer classes based on a single,
8 externally developed, allocation factor.

9 For example, the total consolidated revenue requirement for the transmission
10 cost category is approximately \$50.5 million. This entire transmission revenue
11 requirement is allocated across customer classes using Factor 3, which should
12 recognize each customer class's average load, peak day requirements and a
13 component for fire protection. Similarly, the total distribution cost category revenue
14 requirement is about \$117 million, and is allocated entirely on Factor 4. Factor 4 should
15 recognize each customer class's average load, peak hour requirements, and a
16 component for fire protection.

17 MAWC's oversimplified approach is problematic because within the
18 transmission and distribution cost categories, there may be costs that should not be
19 allocated using Factor 3 and Factor 4, respectively. In the last case, a portion of
20 transmission and distribution costs were allocated using internally developed allocation
21 factors based on a subset of other transmission and distribution expenses.³²

22 The COSS in this case does not provide a sufficient level of detail to assess the
23 reasonableness of the allocation factors used by MAWC to allocate the revenue

³²Case No. WR-2017-0285, Direct Testimony of Constance Heppenstall, Schedule CEH-1.

1 requirement associated with several of its business functions. It may be the case, as
2 it was in the prior rate proceeding, that not all costs within each business function
3 should be allocated using the same allocation factor.

4 **Q DO YOU HAVE ANY OTHER CONCERNS WITH MAWC'S COSS?**

5 A Yes. In this case, MAWC allocated fixed Power and Pumping expenses using Factor 2.
6 Factor 2 recognizes each class's average load and its peak day requirements.
7 Historically, these costs have been allocated using Factor 3.³³ Factor 3 is appropriate
8 because it reflects a component for fire protection. Pumping plant must be designed
9 to meet the peak demand requirements of its customers, and also to provide pressure
10 and flow rates required to fight fires. By using Factor 2, MAWC fails to allocate any of
11 the fixed Power and Pumping expenses to fire protection. There is no discussion
12 supporting this change in Mr. Rea's testimony. These costs should continue to be
13 allocated using Factor 3.

14 **Q HOW DO THE RESULTS OF MAWC'S COSS COMPARE TO ITS PROPOSED**
15 **SPREAD OF THE CLAIMED REVENUE DEFICIENCY ACROSS CUSTOMER**
16 **CLASSES?**

17 A Table 2, below, compares MAWC's COSS results to its proposed revenue spread.
18 Note that this comparison is based on MAWC's statewide class cost of service study
19 reflecting its proposals to consolidate districts, to phase out Rate J by transitioning
20 many Rate J customers to Rate A, and to implement a new large user tariff known as
21 Rate L.

³³*Id.*

TABLE 2
MAWC's Cost of Service vs. Proposed Revenue Spread
for its Largest Customer Classes

<u>Line</u>	<u>Description</u>	<u>Current</u>	<u>Increase / (Decrease)</u>		<u>MAWC Proposed</u>	
		<u>Rate</u>	<u>to Reach Cost of Service²</u>		<u>Increase / (Decrease)¹</u>	
		<u>Revenues¹</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
		(1)	(2)	(3)	(4)	(5)
Total MAWC						
1	Residential (Rate A)	\$ 198,537,066	\$ 80,414,923	40.5%	\$ 72,688,036	36.6%
2	Non-Residential (Rate A, Rate J)	70,731,737	15,882,698	22.5%	27,318,197	38.6%
3	Rate L	9,732,893	4,061,317	41.7%	4,061,244	41.7%
4	Total System ³	\$ 296,364,756	\$ 104,879,819	35.4%	\$ 104,879,819	35.4%

Sources

¹ Revenue Link tab of MAWC's MO COSS Workpaper.xlsx.

² Summary tab of MAWC's MO COSS Workpaper.xlsx.

³ Total revenues including all customer classes.

1 As shown in the table, MAWC's proposed revenue spread would result in
2 Residential customers being priced approximately \$7.7 million below cost of service,
3 and Non-Residential (Rate A and Rate J) customers being priced significantly above
4 cost of service.

5 **Q HAVE YOU REVIEWED THE IMPACT OF MAWC'S PROPOSED REVENUE**
6 **SPREAD ON THE CUSTOMER CLASSES IN EACH DISTRICT?**

7 **A Yes.** Table 3 shows the impact of MAWC's proposals on each customer class in each
8 district.

TABLE 3
Impact of MAWC's Proposed Revenue Spread by District
for its Largest Customer Classes

<u>Line</u>	<u>Description</u>	<u>Current</u>	<u>Proposed</u>	<u>Proposed Increase /</u>	
		<u>Rate</u>	<u>Rate</u>	<u>(Decrease)</u>	
		<u>Revenues</u>	<u>Revenues</u>	<u>Amount</u>	<u>Percent</u>
		(1)	(2)	(3)	(4)
St. Louis County					
1	Residential (Rate A)	\$ 148,153,855	\$ 212,051,949	\$ 63,898,094	43.1%
2	Non-Residential (Rate A)	43,099,331	63,170,811	20,071,481	46.6%
3	Rate J	3,842,675	7,102,927	3,260,252	84.8%
4	Rate L	3,533,194	6,929,863	3,396,669	96.1%
5	Total	\$ 208,897,152	\$ 301,531,792	\$ 92,634,640	44.3%
Non-St. Louis County					
6	Residential (Rate A)	\$ 50,383,211	\$ 59,173,154	\$ 8,789,942	17.4%
7	Non-Residential (Rate A)	22,248,388	25,886,862	3,638,474	16.4%
8	Rate J	1,541,343	1,889,332	347,989	22.6%
9	Rate L	6,199,699	6,864,273	664,575	10.7%
10	Total	\$ 87,467,604	\$ 99,712,783	\$ 12,245,178	14.0%
Total MAWC					
11	Residential (Rate A)	\$ 198,537,066	\$ 271,225,103	\$ 72,688,036	36.6%
12	Non-Residential (Rate A)	65,347,719	89,057,674	23,709,955	36.3%
13	Rate J	5,384,018	8,992,260	3,608,242	67.0%
14	Rate L	9,732,893	13,794,137	4,061,244	41.7%
15	Total	\$ 296,364,756	\$ 401,244,575	\$ 104,879,819	35.4%

Sources and Notes

Revenue Link tab of MAWC's MO COSS Workpaper.xlsx.
MAWC's workpaper CAS 11 and 12.xlsx.
Totals on lines 5, 10, and 15 include all customer classes.

1 As shown in Table 3, MAWC's proposals will produce disproportionately large rate
2 increases for St. Louis County Residential, Non-Residential, Rate J, and Rate L
3 customers relative to customers located outside of St. Louis County.

4 **Q PLEASE REFER TO TABLE 3, AND DISCUSS THE IMPACT OF MAWC'S**
5 **PROPOSALS ON RATE J CUSTOMERS.**

6 **A** Customers in the Rate J class as a whole (including St. Louis County, and Non-St.
7 Louis County) would receive an average increase of 67%, or 1.9x the system average

1 increase. Separating the impacts by district shows that St. Louis County Rate J
2 customers would receive an increase of about 85%, or 2.4x the system average
3 increase, while Non-St. Louis County Rate J customers would receive an increase of
4 22.6%, or 0.64x the system average increase of 35.4%.

5 The substantial increases to Rate J customers are the result of MAWC's
6 proposals for CTP, as well as the transition of Rate J customers that do not qualify for
7 Rate L to Rate A. Because MAWC did not separate Rate J from Rate A customers in
8 its COSS, it has provided no benchmark by which to compare, or assess the
9 reasonableness of its proposed increases for Rate J customers.

10 **Q DID THE RATE J CLASS REQUIRE AN ABOVE-SYSTEM AVERAGE INCREASE**
11 **TO REACH COST OF SERVICE IN THE PRIOR RATE CASE, CASE NO.**
12 **WR-2017-0285?**

13 **A** No. To the contrary, MAWC's COSS in the last case separately measured the cost of
14 providing service to Rate J. In that case, MAWC's COSS indicated that Rate J required
15 only about one half of the system average percentage increase to reach cost of service,
16 and MAWC's proposed increase in that case very nearly brought Rate J to parity.³⁴

17 Given the results of the more accurate cost of service study in the last rate case,
18 it is illogical that Rate J customers that were then at parity would suddenly require an
19 increase in this case that is double (or more) than the system average increase in this
20 case.

³⁴Case No. WR-2017-0285, Direct Testimony of Constance Heppenstall, Schedule A.

1 **Q PLEASE DISCUSS THE IMPACT OF MAWC'S PROPOSAL TO IMPLEMENT**
2 **RATE L.**

3 A As shown in Table 3, the impact of transitioning certain large Rate A and Rate J
4 customers to Rate L produces an increase of 96% for customers in St. Louis County,
5 and only 10.7% for Non-St. Louis County customers. Rate L is discussed in greater
6 detail at pages 11 through 15 of this testimony.

7 **Q HAS MAWC PREPARED AND REVIEWED DISTRICT-SPECIFIC CLASS COST OF**
8 **SERVICE STUDIES FOR ITS ST. LOUIS COUNTY AND NON-ST. LOUIS COUNTY**
9 **DISTRICTS, WITH CUSTOMER CLASSES AS THEY EXIST TODAY?**

10 A No. MIEC asked this question of MAWC in Data Request MIEC 2-001. The Company
11 objected to the request and indicated that it had not conducted separate class cost of
12 service studies for these districts, nor has it conducted a class cost of service study
13 keeping Rate J separate from other non-residential customers.³⁵

14 **Q DID MIEC REQUEST THAT MAWC CONDUCT AND PROVIDE SEPARATE CLASS**
15 **COST OF SERVICE STUDIES FOR THE ST. LOUIS COUNTY AND NON-ST. LOUIS**
16 **COUNTY DISTRICTS, WITH CUSTOMER CLASSES AS THEY EXIST TODAY?**

17 A Yes. In Data Request MIEC 2-002, MIEC requested that MAWC provide separate class
18 cost of service studies for the two existing districts, and with the existing rate classes
19 within those districts. MAWC objected to the request claiming that such a request was
20 beyond the permissible scope of discovery in that the rules of discovery do not allow

³⁵MAWC's response to Data Request MIEC 2-001, attached as Schedule JAY-1, pages 11-13.

1 MIEC to shift the burden of completing its own research onto MAWC to complete the
2 requested studies when they are not already in existence.³⁶

3 **Q DID MAWC PROVIDE DISTRICT-SPECIFIC CLASS COST OF SERVICE STUDIES**
4 **IN ITS PRIOR RATE CASE, EVEN THOUGH IT PROPOSED CTP?**

5 A Yes. In the prior rate case, Case No. WR-2017-0285, MAWC provided district-specific
6 class cost of service studies for the three districts that existed at that time, in response
7 to Data Request MIEC 2-2. It is not clear why the Company would not have prepared
8 and considered district-specific COSS results in preparation for filing this rate case as
9 well - especially given that district consolidation cannot occur due to the ISRS. In
10 essence, MAWC has provided no reliable measure of the cost of providing service in
11 each district, or the cost of providing service to each class within each district. As a
12 result, its proposed revenue spread is not adequately supported, and should be
13 rejected.

14 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS WITH RESPECT TO COST OF**
15 **SERVICE AND REVENUE SPREAD.**

16 A For the reasons described above, the Company's COSS is inadequate and inaccurate.
17 MAWC should be directed to produce district-specific COSS models, in the same form
18 and with the same level of detail as it did in Case No. WR-2017-0285. Rate J should
19 remain separate from Rate A, in its own class. Rate L should also be added to the
20 COSS as its own class.

³⁶MAWC's response to Data Request MIEC 2-002, attached as Schedule JAY-1, page 14.

1 Due to the inadequacy of MAWC's COSS in this case, it should not be relied
2 upon as the basis for spreading the Company's claimed revenue deficiency across
3 customer classes in this case. Because MAWC has not produced a reliable measure
4 of Rate J's cost of service, Rate J should receive no more than a system average
5 increase.

6 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A Yes, it does.**

Appendix A

Qualifications of Jessica A. York

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

2 A Jessica York. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and an Associate Consultant
6 with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory
7 consultants.

8 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL
9 EMPLOYMENT EXPERIENCE.**

10 A I graduated from Truman State University in 2008 where I received my Bachelor of
11 Science Degree in Mathematics with minors in Statistics and Actuarial Science. I
12 earned my Master of Business Administration Degree with a concentration in Finance
13 from the University of Missouri-St. Louis in 2014.

14 I joined BAI in 2011 as an analyst. Then, in March 2015, I joined the consulting
15 team of BAI.

16 I have worked in various electric, natural gas and water and wastewater
17 regulatory proceedings addressing cost of capital, sales revenue forecasts, revenue
18 requirement assessments, class cost of service studies, rate design, and various policy
19 issues. I have also conducted competitive power and natural gas solicitations on behalf
20 of large electric and natural gas users, have assisted those large power and natural

**Jessica A. York
Appendix A
Page 1**

1 gas users in developing procurement plans and strategies, assisted in competitive
2 contract negotiations, and power and natural gas contract supply administration. In the
3 regulated arena, I have evaluated cost of service studies and rate designs proffered by
4 other parties in cases for various utilities, including in Wisconsin, Illinois, Indiana,
5 Kansas, and others. I have conducted bill audits, rate forecasts and tariff rate
6 optimization studies.

7 I have also provided support to clients with facilities in deregulated markets,
8 including drafting supply requests for proposals, evaluating supply bids, and auditing
9 competitive supply bills. I have also prepared and presented to clients reports that
10 monitor the electric market and recommend strategic hedging transactions.

11 BAI was formed in April 1995. BAI and its predecessor firm have participated
12 in more than 700 regulatory proceedings in forty states and Canada.

13 BAI provides consulting services in the economic, technical, accounting, and
14 financial aspects of public utility rates and in the acquisition of utility and energy
15 services through RFPs and negotiations, in both regulated and unregulated markets.
16 Our clients include large industrial and institutional customers, some utilities and, on
17 occasion, state regulatory agencies. We also prepare special studies and reports,
18 forecasts, surveys and siting studies, and present seminars on utility-related issues.

19 In general, we are engaged in energy and regulatory consulting, economic
20 analysis and contract negotiation.

21 In addition to our main office in St. Louis, the firm also has branch offices in
22 Phoenix, Arizona and Corpus Christi, Texas.

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DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344

Requested From: Brian LaGrand

Date Requested: 10/29/2020

Information Requested:

Please refer to the discussion on Consolidated Tariff Pricing (“CTP”) in Section IV. of Mr. Rea’s direct testimony.

- a. At page 21, lines 19-21, and page 22, line 1, Mr. Rea states that “consolidating rates across districts improve affordability of water service for all customers over the long term and is in the long term best interest of all of our customers.”
 - i. Please provide a detailed explanation of the basis for this conclusion.
 - ii. Please provide all documents and workpapers relied on by Mr. Rea to draw this conclusion. Please provide workpapers in electronic format with all formulas intact.
 - iii. Please explain whether or not MAWC has endeavored to study the impacts of CTP on all customer classes in all districts to determine whether or not CTP is in the best interest of all customers.

Requested By: Diana Plescia (dplescia@chgolaw.com)
For MIEC – (Midwest Industrial Energy Consumers)

Information Provided:

- i. Consolidating rates across all districts improves affordability of water service for all customers over the long term and is in the long term best interest of our customers because rates will be more stable and lower on the long term. This is primarily because needed investments in water infrastructure which would be required to be made by individual communities on their own can be spread more evenly over larger groups of customers. Please see Rea Direct Testimony pp. 23-25 for a more detailed discussion of these benefits.
- ii. Mr. Rea did not rely on any other documents or workpapers to draw these conclusions in his testimony.
- iii. MAWC has not attempted to forecast out future rates for customers under CTP versus the status quo to determine quantitatively the financial impacts on customers of CTP.

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand
Date Requested: 07/17/2020

Information Requested:

For each of American Water Works (“AWW”) subsidiaries, please provide the following:

1. a description of the most recent rate design approved by each Commission i.e., a single-tariff rate, district-specific rate, or some combination;
2. If a single-tariff rate has been implemented, please provide the cost-savings, if any, to AWW’s subsidiaries customers since implementation of the statewide single-tariff rate; and
3. Any other benefits that AWW’s subsidiaries customers have received since implementation of the statewide single-tariff rate.

Requested By: Matthew Barnes- Missouri Public Service Commission – matthew.barnes@mo.psc.gov

Information Provided:

1)

Iowa - Single tariff pricing, although a separate district tariff has been added for an acquisition after the last rate case.

Indiana - Two-district pricing with common pricing for meter charges and sales for resale.

Illinois - Three-district pricing, with separate pricing for districts added due to acquisitions after the last rate case.

Kentucky - Single tariff pricing

Tennessee -District-specific pricing

Virginia - District-Specific pricing

Maryland - Single tariff pricing

West Virginia - Single tariff pricing

New Jersey - Multiple-district pricing due to acquisitions, although the vast majority of general service customers are on a single tariff.

Pennsylvania - Multiple-district pricing due to acquisitions, although the vast majority of general service customers are on a single tariff.

California - Multiple-district pricing

New York - Two-district pricing

b)

The Company doesn't specifically track the impact of simplifying rate structures on administrative costs, the cost of billing and collections, or regulatory costs associated with the complexity of filing and supporting separate rate structures.

c)

The Company does not specifically track benefits to AWWA subsidiary customers from the implementation of statewide single-tariff pricing.

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand
Date Requested: 10/22/2020

Information Requested:

When will MAWC St. Louis County customers be fully converted to monthly billing instead of quarterly billing?

How many customers have been converted to monthly billing since the last rate case?

Requested By: Diana Plescia (dplescia@chgolaw.com)
For MIEC – (Midwest Industrial Energy Consumers)

Information Provided:

1. MAWC anticipates that approximately 95% of St. Louis County customers will be billed monthly by end of 2021. The remaining 5%, those that present a significant challenge with installing AMI due to vacant properties, inside settings, and inaccessible meters, will be done by end of 2022.
2. There have been about 300,000 customers converted to monthly billing since the last case.

Responsible Witness: Grant Evitts

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand

Date Requested: 08/14/2020

Information Requested:

Please provide a list of all customers that, for any month since January 2019, used more than 450,000 gallons of water in a month. For each customer, please provide: the name of each customer, monthly usage for each customer for each month since January 2019, the service area the customer is located in, and whether or not the customer is currently on Rate A or Rate J.

Requested By: Matt Barnes - Missouri Public Service Commission – matthew.barnes@psc.mo.gov

Information Provided:

CONFIDENTIAL - The information provided is deemed "Confidential" in accordance with Commission Rule 20 CSR 4240-2.135(2)(A).1, as it contains customer specific information. We ask that confidentiality be maintained consistent with that Rule and/or Section 386.480 RSMo, as the case may be.

Please refer to Excel file MoPSC 0226_Attachment for the list of customers for any month in 2019 had a billed water sales of more than 450,000 gallons.

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand
Date Requested: 09/08/2020

Information Requested:

MAWC's proposed Revenue Stabilization Mechanism states that it is applicable to "all residential ("domestic"), commercial, other public authority and sale for resale metered water customers." For each customer identified in response to Staff Data Request 226, please provide MAWC's understanding of the nature of the business performed by that customer and whether the proposed RSM would be applicable to that customer.

Requested By: David Woodsmall – Woodsmall Law
For MECG – (Midwest Energy Consumers Group)

Information Provided:

CONFIDENTIAL - The information provided is deemed "Confidential" in accordance with Commission Rule 20 CSR 4240-2.135(2)(A).1, as it contains customer specific information. We ask that confidentiality be maintained consistent with that Rule and/or Section 386.480 RSMo, as the case may be.

The customers identified in response to Staff Data Request 226 are either commercial, industrial or public authority. The proposed RSM will not be applicable to industrial customers. Please refer to excel file MECG 3-0012_Attachment for the list of customers identified in response to Staff Data Request 226 and the corresponding account classification. The Company is not able to identify the specific nature of each business performed by each customer in MECG 3-0012_Attachment CONFIDENTIAL.

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand
Date Requested: 10/29/2020

Information Requested:

With respect to MAWC's total requested revenue requirement:

- a. Please identify the portion (dollars and percentage) that is fixed.
- b. Please identify the portion (dollars and percentage) that is variable.
- c. Please identify the portion (dollars and percentage) of MAWC's total requested revenue requirement recovered from customers through fixed charges.
- d. Please identify the portion (dollars and percentage) of MAWC's total requested revenue requirement recovered from customers through variable charges.

Requested By: Diana Plescia (dplescia@chgolaw.com)
For MIEC – (Midwest Industrial Energy Consumers)

Information Provided:

- a. The total revenue requirement that is fixed is \$384,663,312 (94% of total revenue requirements)
- b. The total revenue requirement that is variable is \$22,761,469 (6% of total revenue requirements)
- c. The total requested revenue requirement for water service recovered from customers through fixed charges is \$95,030,685 (23% of total) (see Rea Direct Testimony p. 20 line 22 through p. 21 line 1).
- d. The total requested revenue requirement for water service recovered from customers through variable charges is \$312,394,104 (27% of total) (see Rea Direct Testimony p. 20 line 22 through p. 21 line 1).

Responsible Witness: Charles Rea

Missouri-American Water Company
 Functional Revenue Requirements
 Case No: WR-2020-0344, SR-2020-0345

	Total Company	St. Louis County	Non-St. Louis County
Source of Supply Expense			
Fixed	\$ 10,284,341	\$ 4,130,270	\$ 6,154,070
Variable	\$ 7,075,251	\$ 3,981,464	\$ 3,093,787
Power and Pumping Expenses			
Fixed	\$ 26,385,450	\$ 17,911,395	\$ 8,474,055
Variable	\$ 4,467,538	\$ 2,856,107	\$ 1,611,431
Water Treatment			
Fixed	\$ 63,568,396	\$ 40,758,658	\$ 22,809,737
Variable	\$ 11,218,680	\$ 8,360,519	\$ 2,858,161
Transmission	\$ 50,515,288	\$ 36,213,543	\$ 14,301,746
Distribution	\$ 116,984,581	\$ 95,566,658	\$ 21,417,923
Storage	\$ 5,219,812	\$ 2,462,338	\$ 2,757,474
Meters	\$ 51,563,470	\$ 36,025,907	\$ 15,537,563
Services	\$ 16,666,400	\$ 9,363,811	\$ 7,302,589
Customers	\$ 20,369,212	\$ 14,242,809	\$ 6,126,403
Hydrants	\$ 16,926,156	\$ 12,272,716	\$ 4,653,440
Subtotal	\$ 401,244,575	\$ 284,146,196	\$ 117,098,379
Other Water Operating Revenues	\$ 6,180,214	\$ 4,234,180	\$ 1,946,034
Total	\$ 407,424,789	\$ 288,380,376	\$ 119,044,413

MIEC 3-001_Attachment v2.xlsx

Missouri-American Water Company
 Cost of Service Study - Usage Statistics - St. Louis County
 Case No: WR-2020-0344, SR-2020-0345

	Residential	Non Residential	Rate L	Rate B	Rate P	Public Fire	Private Fire	Total	
Total Usage	232,337,171	77,643,740	37,909,317	16,049,266	24,188,304	1,157,430	439,946	389,725,174	hundred gallons
Average Day Usage	636,540	212,723	103,861	43,971	66,269	3,171	1,205	1,067,740	hundred gallons
Max Day Capacity Factor	1.62	1.80	1.50	1.18	1.19			---	
Max Day Usage	1,031,195	382,901	155,792	51,885	78,860	104,004	30,996	1,835,633	hundred gallons
Extra Capacity	394,655	170,178	51,931	7,915	12,591	100,833	29,791	767,893	hundred gallons
Fire Allocator	1.00	1.00	0.32	-	-	0.7775	0.2225	1.0000	30,000 gpm for 10 hours
Distribution Multiplier						1.00	1.00	N/A	
Average Hourly Usage	26,523	8,863	1,385	-	-	132	50	36,953	hundred gallons
Max Hour Capacity Factor	3.56	2.29	2.14	1.18	1.19			---	
Max Hour Usage	94,420	20,297	2,964	-	-	10,400	3,100	131,181	hundred gallons
Extra Capacity	67,898	11,434	1,579	-	-	10,268	3,049	94,228	hundred gallons
Customers	317,951	17,589	133	6	2		5,357	341,038	
Hydrants						32,288	36	32,324	
Revenue	\$ 148,153,855	\$ 43,099,331	\$ 7,375,869	\$ 4,203,945	\$ 3,852,620	\$ -	\$ 3,633,723	\$ 210,319,343	

	Residential	Non Residential	Rate J	Rate B	Rate P	Public Fire	Private Fire	Meter Weighting	Service Weighting
5/8-METER	287,438	7,302	-	-	-	-	-	1.0	1.0
3/4-METER	24,062	3,113	-	-	-	-	-	1.5	1.0
1-METER	7,762	2,159	1	-	-	-	-	2.5	2.9
1.5-METER	332	1,039	3	-	-	-	-	5.0	4.0
2-METER	1,015	3,187	25	-	-	-	125	8.0	5.6
3-METER	22	314	17	-	-	-	1	16.0	5.6
4-METER	22	244	44	-	-	-	549	25.0	6.4
6-METER	25	216	38	-	-	-	2,270	50.0	9.9
8-METER	43	252	24	-	-	-	1,313	80.0	9.9
10-METER	3	54	19	-	-	-	30	115.0	9.9
12-METER	-	-	-	-	-	-	82	215.0	12.2
16-METER	-	-	-	-	-	-	-	320.0	12.2

System Load Factor: 0.6300
 System Load Factor (fire): 0.5849
 System Load Factor (Hourly): 0.4200
 System Load Factor (Hourly fire): 0.3648

1,694,826 max day - thousand gallons per day
 1,825,449 max day with fire - thousand gallons per day
 87,984 max hour - thousand gallons per day
 101,301 max hour with fire - thousand gallons per day

Mains Statistics

Miles	929	Pct	0.2048
10-inch and Larger	3,608		0.7952
Total	4,537		1.0000

Storage Statistics

Total Capacity	1,141,730	hundred gallons
Fire Allocation	0.1144	percentage of storage needed for maximum fire protection day
Non-Fire Allocation	0.8856	

Average system hourly flow on max day
 Average system hourly flow on max day

MIEC 3-001_Attachment v2.xlsx

Missouri-American Water Company
Cost of Service Study - Usage Statistics - Non St. Louis County
Case No: WR-2020-0344, SR-2020-0345

	Residential	Non Residential	Rate J	Rate B	Rate P	Public Fire	Private Fire	Total
Total Usage	58,972,637	31,284,748	2,629,478	11,945,362	9,646,392	385,810	20,033	138,549,764
Average Day Usage	161,569	85,712	72,040	32,727	26,428	1,057	55	379,588
Max Day Capacity Factor	1.62	1.46	1.33	1.18	1.11			---
Max Day Usage	261,742	125,139	95,814	38,618	29,336	34,668	10,332	595,648
Extra Capacity	100,173	39,427	23,773	5,891	2,907	33,611	10,277	216,060
Fire Allocator	1.00	1.00	0.25			0.7552	0.2448	1.0000
Distribution Multiplier						1.00	1.00	N/A
Average Hourly Usage	6,732	3,571	750			44	2	11,100
Max Hour Capacity Factor	3.67	2.38	1.76	1.18	1.11			---
Max Hour Usage	24,707	8,500	1,321			3,467	1,033	39,027
Extra Capacity	17,975	4,928	570			3,423	1,031	27,927
Customers	115,802	10,881	67	18	3			128,819
Hydrants						10,967	263	11,230
Revenue	\$ 50,383,211	\$ 22,248,388	\$ 7,741,042	\$ 3,199,886	\$ 1,055,055		\$ 1,417,832	\$ 86,045,414

	Residential	Non Residential	Rate J	Rate B	Rate P	Public Fire	Private Fire	Meter Weighting	Service Weighting
5/8-METER	108,492	5,879	11		1			1.0	1.0
3/4-METER	1,577	189	1					1.5	1.0
1-METER	5,730	2,047	7	1	1			2.5	2.9
1.5-METER	151	423						5.0	4.0
2-METER	137	2,052	44	16	2		81	8.0	5.6
3-METER	3	85	13	4			3	16.0	5.6
4-METER		74	30	7			348	25.0	6.4
6-METER			21	5			726	50.0	9.9
8-METER	1		10	2	3		425	80.0	9.9
10-METER							66	115.0	9.9
12-METER							22	215.0	12.2
16-METER								320.0	12.2

Average system hourly flow on max day
Average system hourly flow on max day

System Load Factor:	0.7200	527,206	max day - thousand gallons per day
System Load Factor (fire):	0.6647	571,094	max day with fire - thousand gallons per day
System Load Factor (Hourly)	0.4500	24,667	max hour - thousand gallons per day
System Load Factor (Hourly fire)	0.3812	29,121	max hour with fire - thousand gallons per day

Mains Statistics	Miles	Pct
Type	477	0.2069
10-inch and Larger	1,829	0.7931
Under 10-inch	2,306	1.0000
Total		

Storage Statistics	1,894,870	hundred gallons
Total Capacity	0.0232	percentage of storage needed for maximum fire protection day
Fire Allocation		
Non-Fire Allocation	0.9768	

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand
Date Requested: 10/29/2020

Information Requested:

Has Mr. Rea conducted separate class cost of service studies for the two districts (i.e., St. Louis County, and Non-St. Louis County) with each of the customer classes approved in the prior case, Docket No. WR-2017-0285 (including keeping Rate J separate from other Non-Residential customers)? If yes, please provide each class cost of service study in electronic format with formulas intact. If not, please provide a detailed explanation supporting the response.

Requested By: Diana Plescia (dplescia@chgolaw.com)
For MIEC – (Midwest Industrial Energy Consumers)

Information Provided:

Please refer to the objection letter sent to Diana Plescia dated November 9, 2020.

Mr. Rea has not conducted Separate class cost of service studies for the St. Louis County and Non-St. Louis County districts and has not conducted the class cost of service study keeping Rate J separate from other non residential customers. It is the Company's proposal in this proceeding to consolidate tariff pricing between the two districts and to introduce the proposed Rate L tariff as the featured tariff for large users. The cost of service study provided in this case supports pricing for that proposal.

Responsible Witness: Charles Rea

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND

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November 9, 2020

VIA ELECTRONIC MAIL

Ms. Diana Plescia
Curtis, Heinz, Garrett & O'Keefe
DPlescia@chgolaw.com

***RE: Case No. WR-2020-0344 Missouri Public Service Commission,
MIEC's Second Set of Data Requests 2-1 to 2-12***

Dear Diana:

We are in receipt of Data Requests 2-1 to 2-12 from the Missouri Industrial Energy Consumers (MIEC) related to the above-referenced case.

This letter should be considered an objection on behalf of Missouri-American Water Company (MAWC) to the identified data requests, in accordance with Commission Rule 20 CSR 4240-2.090(2), for the reasons described in the following paragraphs.

MIEC DR 2-1 – DR 2-1 requests the following:

Has Mr. Rea conducted separate class cost of service studies for the two districts (i.e., St. Louis County, and Non-St. Louis County) with each of the customer classes approved in the prior case, Docket No. WR-2017-0285 (including keeping Rate J separate from other Non-Residential customers)? If yes, please provide each class cost of service study in electronic format with formulas intact. If not, please provide a detailed explanation supporting the response.

Objection:

MAWC objects to this data request as this request is beyond the permissible scope of discovery in that the rules of discovery do not allow MIEC to shift the burden of completing its own research onto MAWC to complete the requested studies when they are not already in existence.

MIEC DR 2-2 – DR 2-2 requests the following:

To the extent not provided in response to item 2-1, please conduct and provide separate class cost of service studies for the St. Louis County and non-St. Louis County districts. Please maintain the existing customer classes that were approved in the prior case, Docket No. ER-2017-0285 (including keeping Rate J separate from other Non-Residential customers). Please provide these class cost of service studies in electronic spreadsheet format with all formulas intact.

Objection:

MAWC objects to this data request as this request is beyond the permissible scope of discovery in that the rules of discovery do not allow MIEC to shift the burden of completing its own research onto MAWC to complete the requested studies when they are not already in existence.

If you have any questions, please contact me.

BRYDON, SWEARENGEN & ENGLAND P.C.

By:



Dean L. Cooper

cc: Timothy Luft
Counsel for Parties to WR-2020-0344

**DATA INFORMATION REQUEST
Missouri-American Water Company
WR-2020-0344**

Requested From: Brian LaGrand
Date Requested: 10/29/2020

Information Requested:

To the extent not provided in response to item 2-1, please conduct and provide separate class cost of service studies for the St. Louis County and non-St. Louis County districts. Please maintain the existing customer classes that were approved in the prior case, Docket No. ER-2017-0285 (including keeping Rate J separate from other Non-Residential customers). Please provide these class cost of service studies in electronic spreadsheet format with all formulas intact.

Requested By: Diana Plescia (dplescia@chgolaw.com)
For MIEC – (Midwest Industrial Energy Consumers)

Information Provided:

Please refer to the objection letter sent to Diana Plescia dated November 9, 2020.

Responsible Witness: Chuck Rea