

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

In the Matter 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**

**LIST OF ISSUES, ORDER OF WITNESSES,
ORDER OF CROSS-EXAMINATION AND ORDER OF OPENING STATEMENTS**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and on behalf of all parties to the above-referenced matter, and for its *List of Issues, Order of Witnesses, Order of Cross-Examination and Order of Opening Statements* states as follows:

In preparing this list of issues Staff has solicited input from the parties, attempted to list all the issues, and attempted to obtain consensus on the descriptions of the issues. This is Staff's best effort to list and describe all the issues in this case. To the extent errors in issues or listed witnesses are discovered, the Commission will be advised as soon as possible. All parties do not agree that the issues listed herein are actually issues in this case. In order to prevent the need for filing multiple lists of issues, the parties have agreed to include all issues whether agreed to by opposing parties.

The parties are:

CCM:	Consumers Council of Missouri
Liberty:	The Empire District Electric Company, a Liberty Utilities company
St. Joseph:	City of St. Joseph, Missouri
MECG:	Midwest Energy Consumers Group
MIEC:	Missouri Industrial Energy Consumers
MAWC:	Missouri-American Water Company
Municipal League:	Municipal League of Metro St. Louis
OPC:	The Office of the Public Counsel
Water District:	Public Water Supply District No. 2 of Andrew County
Riverside:	City of Riverside, Missouri

Staff:	Staff of the Commission
Sunnydale:	Sunnydale Properties
Triumph:	Triumph Foods, LLC

LIST OF ISSUES

1. **Test Year** – What is the appropriate test year (historic or future test year), update, true-up period and discrete adjustments, if any, that the Commission should employ for purposes of determining MAWC’s cost of service in this case?
2. **Allocations** – What is the appropriate method to allocate MAWC corporate costs to the water and sewer districts?
3. **Rate Base**
 - a. Emerald Pointe & City of Hollister Pipeline – Should the unamortized amount of the cost of the pipeline be included in rate base?
 - b. Cost of Acquisitions – Should the unamortized amounts of the Hickory Hills and Woodland Manor acquisitions be included in rate base?
 - c. Lead Service Line Replacements – Should the deferred balance of customer-owned lead service line replacements be included in rate base?
 - d. Capitalized Depreciation – Should MAWC capitalize a portion of depreciation expense on tools and equipment partly used on capital projects?
 - e. Cash Working Capital –
 - i. What is the appropriate expense for lead or lag treatment for Service Company expenses?
 - ii. What should the lead and lag treatment for income tax expense be in cash working capital?
 - iii. American Water Works Service Company Prepaid Billing – Should the Commission authorize MAWC to recover its prepaid billing and payment arrangement as a service expense?
 - f. ADIT –
 - i. Should MAWC’s booked Accumulated Deferred Income Tax (ADIT) include a reduction for net operating loss?
 - ii. If so, would there be an effect on the level of excess ADIT to be flowed back to rate payers?
4. **Excess ADIT** – What is the appropriate treatment for the flow back of unprotected excess ADIT to rate payers?
5. **Usage Normalization** – What is the appropriate level of normalized annual usage that the Commission should adopt for calculating normalized revenues for each rate class and service territory?

6. **Water Utility Revenues** – What are the appropriate revenues to use to determine the increase or decrease in water service revenue requirement?
 - a. Residential Revenue – What is the appropriate number of meters for fixed or customer charge to be used for revenues?
 - i. Non-Residential Revenues – What is the appropriate annualized number of meters level for each revenue class?
7. **Sewer Utility Revenues** – What are the appropriate revenues to use to determine the increase or decrease in sewer service revenue requirement?
 - a. What is the appropriate number of units to be used for fixed or customer charge?
8. **Rate of Return/Capital Structure**
 - a. Return on Common Equity – What is the appropriate return on common equity to be used to determine the rate of return?
 - b. Capital Structure – What capital structure should be used to determine the rate of return?
 - c. Debt/Preferred Stock Rates/Costs – What Debt/Preferred Stock Rates/Costs should be used to determine the rate of return?
9. **Amortizations** –
 - a. AFUDC regulatory amortization – What is the appropriate treatment of AFUDC regulatory amortization in this case?
10. **Main Break Expense** – What is the appropriate amount of main break expense to be included in the cost of service?
11. **Maintenance Expense** – What is the appropriate amount of Maintenance Expense other than main break expense should be included in the cost of service calculation?
12. **Outside Services** – What is the appropriate amount of expense related to outside services that should be included in the cost of service calculation?
13. **Postage Expense** – What is the appropriate amount of postage expense to include in the cost of service calculation?
14. **Tank Painting Expense** –
 - a. Tank Painting Expense – What is the appropriate amount for tank painting expense to be included in the cost of service calculation?
 - b. Capitalization – Should tank painting expense be capitalized going forward?
15. **Income Tax Gross Up Factor** – Should the income tax gross-up factor include consideration of uncollectibles and PSC assessment?

16. Service Company Costs –

- a. Sale of New York American – Should service company costs be increased to account for the sale of New York American by American Water Works?
- b. American Water Works Officer Expense – Should the Commission authorize MAWC to recover officer expense for MAWC's corporate officers?
- c. Credit Line Fee Charge – Should the Commission authorize MAWC to recover credit line fee charges with American Water Service Company as a service expense?

17. Property Tax –

- a. Property Tax Expense - What is the appropriate level of property tax to be included in rates?
- b. Property Tax Tracker - Should the Commission implement a property tax tracker?

18. Purchased Power – What is the appropriate allocator for purchased power costs?

19. Insurance Other than Group – What is the appropriate amount of insurance expense to recover in rates?

20. Uncollectible Expense – What is the appropriate amount of uncollectible expense to recover in rates?

21. Pension & OPEBs –

- a. What is the appropriate amount of Pension & OPEB expenses to be included in rates?
- b. What is the appropriate amount to include in OPEBs for retiree reimbursements?

22. Lobbying Expense – What is the appropriate amount of payroll tied to lobbying expense?

23. Incentive Compensation (APP & LTPP) – Should incentive compensation related to earnings per share (EPS) and other financial goals be included in the cost of service calculation?

24. Employee Benefits (ESPP) – What is the appropriate treatment of the ESPP in regard to the cost of service calculation?

25. Payroll Expense –

- a. Employee Positions – Should the Commission include currently vacant and temporary payroll positions when calculating MAWC's operating expense?
- b. Service Company Payroll – What level of payroll for American Water Service Company personnel should the Commission include in rates?

26. **Employee / Management Expense** – What level of employee / management expense should be included in the calculation of cost of service?
27. **Credit Card Fee Expense** – Should the Commission include credit card fees in the calculation of cost of service?
28. **Dues and Donations** – What is the appropriate amount of dues and donations expense to be included in the cost of service calculation?
29. **Rate Case Expense** –
- a. Sharing of Cost – Should rate case expense be shared?
 - b. Expense - What amount of rate case expense should be borne by the ratepayers?
 - c. Normalization Period – What is the appropriate normalization period for recovering rate case expense?
30. **PSC Assessment** – What is the proper methodology and amount that should be included for the Missouri Public Service Commission assessment?
31. **Production Costs**
- a. Purchased Water – What is the appropriate amount of purchased water expense to recover in rates?
32. **Leases** – What is the appropriate level of expense for leases to include in the cost of service calculation?
33. **Transportation** – What is the appropriate level of expense to include in the cost of service calculation for transportation related to fuel?
34. **Waste Disposal** – What is the appropriate amount to include in the cost of service calculation for waste disposal expense?
35. **Valve/Hydrant Maintenance** – How should valve and hydrant maintenance be recorded in the general ledger moving forward?
36. **AFUDC** –
- a. AFUDC Calculation – What is the proper calculation of the Allowance for Funds Used During Construction (AFUDC) rate?
 - b. Rate Base Adjustment – Should rate base be adjusted to reflect a corrected AFUDC rate?
 - c. Adjustment to Capital Structure – If short-term debt is not applied to Construction Work In-Progress (CWIP) first, then should short-term debt be included in MAWC's capital structure?

37. COVID-19 Accounting Authority Order –

- a. Recovery – How much, if any, of MAWC’s COVID-19 AAO should the Commission approve for recovery in MAWC’s rates?
- b. Interest Expense – Should interest expense be recoverable in rates as part of the COVID-19 AAO agreed to in Case No. WU-2020-0417?
- c. Amortization – Over what period should the COVID-19 AAO be amortized?

38. System Delivery –

- a. Water Loss – What is an acceptable level of water loss for the MAWC systems?
- b. Water Loss Applied to Production Costs – What is the appropriate water loss to apply to chemicals, and fuel and power expense?
- c. Main Break Audit – Should MAWC conduct annual audits regarding its water main breaks?
- d. Water Loss Audit – Should MAWC conduct period audits for service areas with greater than 20% lost or unaccounted for water?

39. Depreciation – What are the appropriate depreciation rates and resulting expense that should be applied?

40. Affiliate Transactions – Should MAWC be required to file a Cost Allocation Manual with the Commission?

41. Low-Income Pilot Program –

- a. Should the Commission maintain the current Low-Income Rate pilot program?
- b. Should the Commission authorize MAWC to expand its Low-Income Rate pilot program?
- c. What is the appropriate design of the Low Income Rate?

42. Inclining Block Pilot Program –

- a. Should the Commission re-authorize MAWC’s inclining block pilot program in its Mexico service area?
- b. What are the appropriate blocks for the inclining block rate pilot program?

43. Revenue Stabilization Mechanism (RSM) –

- a. Should the Commission approve a Revenue Stabilization Mechanism for MAWC? And if so, how should the RSM be structured in terms of revenue requirement, included customer classes, the calculation of refunds, the inclusion of production costs, or other factors?
- b. If so, is there a change in business risk that may be taken into account in setting MAWC’s authorized return on equity??

44. Water Rate Design

- a. Single Tariff Pricing / District Specific Pricing – Should the Commission keep the current water district structure, or adopt single tariff pricing for the water customers?
- b. Industrial Class – Should MAWC create an industrial customer class (Rate L)? Should the Commission eliminate Rate J and begin the migration of customers that do not qualify for a new Rate L to Rate A?
- c. Class Costs –
 - i. What is the appropriate cost of service for each customer class?
 - ii. What is the appropriate methodology for conducting the class cost of service study
- d. Customer Charge – What is the appropriate customer charge for each customer classification?
- e. Commodity Charge – What is the appropriate commodity charge for each customer classification?
- f. Sunnydale Rate Designation – Should Sunnydale be placed on Rate J, or in the alternative, Rate J1?

45. Sewer Rate Design

- a. Sewer Districts – What is the appropriate rate structure for the sewer service districts?

HEARING SCHEDULE

Hearings will start the first day at 9 am and each day thereafter at 8:30 am and, to the extent possible given schedule constraints, issues will be handled upon the conclusion of the preceding issue. The parties intend to maintain this hearing schedule and acknowledge that it may be necessary to hold hearings after 5 pm. Parties reserve the opportunity for issue-specific mini-openings as each issue is taken up.

Monday, February 22

Preliminary Matters

Opening Statements

- MAWC
- Staff
- OPC
- Triumph
- Riverside
- St. Joseph
- Water District
- Municipal League
- CCM
- MECCG
- MIEC
- Sunnydale

Overview and Regulatory Policy

- MAWC – Dewey
- Staff – McMellen
- Staff - Gateley
- OPC – Marke

Test Year

- MAWC – Watkins
- MAWC – Kaiser
- MAWC - LaGrand
- Staff – Bolin
- OPC – Marke
- MIEC – Meyer

COVID-19 Accounting Authority Order

- MAWC – LaGrand
- MAWC - Merante
- Staff – Bolin
- OPC – Murray
- OPC – Roth
- MIEC - Meyer

Tuesday, February 23

Property Tax

- MAWC - LaGrand
- Staff – McMellen
- Staff - Barron
- MIEC – Meyer

Income Tax Gross Up Factor

- MAWC – LaGrand
- MIEC - Meyer

Credit Card Fee Expense

- MAWC – LaGrand
- Staff - Glasgow
- Staff – Bolin
- OPC – Conner

Dues and Donations

- MAWC – Bowen
- Staff – Barron

PSC Assessment

- MAWC – Wright
- Staff – Niemeier

Wednesday, February 24

AFUDC

- MAWC – LaGrand
- Staff – Bolin
- Staff - Won
- OPC – Murray
- OPC - Schallenberg

Amortizations

- MAWC - LaGrand
- Staff – McMellen
- OPC - Schallenberg

Rate Base Issues

Emerald Pointe & City of Hollister Pipeline

- MAWC - LaGrand
- Staff – McMellen

Cost of Acquisitions

- MAWC - LaGrand
- Staff – McMellen

Lead Service Line Replacements

- MAWC - LaGrand
- Staff – McMellen
- OPC - Marke

Capitalized Depreciation

- MAWC - LaGrand
- Staff – McMellen

Cash Working Capital

- MAWC - LaGrand
- Staff – Barron
- OPC – Riley
- OPC - Schallenberg

ADIT

- MAWC – Wilde
- Staff – Foster
- Staff - Bolin
- OPC – Riley

Thursday, February 25

Rate of Return/Capital Structure

- MAWC – Bulkley
- MAWC – Merante
- MAWC - Kaiser
- Staff – Won
- OPC – Murray
- OPC - Schallenberg

Valve/Hydrant Maintenance

- MAWC - LaGrand
- Staff – Caldwell

Tank Painting Expense

- MAWC – Kaiser
- MAWC - LaGrand
- Staff – Niemeier
- MIEC - Meyer

Main Break Expenses

- MAWC – Kaiser
- MAWC - Bowen
- Staff – Niemeier

Maintenance Expense

- MAWC - Bowen
- Staff – Niemeier

System Delivery

- MAWC – Kaiser
- MAWC - Wright
- Staff – Sarver
- Staff – Harris
- MIEC – Meyer

Friday, February 26

Depreciation

- MAWC - Kennedy
- Staff – Cunigan
- OPC – Robinett

Leases

- MAWC – Wright
- Staff – Amenthor

Insurance Other than Group

- MAWC - Bowen
- Staff – Newkirk

Uncollectible Expense

- MAWC - Wright
- Staff – Newkirk

Outside Services

- MAWC - Bowen
- Staff – Barron
- OPC - Schallenberg

Postage Expense

- MAWC – Wright
- MAWC - Bowen
- Staff - Barron

Transportation

- MAWC - Wright
- Staff – Amenthor

Waste Disposal

- MAWC - Wright
- Staff – Caldwell

Monday, March 1

Service Company Costs

- MAWC – Baryenbruch
- MAWC – Bowen
- MAWC - LaGrand
- OPC – Schallenberg
- MIEC - Meyer

Allocations

- MAWC - LaGrand
- Staff –Newkirk

Affiliate Transactions

- OPC - Marke
- Staff – Bolin
- MAWC - LaGrand

Rate Case Expense

- MAWC – LaGrand
- Staff – Newkirk
- Staff – Amenthor
- OPC – Conner

Production Costs

- MAWC - Wright
- Staff – Sarver

Purchased Power

- MAWC - Wright
- Staff – Sarver

Tuesday, March 2

Pension & OPEBs

- MAWC – LaGrand
- Staff – Foster

Lobbying Expense

- MAWC – Bowen
- Staff – Barron

Incentive Compensation (APP & LTPP)

- MAWC – Mustich
- MAWC -- Kaiser
- Staff – Arabian

Employee Benefits (ESPP)

- MAWC – Bowen
- Staff – Arabian

Payroll Expense

- MAWC – Kaiser
- MAWC - Bowen
- Staff – Arabian
- OPC – Roth
- OPC - Schallenberg

Employee / Management Expense

- MAWC – Bowen
- Staff – Arabian
- OPC – Conner

Wednesday, March 3

Usage Normalization

- MAWC - Roach
- Staff – Robertson
- Staff – Sarver
- OPC – Mantle
- MIEC - Meyer

Water Utility Revenues

- MAWC - LaGrand
- Staff – Sarver
- MIEC - MIEC

Sewer Utility Revenues

- MAWC - LaGrand
- Staff – Sarver

Revenue Stabilization Mechanism

- MAWC - Watkins
- Staff – Busch
- OPC – Mantle
- MIEC - Meyer

Thursday, March 4

Water & Sewer Rate Design Issues

Single Tariff Pricing / District Specific Pricing

- MAWC – Watkins
- MAWC – Rea
- Riverside - Rose
- Staff – Barnes
- OPC – Marke
- MIEC - York

Class Costs of Service

- MAWC – Rea
- Staff – Barnes
- OPC – Marke
- MIEC - York

Customer Charge

- MAWC – Rea
- Staff – Barnes
- OPC – Marke
- MIEC - York

Commodity Charge

- MAWC – Rea
- Staff – Barnes
- OPC – Marke
- MIEC - York

Industrial Class

- MAWC – Rea
- Staff – Barnes
- MIEC – York

Sunnydale Rate Designation

- Sunnydale - Collins
- MAWC – LaGrand

Low Income Pilot Program

- MAWC – LaGrand
- Staff – Barnes
- OPC – Marke

Friday, March 5

Inclining Block Pilot Program

- MAWC – Rea
- Staff – Barnes

ORDER OF CROSS-EXAMINATION

The parties identified below are parties that have pre-filed testimony. A different order of cross-examination may be more appropriate for specific issues, however, the following orders of cross-examination are generally based on adversity:

MAWC witnesses

Triumph, Water District, Liberty, Municipal League, St. Joseph, Riverside, CCM, Sunnydale, MECG, MIEC, OPC, Staff;

Staff witnesses

Triumph, Water District, Liberty, Municipal League, St. Joseph, Riverside, CCM, Sunnydale, MECG, MIEC, OPC, MAWC;

OPC witnesses

Triumph, Water District, Liberty, Municipal League, St. Joseph, Riverside, CCM, Sunnydale, MECG, MIEC, Staff, MAWC;

MIEC witnesses

Triumph, Water District, Liberty, Municipal League, St. Joseph, Riverside, CCM, Sunnydale, MECG, OPC, Staff, MAWC;

Riverside witnesses

MAWC, Liberty, Triumph, Municipal League, MIEC, MECG, CCM, Sunnydale, Staff, OPC, Water District, St. Joseph;

Sunnydale witnesses

Triumph, Water District, Liberty, Municipal League, St. Joseph, Riverside, CCM, MECG, MIEC, OPC, Staff, MAWC

*As the witnesses presented are their own, other coalition cities will not cross-examine witnesses produced by the coalition cities.

WHEREFORE, Staff respectfully submits this *List of Issues, Order of Witnesses, Order of Cross-Examination and Order of Opening Statements*, on behalf of itself and the parties referenced herein.

Respectfully submitted,

/s/ Mark Johnson

Mark Johnson

Deputy Counsel

Missouri Bar No. 64940

P.O. Box 360

Jefferson City, MO 65102

573-751-7431 (Voice)

573-751-9285 (Fax)

mark.johnson@psc.mo.gov

**Attorney for the Staff of the
Missouri Public Service Commission**

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and or counsel of record on this 11th day of February, 2021.

/s/ Mark Johnson