

**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.)

File No. WR-2022-0303
File No. SR-2022-0304

**RESPONSE TO MAWC'S MOTION TO ESTABLISH TEST YEAR,
TRUE-UP DATE, AND DISCRETE ADJUSTMENTS**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), through counsel, and states its non-opposition to the test year and true-up period proposed by Missouri-American Water Company ("MAWC"). However, in order to review them as part of this rate case, Staff requests that the Commission deny MAWC's proposal to include in its revenue requirement anticipated future costs occurring past the true-up period through certain discrete adjustments. Staff states as follows:

1. On July 1, 2022 MAWC filed tariffs to increase its base rates by approximately 25.7% over those revenues currently produced by base rates and the ISRS/WSIRA surcharge. Simultaneously, MAWC filed a *Motion to Establish Test Year, True-Up Date and Discrete Adjustments* ("Motion").

2. In its Motion, MAWC proposes a historical test year of the twelve months ending June 30, 2022 and a true-up period of the twelve months ending December 31, 2022. Staff does not oppose these proposals. In paragraph 8 of its pleading, MAWC lists items it intends to true-up. Initially, Staff agrees that these items should be included in the true-up period. Staff reserves the right to true-up additional items as it sees appropriate.

3. MAWC also requests authorization to include in its revenue requirement adjustments through May 31, 2023. MAWC states that these adjustments include capital

projects that are not WSIRA-eligible and will go into service prior to the operation of law date in these rate cases, changes to MAWC's capital structure and cost of debt through the operation of law date, and operating expense adjustments that will be in effect prior to the operation of law date. MAWC further states that these adjustments are required in order for MAWC to meet shortfalls in its actual return on equity, which are due to use of the historical test year and regulatory lag.

4. On July 11, 2022 the Office of the Public Counsel ("OPC") moved for an enlargement of time to respond to MAWC's motion, or in the alternative, opposed that part of MAWC's request to include adjustments beyond the true-up period. OPC noted that the Commission has not previously authorized MAWC to include specific adjustments beyond the true-up period and such adjustments would not be audited, because information about them would not be known until after witnesses file their testimony.

5. The Commission granted OPC's motion for an enlargement of time to respond to MAWC's requests and ordered any responses due July 29, 2022.

6. Staff requests the opportunity to review MAWC's proposed discrete adjustments in the broader context of this rate case and to address them in its testimony. Staff is also concerned that including in MAWC's revenue requirement future costs beyond the true-up period would violate the used and useful standard,¹ the known and measurable standard,² the matching principle,³ and §393.270.4, RSMo, which provides

¹ "The property upon which a rate of return can be earned must be utilized to provide service to its customers. That is, it must be used and useful. This used and useful concept provides a well-defined standard for determining what properties of a utility can be included in rate base." *State ex el. Union Electric v. Public Service Commission*, 765 S.W.2d 618, 622 (Mo.App. W.D.1988).

² The known and measurable standard requires rates to be based upon known and measurable costs.

³ The matching principle states that a utility's revenues, expenses, rate base, and rate of return are analyzed over a common period of time.

that in setting rates, the Commission must consider all relevant factors, including “a reasonable average return upon capital actually expended.” For these reasons, Staff requests that the Commission deny that part of MAWC’s motion requesting that discrete adjustments through May 31, 2023 be included in its revenue requirement.

WHEREFORE, Staff respectfully requests that the Commission grant MAWC’s motion related to the test year and true-up period, and order a historical test year ending June 30, 2022 and a true-up period ending December 31, 2022. Staff further requests that the Commission deny MAWC’s motion to include adjustments beyond the proposed true-up period in its revenue requirement.

Respectfully submitted,

/s/ Karen E. Bretz

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 29th day of July, 2022.

/s/ Karen E. Bretz