

**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-2022-0303

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

COMES NOW the Staff of the Missouri Public Service Commission, through counsel, and on behalf of itself, Missouri-American Water Company, Midwest Energy Consumers Group, and the Office of the Public Counsel,¹ and for its *List of Issues, List and Order of Witnesses, Order of Opening, and Order of Cross-Examination* states as follows:

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
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

¹ This document has been distributed to all parties, but Staff does not have all parties’ consent in order to state that it is an entirely joint filing.

LIST OF ISSUES

1. **ROE / Capital Structure / Cost of Debt:** What is the appropriate return on equity to be used to determine the rate of return? What capital structure should be used to determine the rate of return? What is the appropriate cost of debt to use to determine the rate of return? Should the authorized rate of return be adjusted to consider the Commission's approval/disapproval of MAWC's request for a Revenue Stabilization Mechanism (RSM") and/or a Post in Service Carrying Cost Capitalization Mechanism?
2. **Regulatory Policy Matters/Mechanisms:**
 - a. **Discrete Adjustments:** What, if any, discrete adjustments should the Commission make related to matters that will be known and measurable prior to the operation of law date in this case?
 - b. **Regulatory Deferrals:** Should MAWC be allowed to defer depreciation expense as soon as new plant investment is placed into service? Should MAWC be allowed to capitalize post-in-service carrying costs?
 - c. **Revenue Stabilization Mechanism (RSM) / Decoupling:** Should the Commission approve a RSM for MAWC? 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?
 - d. **Production Cost Tracker (if not in RSM):** Should MAWC be allowed to implement a production cost tracker?
 - e. **Bad Debt Cost Tracker:** Should MAWC be allowed to implement a bad debt cost tracker?

3. Affiliate Transactions:

- a. **Affiliate Transactions Rules:** Should MAWC be required to file a Cost Allocation Manual with the Commission? Should the Commission open a new rulemaking docket in order to draft affiliate transactions rules for water and sewer?
- b. **Customer Privacy Preferences:** Should the Commission update its customer privacy rules to ensure that Missouri ratepayers have the ability to decide how their personal information is used? Should MAWC update its website to make it easier for customers to manage how MAWC and American Water use their personal information?
- c. **American Water Resources:** What adjustment, if any, should the Commission make associated with American Water Resources Company's (AWRC) logo used while AWRC was MAWC's affiliate? Should the Commission open an investigatory docket concerning the relationships and potential sharing of information between MAWC, AWRC, and American Water Works Company, Inc. affiliated entities (including the Service Company)?

4. Rate Base:

- a. **Cash Working Capital:** What are the appropriate expense lag days for support services, current federal income tax, and current state income tax?
- b. **Contributions in Aid of Construction (CIAC) / Amortization of CIAC:** What is the appropriate amount of CIAC and amortized CIAC to include in MAWC's cost of service?

- c. **Depreciation Reserve:** What is the appropriate amount of depreciation reserve to include in MAWC's cost of service?
 - d. **Other Rate Base Items:**
 - i. What is the appropriate amount of materials and supplies to include in MAWC's cost of service?
 - ii. What is the appropriate amount of customer advances to include in MAWC's cost of service?
 - iii. What is the appropriate amount of prepayments to include in MAWC's cost of service?
 - e. **Pensions and Other Post-Employment Benefits (OPEBs) and Trackers:** What is the appropriate amount of pensions and OPEBs to include in MAWC's cost of service?
5. **Property Tax Tracker (SB 745):** Should MAWC be allowed to recover property tax amounts it has deferred since August 28, 2022, pursuant to SB 745?
6. **Lead Service Lines:**
- a. **Deferred Customer Lead Lines:** How should the unamortized balance be treated? Should MAWC provide information regarding its lead line replacement program in future WSIRA cases as proposed by OPC witness Marke?
 - b. **Lead Service Line Funding:** Should the Commission order MAWC to pursue all federal funding opportunities related to lead line replacements? Should MAWC be required to disclose its actions and plans with the Commission and stakeholders in the AW-2023-0156 docket?

7. Income Taxes:

- a. **Excess ADIT Stub Period (Amortization & Tracker):** Should the TCJA tracker balance be applied against the remaining stub period amortization to include as a credit on customer bills?
- b. **Income Taxes:** Should income taxes be included in MAWC's cost of service? If so, what is the appropriate methodology for determining how much should be included?
- c. **Accumulated Deferred Income Tax (ADIT):** Should ADIT be included in MAWC's cost of service? If so, what is the appropriate methodology for determining how much should be included?

8. Labor & Related:

- a. **Incentive Compensation:** Should incentive compensation related to MAWC's financial performance be included in MAWC's cost of service?
- b. **Payroll:** What is the appropriate amount of payroll expense to include in MAWC's cost of service?
- c. **Payroll Taxes:** What is the appropriate amount of payroll taxes to include in MAWC's cost of service?
- d. **Employee Benefits (Other than Pensions and OBEs):** What is the appropriate amount of employee benefits to include in MAWC's cost of service?

9. Production Costs:

- a. **Chemicals:** What is the appropriate amount of chemical expense to include in MAWC's cost of service?

- b. **Fuel and Power Expense:** What is the appropriate amount of fuel and power expense to include in MAWC's cost of service?
 - c. **Purchased Water:** What is the appropriate amount of purchased water expense to include in MAWC's cost of service?
 - d. **Waste Disposal:** What is the appropriate amount of waste disposal expense to include in MAWC's cost of service?
 - e. **Water Loss Adjustment:** What water loss percentage should be used to calculate chemical, fuel, and power expense?
- 10. Maintenance Expenses:**
- a. **Hydrant Painting:** What is the appropriate amount of hydrant painting to include in MAWC's cost of service?
 - b. **Main Break Expense:** What is the appropriate amount of main break expense to include in MAWC's cost of service?
 - c. **Maintenance Supplies and Services Expense:** What is the appropriate amount of maintenance supplies and services expense, other than main break, hydrant painting, and tank painting expense, to include in MAWC's cost of service?
 - d. **Tank Painting (Engineered Coatings):** Should tank painting costs be treated as an expense or be capitalized? If expensed, what is the appropriate amount of tank painting expense to include in MAWC's cost of service? If capitalized, what is the appropriate amount of tank painting expense to remove from MAWC's cost of service?

11. Miscellaneous Expenses:

- a. **Advertising Expense:** What is the appropriate amount of advertising expense to include in MAWC's cost of service?
- b. **Amortization of Regulatory Assets:**
 - i. **Emerald Pointe Pipeline:** What is the appropriate accounting treatment of the section of the Emerald Pointe pipeline owned by the City of Hollister?
 - ii. **City of Purcell:** Should MAWC be allowed to recover the costs it incurred to operate the City of Purcell's systems before MAWC acquired them? If so, what is the appropriate accounting treatment of MAWC's costs to operate the City of Purcell's systems before MAWC acquired them?
- c. **Bad Debt Expense:** What is the appropriate amount of bad debt expense to include in MAWC's cost of service?
- d. **Building Maintenance and Services:** What is the appropriate amount of building maintenance to include in MAWC's cost of service?
- e. **Contract Services (Outside Services – Accounting, Legal, Missouri One Call, etc.):** What is the appropriate amount of outside services to include in MAWC's cost of service?
- f. **Credit Card Fees:** What is the appropriate amount of credit card and e-check fees to include in MAWC's cost of service?
- g. **Dues and Donations:** What is the appropriate amount of dues and donations expense to include in MAWC's cost of service?

- h. **Employee Expenses:** What is the appropriate amount of employee expenses to include in MAWC's cost of service?
- i. **Insurance (Other than Group):** What is the appropriate amount of insurance expense to include in MAWC's cost of service?
- j. **Leases (Rents and Transportation):** Should non-renewed leases be removed from MAWC's cost of service? What is the appropriate amount of transportation lease expense to include in MAWC's cost of service?
- k. **Lobbying Expenses:** Has MAWC removed all lobbying expenses from its cost of service?
- l. **Office Supply and Services Expense:** What is the appropriate amount of office supply and services expenses to include in MAWC's cost of service?
- m. **Penalties Expense:** What is the appropriate amount of penalties expense to include in MAWC's cost of service?
- n. **Postage Expense:** What is the appropriate amount of postage expense to include in MAWC's cost of service?
- o. **Promotional Items:** What is the appropriate amount of promotional items expense to include in MAWC's cost of service?
- p. **Property Taxes:** What is the appropriate amount of property tax to include in MAWC's cost of service?
- q. **PSC Assessment:** What is the appropriate amount of PSC Assessment to include in MAWC's cost of service?
- r. **Rate Case Expense:** Should rate case expense be shared between ratepayers and shareholders and, if so, how? What is the appropriate

accounting treatment of rate case expense? Should MAWC be allowed to recover the unamortized rate case expense attributable to Case Number WR-2020-0344? Should MAWC be allowed to recover the legal expenses attributable to Barnes and Thornburg LLP?

- s. **Support Services (Service Company):** What is the appropriate amount of Service Company costs to include in MAWC's cost of service?
- t. **Telecommunications Expense:** What is the appropriate amount of telecommunications expense to include in MAWC's cost of service?

12. Billing Determinants:

- a. **Declining Usage:** What is the appropriate methodology for normalizing residential customer usage?
- b. **Normalized Residential Customer Usage:** What is the appropriate methodology to calculate normalized residential customer usage?
- c. **Revenues:** What is the appropriate number of residential meters to use for calculating the minimum charge to include in revenues? What is the appropriate amount of Other Operating, Miscellaneous, and Unbilled revenues?
- d. **Revenues – Customer Commodity:** What are the appropriate usage revenues for water rates A, J, resale, and private fire? What are the appropriate usage revenues for sewer rates for residential, commercial, industrial, and OPA customers?

13. Class Cost of Service:

- a. **Cost of Service Studies:** What are the appropriate allocation factors to be used to determine the revenue requirement allocation? Should the Commission utilize the Class Cost of Service Studies filed in this case to determine the appropriate allocation of the revenue requirement to the various customer classes? If so, what should be the allocation of the revenue requirement to each class? How should the revenues associated with special contracts be treated in developing the class cost of service?

14. Rate Design:

- a. **Meter Charge Consolidation:** What meter charges should be used?
- b. **Single Tariff Pricing:** Should the Commission consolidate Rate Class A across St. Louis County and non-St. Louis County customers?

15. **Allowance for Funds Used During Construction:** What is the appropriate capitalization rate to apply to construction work in progress?

16. **Corporate Allocations – Tariff Groups:** What is the appropriate allocation of corporate costs to the tariff districts?

17. **Customer Service:** Should MAWC conduct an independent audit of its call center apparatus to assess its customer service performance?

18. **Extension of Company Mains Rule:** Should the Commission allow MAWC to change its tariff Rule 23 Extension of Company Mains? If so, should the 120-day time frame be removed? Should the Commission adopt MAWC's proposed 65:35 funding ratio? Should the Commission adopt Staff's proposed 75:25 funding ratio?

19. **Late Fees:** Should MAWC reduce its late fees from 1.5% per month to .25% per month? Should MAWC make information regarding late fees more easily accessible on its website?
20. **Customer Programs:** Should programs proposed by OPC (Critical Needs Program and Ameren Missouri's Rehousing Pilot Program) be adopted for MAWC and, if so, how should they be funded?
21. **Technology Investments:** Is MAWC paying an appropriate amount of capital expenditures and operations and maintenance expense to account for Enterprise Solutions investments? Should an amount be removed from rate base and the revenue requirement calculation in this case as a result of this issue?
22. **Utility Excavation Coordination:** Should MAWC be ordered to meet with Staff and OPC to discuss coordinating main replacement with municipalities and other public utilities and to report its efforts to pursue cost savings? Should the Commission open a working docket to explore cost savings practices?
23. **Water Sewer Infrastructure Rate Adjustment (WSIRA):** Should the rate of return the Commission establishes for the WSIRA include income tax?

HEARING SCHEDULE

Hearings will start the first day at 9 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 27

Preliminary Matters

Opening Statements

- MAWC
- Staff
- OPC
- MIEC
- Triumph
- Riverside
- Liberty
- St. Joseph
- Water District
- CCM
- MIECG
- Sunnydale

Overview and Regulatory Policy

- MAWC – Svindland
- Staff – Bolin
- OPC – Marke

Regulatory Deferrals

- MAWC - LaGrand
- Staff – Bolin
- OPC-Robinett

Tuesday, February 28

ROE / Capital Structure / Cost of Debt²

- MAWC – Swiz (Merante)
- MAWC – Bulkley
- MAWC – Kasier
- Staff – Jennings
- OPC – Murray

Allowance for Funds Used During Construction

- MAWC-Swiz
- OPC-Murray

Customer Programs

- MAWC – LaGrand
- OPC – Marke

Late Fees

- MAWC – LaGrand
- OPC – Marke

Wednesday, March 1

Discrete Adjustments

- MAWC - LaGrand
- MAWC – Selinger
- Staff – Bolin
- OPC – Robinett

² Because of witness availability issues, this issue will be the first item taken up on February 28, regardless of where the hearing finishes on February 27. Additionally, this issue is the subject of a pending motion and may be discussed further.

Property Taxes

- MAWC – LaGrand
- MAWC – Selinger
- Staff – Horton
- OPC – Riley

Property Tax Tracker (SB 745)

- MAWC – Selinger
- Staff – Bolin

Bad Debt Expense

- MAWC – Mason
- Staff – Horton

Bad Debt Cost Tracker

- MAWC - Selinger
- Staff – Bolin

Production Cost Tracker (if not in RSM)

- MAWC – LaGrand
- Staff – Bolin
- Staff – Sarver
- OPC – Mantle

Amortization of Regulatory Assets

- MAWC – LaGrand
- MAWC – Grisham
- Staff – Horton
- Staff - McMellen
- OPC – Riley

CIAC / Amortization of CIAC

- MAWC - Grisham
- Staff – Branson

Thursday, March 2

Technology Investments

- MAWC – Santillo
- OPC – Schaben

Extension of Company Mains Rule

- MAWC – Kaiser
- Staff – D. Williams
- OPC – Robinett

Utility Excavation Coordination

- MAWC – Kaiser
- MAWC – Lueders (Losli)
- Staff – Roos
- OPC – Marke

Lead Service Line Funding

- MAWC – Lueders
- OPC – Marke

Deferred Customer Lead Lines

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

Income Taxes / Water Sewer Infrastructure Rate Adjustment (WSIRA):

- MAWC – Ciullo
- MAWC – Grisham
- MAWC – LaGrand
- Staff – Foster
- OPC – Riley

Accumulated Deferred Income Tax (ADIT)

- MAWC – Ciullo
- MAWC – Grisham
- OPC - Riley
- Staff – Foster

Excess ADIT Stub Period (Amortization and Tracker)

- MAWC – LaGrand
- Staff – Foster

Friday, March 3

Advertising Expense

- MAWC – Mason
- Staff – Horton

Contract Services

- MAWC – Mason
- Staff – Horton

Credit Card Fees

- MAWC – Mason
- Staff - Horton

Lobbying Expenses

- MAWC – Mason
- Staff – Horton

Plant in Service

- MAWC - Grisham
- Staff – McMellen

Depreciation Reserve

- MAWC - Grisham
- Staff – McMellen

Rate Case Expense

- MAWC – LaGrand
- Staff – Horton
- Staff – Sarver
- OPC – Riley

Monday, March 6

Revenue Stabilization Mechanism (RSM) / Decoupling

- MAWC – Watkins³
- MAWC – Rea
- Staff – Busch
- OPC – Mantle

Payroll

- MAWC – Mason
- Staff – Horton

³ Mr. Watkins is only available March 6-8, 2023.

Customer Privacy Preferences

- MAWC - Watkins
- OPC-Schaben

Payroll Taxes

- MAWC – Mason
- Staff – Horton

Employee Expenses

- MAWC – Mason
- Staff – Horton

Affiliate Transactions Rules

- MAWC – LaGrand
- MAWC - Watkins
- Staff – Bolin
- OPC – Mantle
- OPC – Marke
- OPC – Schaben

American Water Resources

- MAWC – Watkins
- OPC – Schaben

Tuesday, March 7

Incentive Compensation

- MAWC - Mustich
- MAWC – Kaiser
- MAWC – Mason
- Staff – Horton

Support Services (Service Company)

- MAWC – Baryenbruch
- MAWC – Watkins
- Staff – Sarver

Corporate Allocations – Tariff Groups

- MAWC – LaGrand
- Staff – Sarver

Pensions and OPEBs (PBOBs) and Trackers

- MAWC – Watkins
- Staff – Sarver

Employee Benefits (Other than Pensions and OPEBs)

- MAWC – Watkins
- Staff – Horton

Customer Service⁴

- MAWC – Walker, T
- Staff – Thomason

Wednesday, March 8

Insurance (Other than Group)

- MAWC – Watkins
- Staff – Niemeier

Tank Painting / Engineered Coatings

- MAWC - Schwarzell
- MAWC – LaGrand

⁴ This issue concerns an outstanding motion and may be discussed further.

- MAWC – Lueders (Losli)
- Staff – Niemeier

Hydrant Painting

- MAWC - Schwarzell
- Staff – Niemeier

Building Maintenance and Services

- MAWC – Schwarzell⁵
- Staff – Niemeier

Main Break Expense

- MAWC – Schwarzell
- Staff – Niemeier

Maintenance Supplies and Services Expense

- MAWC – Schwarzell
- Staff – Niemeier

Chemicals

- MAWC – Schwarzell
- MAWC – O'Drain
- Staff – Sarver

Fuel and Power Expense

- MAWC – Schwarzell
- Staff – Sarver

⁵ Mr. Schwarzell is not available on March 10, 2023. Thus, his testimony will need to be completed prior to that date.

Office Supply and Services Expense

- MAWC – Mason
- Staff – Branson

Promotional Items

- MAWC – Mason
- Staff – Branson

PSC Assessment

- MAWC – Mason
- Staff – Branson

Thursday, March 9

Cash Working Capital

- MAWC – Walker, H
- MAWC – Grisham
- Staff – Niemeier
- OPC – Riley (Weathers)

Leases (Rents and Transportation)

- MAWC – Schwarzell
- Staff – Niemeier

Waste Disposal

- MAWC – Schwarzell
- Staff – Niemeier

Telecommunications Expense

- MAWC – Mason
- Staff – Niemeier

Purchased Water

- MAWC – Schwarzell
- Staff – Sarver

Water Loss Adjustment

- MAWC – Schwarzell
- Staff – Sarver

Dues and Donations

- MAWC – Mason
- Staff – Lesmes

Penalties Expense

- MAWC – Mason
- Staff – Lesmes

Postage Expense

- MAWC – Mason
- Staff – Lesmes

Other Rate Base Items

- MAWC – Grisham
- Staff – Lesmes

Customer Service⁶

- MAWC – Walker, T
- Staff – Thomason

⁶ This issue concerns an outstanding motion and may be discussed further.

Friday, March 10

Revenues

- MAWC – Rea
- Staff – Robertson
- Staff – Sarver

Meter Charge Consolidation

- MAWC – Rea
- Staff - Roth

Single Tariff Pricing

- MAWC-Rea
- MIEC-York
- Staff-Roth
- OPC-Marke

Normalized Residential Customer Usage

- MAWC – Rea
- Staff – Robertson

Declining Usage

- MAWC – Rea
- Staff – Robertson

Revenues – Customer Commodity

- MAWC – Rea
- Staff – Horton

Class Cost of Service Studies and Rate Design

- MAWC – MAWC
- MAWC – Selinger
- Staff – Roth
- MIEC – York
- OPC – Seaver

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

Sunnydale, MECG, CCM, Water District, St. Joseph, Liberty, Riverside, Triumph, MIEC, Staff, OPC⁷

Staff witnesses

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

OPC witnesses

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

MIEC witness

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

Triumph witness

Sunnydale, MECG, CCM, Water District, St. Joseph, Liberty, Riverside, MIEC, OPC, Staff, MAWC

WHEREFORE, Staff 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.

⁷ The order of Staff and OPC may be discussed on an issue-specific basis during the hearing.

Respectfully submitted,

/s/ Karen E. Bretz

Karen E. Bretz
Deputy Counsel
Missouri Bar No. 70632
Attorney for the Staff of the
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
573-751-5472 (Voice)
573-751-9285 (Fax)
Karen.Bretz@psc.mo.gov

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 16th day of February, 2023.

/s/ Karen E. Bretz