

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

In the Matter of Missouri-American Water Company's	)	Case No. <b>WR-2008-0311</b>
Request for Authority to Implement a General Rate	)	<b>SR-2008-0312</b>
Increase for Water and Sewer Service Provided in	)	
Missouri Service Areas.	)	

**POSITION STATEMENT OF ST. JOSEPH PUBLIC WATER SUPPLY DISTRICTS**

COME NOW Public Water Supply District Nos. 1 and 2 of Andrew County, and Public Water Supply District No. 1 of DeKalb County, ("Water Districts") and, pursuant to the Order Adopting Procedural Schedule issued on June 30, 2008, state their position on the issues in this matter:

**INTRODUCTION**

The Water Districts are not-for-profit political subdivisions that serve rural customers in areas outside of St. Joseph, Missouri. Although these Water Districts are among MAWC's larger customers, they are, in reality, representatives of their rural residential customers--since any increase in the cost of water must eventually be passed along to the Water Districts' rural customers.

As a result of the Commission's decision in the 2000 Missouri-American Water Company rate case (Case No. WR-2000-281), the Water Districts' rates in the St. Joseph District increased by approximately 239% above previously approved rates. The 239% rate increase approved in the 2000 rate case was unprecedented in sheer magnitude, and has been difficult for the Water Districts' customers to understand ever since that decision was issued.

The Water Districts continue to believe it was an unfortunate decision for the majority of the Commissioners in Case No. WR-2000-281 to abandon Single-Tariff pricing in favor of District-specific pricing. While some moderate progress was made in the 2003 and 2007

MAWC rate cases in reducing the rates of the Sales For Resale Class, the Water Districts continue to believe that their rates are excessive.<sup>1</sup> The Water Districts note that the Staff's Fully Allocated Cost of Service for the St. Joseph District indicates that a rate reduction is appropriate for the St. Joseph District.

Since the Water Districts are essentially wholesale customers, the Water Districts take our water supplies, for the most part, directly from the mains of MAWC. The Water Districts themselves provide the distribution system to our customers beyond the MAWC meters. Unfortunately, we believe too much of MAWC's distribution system has been allocated to the Water Districts. The Water Districts should not be responsible for also paying for MAWC's distribution system that we don't use. On this issue, the Water Districts believe that Staff's and Public Counsel's methodology allocates too much of the mains and distribution plant to the Water Districts.

The Water Districts support the position of Ag Processing witness Don Johnstone that there should be a rate declining block rate design in the St. Joseph District that applies to non-industrial customers, including the Sales For Resale class. (Johnstone Direct, pp. 6) This approach would result in a 17.9% rate reduction for the Sales For Resale Class. (Id.) In the alternative, the Water Districts believe that it would be appropriate to allocate any rate increase or rate decrease in the St. Joseph District on an across-the-board, equal percentage basis utilizing the existing declining block rate structures in the existing tariff.

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<sup>1</sup> In a subsequent 2003 rate case, Case No. WR-2003-0500, the Commission approved a Rate Design Stipulation And Agreement which resulted in a 14.57% rate reduction for the Sales-for-Resale class in the St. Joseph District. Order Approving Stipulations and Agreements, Case No. WR-2003-0500 (April 6, 2003). In the 2007 rate case, the Commission approved a Nonunanimous Stipulation And Agreement which resulted in a 15.78% reduction in the revenues paid by the Sales-for-Resale class in the St. Joseph District. Report And Order, Case No. WR-2007-0216 (October 4, 2007).

The Water Districts are also concerned about changes that are being proposed to the rate structure for the Sales For Resale Class in St. Joseph. MAWC's rate structure for our class currently consists of a declining block rate structure. With a declining block rate structure, there are volume discounts built into the rate structure so that larger users receive a volume discount to reflect economies of scale. The Staff is proposing to eliminate all volume discounts, and instead replace the declining block rate structure with a flat rate structure. Since the Water Districts are large volume users, the Water Districts take much of the water from the last blocks of the rate schedule. Staff is proposing to increase that last block of the rate structure that applies to the Water Districts by 36.44% (Russo Direct, Schedule 2-6-SSJO), even though the Staff Audit indicates that a rate reduction to the St. Joseph District of approximately \$1.4 million is appropriate. (Johnstone Direct, p. 4)

In summary, the Water Districts request that the Commission carefully consider the impact of the changes in rate structure when it decides this case. The Water Districts in the St. Joseph area have already absorbed an unprecedented increase as a result of the 2000 rate case. As the Commission reviews the various rate proposals in this case, the Water Districts respectfully request that the Commission keep in mind the 239% rate increase that the Water Districts in St. Joseph have already absorbed as a result of the 2000 rate case.

While the Water Districts have not taken a position on most of the revenue requirement issues in this proceeding, the Water Districts intend to participate primarily in the Rate Design/Cost of Service portion of the case. The Water Districts' positions on the list of contested issues related to rate design/cost of service issues are included below:

## **I. LIST OF CONTESTED ISSUES AND POSITION STATEMENTS**

### **RATE DESIGN/COST OF SERVICE**

Inter-District Support or Revenue Contribution: Should or may any district provide a support so that another district may be provided service that is priced below that district's cost of service? If so, which district(s) should receive support and which district should be required to provide that support?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

St. Louis Metro District: Should the St. Louis County, St. Charles, and/or Warren County water districts be combined?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

Allocations: What is the appropriate basis upon which to allocate costs to each customer class?

A) Should there be a small mains adjustment? **YES.**

B) What is the appropriate basis upon which to allocate purchase power expense?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

Rates:

A) **Commodity Charge**

i) Should the commodity charge be set as a declining block rate or should the commodity charge be uniform for all levels of usage?

**YES. THE WATER DISTRICTS BELIEVE THAT A DECLINING BLOCK RATE STRUCTURE IS APPROPRIATE FOR THE ST. JOSEPH DISTRICT.**

**IN THE ALTERNATIVE, THE WATER DISTRICTS BELIEVE THAT ANY RATE INCREASE OR RATE DECREASE TO THE ST. JOSEPH DISTRICT SHOULD BE ALLOCATED ON AN EQUAL PERCENTAGE BASIS ACROSS THE EXISTING RATE STRUCTURE FOR THE ST. JOSEPH DISTRICT.**

- ii) Should commodity rates be uniform across all classes in a district?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

**B) Customer Charge**

- i) What is the appropriate way to establish the customer charge?  
ii) Should the customer charge be uniform across the districts?  
iii) Should the customer charge include some amount of usage?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

Class Identification/Cost of Service: What is the appropriate way in which to identify the customer classes?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO ALL ASPECTS OF THE CLASS IDENTIFICATION ISSUE AND THE METHODS OF ALLOCATION OF COSTS TO THE CUSTOMER CLASSES WITHIN EACH DISTRICT.**

Phase-in:

- (A) Is a phase-in of rates appropriate or lawful?  
(B) Which, if any, districts should have their rate increase phased in?  
(C) How should any carrying cost associated with a phase-in deferral be recovered and from whom?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

MSD Rate: What is the appropriate rate to charge MSD for customer usage information?

**THE WATER DISTRICTS TAKE NO POSITION ON THIS ISSUE.**

Allocation of Costs to Contract Sales Customers: What, if any, adjustment should be made to the Class Cost of Service Studies associated with contract sales?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

Revenue Imputation: If a Triumph Foods revenue imputation is approved, how should the imputation be treated in offsetting costs to determine class revenue requirements?

**THE WATER DISTRICTS RESERVE THE RIGHT TO INQUIRE INTO THIS ISSUE AND ADVOCATE A POSITION AT THE CONCLUSION OF THE HEARINGS IN THIS MATTER.**

City of Riverside Services Issue: Should the Parkville rate be reduced due to inadequate water service in the City of Riverside?

**THE WATER DISTRICTS TAKE NO POSITION ON THIS ISSUE.**

**WHEREFORE,** having complied with the Commission's order issued on June 30, 2008, the Water Districts respectfully request that the Commission accept its Position Statement, and render a decision in this matter consistent with the position stated herein.

Respectfully submitted,

/s/ James M. Fischer

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### **CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, this 23rd day of October, 2008, to all counsel of record in this proceeding.

/s/ James M. Fischer

James M. Fischer