

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

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

REPLY OF
PUBLIC WATER SUPPLY DISTRICT NOS. 1 AND 2
OF ANDREW COUNTY

COME NOW Intervenor Public Water Supply District Nos. 1 and 2 of Andrew County ("Water Districts") and for their Reply to the "Staff's Response To Order Directing Staff To Prepare Scenarios" ("Staff Response"), respectfully state as follows:

1. On May 11, 2016, the Commission issued its *Order Directing Staff to Prepare Scenarios*, in which it ordered Staff to file its response to the scenarios described in the body of the Order no later than May 16, 2016, and it further ordered that any party wishing to respond to Staff's response to the described scenarios to do so no later than May 17, 2016.

2. As described in the Staff Response duly filed on May 16, "the attached sheets are an estimate of proposed impacts based upon the Commission's direction as put forth in the Order for Scenario. For water customers, the two attached scenarios are the Staff's and Company's interpretation of the order." The Water Districts submit this Reply to alert the Commission to the fact that, while the referenced scenarios would suggest that St. Joseph Rate B Sale for Resale customers might see percentage decreases in their rates, high-volume users such as the Water Districts – using between 12 – 16 million gallons of water per month – will actually see increases up to

approximately 15%, due to the district consolidation and abandonment of declining block rates!

3. In the Water Districts' Initial Brief filed herein, we discussed the evolution of the Sale for Resale revenue requirement for Staff's Hybrid District 2 and highlighted the resulting intra-class shifts among the Sale for Resale class by combining the St. Joseph, Platte County and Brunswick rate districts. As Staff Witness James Busch pointed out in the evidentiary hearing: "The actual increase or decrease when those get combined – is going to be different – because Brunswick has one rate, St. Joseph has one rate, and Platte County has one rate. So when you start mixing them all together and then increase it, you're still going to have shifts between those customer classes within – from one – when you go from district to district." (Tr. 802-803).

4. Referencing the "**Staff's Water Utility Rate Design Analysis**" ("Analysis") that was performed by Staff and submitted in this proceeding on June 16, 2015, the Water Districts' Reply Brief discussed the provision of water service to large customers, with the predominant rate structure for such customers being a declining block usage rate. And as that Staff Analysis noted, when moving from a declining block rate to a uniform rate, high demand users would necessarily see a reduction in their initial usage costs, but would see an increase in their late block usage. This is particularly true for high demand users like the Water Districts averaging 12 to 16 million gallons a month, who would necessarily see an increase in their late block usage costs.

5. Indeed, under their existing declining block rate structure, for 15 million gallons per month usage, the effective single block volumetric charge per 100 gallons for the St. Joseph Sale for Resale class is .2602. Under the "Staff's Reply to

Commission Order” spreadsheet, the Rate B SFR – 6” Meters section reflects a single block volumetric charge per 100 gallons of .2962. Accordingly, while a customer using 4,000,000 gallons/month might see a purported -15.4% decrease, high demand users such as the Water Districts will actually see an approximate +14-15% increase!

6. In “Staff’s Response In Opposition to the Office of Public Counsel’s Motion” filed in this matter on May 16, Staff opined: “Due to the multiple moving parts of rate design, wherein multiple issues require consideration to understand the impact of the rates upon the ratepayer, the Commission is within the bounds of its authorization to pose hypotheticals to Staff to evaluate whether the possible rate impacts are just and reasonable.” In their Reply Brief, the Water Districts cautioned that without the appropriate level of data and proper analysis in the rate design area, unintended consequences are inevitable. To that end, the Water Districts respectfully submit this Reply for the Commission’s consideration.

Respectfully submitted,

/s/ Larry W. Dority

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ATTORNEYS FOR PUBLIC WATER
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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 17th day of May, 2016, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

s/ Larry W. Dority