

**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 Area)

File No. WR-2022-0303

ORDER ESTABLISHING TIME TO PRODUCE DOCUMENTS

Issue Date: February 17, 2023

Effective Date: February 17, 2023

On February 3, 2023,¹ the Office of the Public Counsel filed a motion asking the Commission to order American Water Works Company, Inc. (American Water) to produce certain documents. American Water is the parent company of Missouri-American Water Company, but is not itself regulated in Missouri. The Commission granted Public Counsel’s motion in an order issued on February 16. The Commission’s order did not specify a date by which American Water was to produce the requested documents.

Later on February 16, Public Counsel filed a motion for clarification asking the Commission to order American Water to produce the requested documents no later than Tuesday, February 21. A few minutes later, Missouri-American filed a response to the Commission’s order granting Public Counsel’s motion in which it indicated it would endeavor to produce the requested documents for Public Counsel’s review within seven days. Seven days after February 16 would be Thursday, February 23.

Time is pressing for a response because this rate case is set to go to hearing beginning on Monday, February 27. The Return on Equity/Capital Structure/Cost of Debt issue to which the requested documents relate is scheduled to be heard on Tuesday, February 28. Obviously, Public Counsel must have a reasonable opportunity to review the documents in time to prepare for the hearing. Equally obviously, American Water must be given a reasonable amount of time to produce the requested documents. Further complicating matters is the fact that Monday, February 20 is the President's Day holiday. Consequently, Public Counsel's request for production of the documents on February 21 would allow American Water only one business day to produce the documents. Similarly, Missouri-American's offer to obtain and produce the American Water documents by February 23 would allow Public Counsel only one working day to use those documents to prepare for trial.

The Commission will balance the conflicting interests by ordering American Water to produce the requested documents by February 22.

THE COMMISSION ORDERS THAT:

1. American Water shall produce the documents it was ordered to produce in the Commission's *Order Granting OPC Motion for Production of Documents Pursuant to Section 386.450* by no later than February 22, 2023.
2. The Commission's Data Center shall provide a copy of this order and the February 16 *Order Granting OPC Motion for Production of Documents Pursuant to Section 386.450* to American Water.

¹ All dates are in 2023 unless otherwise indicated.

3. This order shall be effective when issued.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Morris L. Woodruff, Chief Regulatory
Law Judge, by delegation of authority
pursuant to Section 386.240, RSMo 2016.

Dated at Jefferson City, Missouri,
on this 17th day of February, 2023.

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 16th day
of February, 2023.

In the Matter of the Application 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

**ORDER GRANTING OPC MOTION FOR PRODUCTION
OF DOCUMENTS PURSUANT TO SECTION 386.450**

Issue Date: February 16, 2023

Effective Date: February 16, 2023

On February 3, 2023, the Office of the Public Counsel (OPC) filed a Motion for Production of Documents Pursuant to Section 386.450. OPC wishes to evaluate the financing arrangements between American Water Works Company, Inc. (American Water) and its subsidiaries, including Missouri American Water Company (MAWC). OPC claims this information will assist it in developing its position regarding MAWC's capital structure for ratemaking purposes. The capital structure, in turn, affects the return on equity and the overall rate of return MAWC will receive.

OPC asks the Commission to order American Water to provide certain information to OPC no later than February 16, 2023¹. MAWC objects, stating that it does not have the ability to produce the documents, and that OPC has failed to show good cause for receiving the documents. American Water has not responded.

¹ This information was attached to OPC's motion as Exhibit A, and is attached to this order, also as Exhibit A.

Discovery versus Section 386.450

Section 386.450 is set out in full below:

At the request of the public counsel and upon good cause shown by him the commission shall require or on its own initiative the commission may require, by order served upon any corporation, person or public utility in the manner provided herein for the service of orders, the production within this state at such time and place as it may designate, of any books, accounts, papers or records kept by said corporation, person or public utility in any office or place within or without this state, or, at its option, verified copies in lieu thereof, so that an examination thereof may be made by the public counsel when the order is issued at his request or by the commission or under its direction.

As the Commission has previously discussed, neither relevance nor personal jurisdiction are required for OPC to invoke Section 386.450.² Section 386.450 RSMo is broader than the general right to discovery allowed under Missouri's rules of civil procedure. The Commission has consistently interpreted this statute broadly, given the unique grant of investigative power bestowed upon OPC and the Commission by the Missouri General Assembly via this statute.³

In addition, the Commission also finds the information OPC requests to be relevant. Relevance can be established by a showing of the connection of OPC's requested information to this file, which is a rate case. Rate cases as a matter of course involve apportionment of capitalization, which involves assessments of capital structure.

Good cause

Before the Commission can grant OPC relief, the Commission must determine whether good cause has been shown. Good cause "generally means a substantial

² *In Re Elm Hills' Request for a Water and Sewer Rate Increase*, Commission File No. WR-2020-0275, *Order Granting Motion for Production* (October 28, 2020).

³ See, e.g., *In re Croasdell*, File No. WC-2008-0331, *Order Denying Objection to Order and Motion to Dismiss of Universal Utilities*, July 15, 2008 (stating that the statute applies to any corporation, not just public utilities); *In re Missouri-American Water Company*, File No. WR-2003-0500, *Order Concerning Motion to Compel*, (December 2, 2003) (acknowledging the statute includes non-parties).

reason amounting in law to a legal excuse for failing to perform an act required by law.”⁴ Similarly, “good cause” has also been judicially defined as a “substantial reason or cause which would cause or justify the ordinary person to neglect one of his [legal] duties.”⁵

Of course, not just *any* cause or excuse will do. To constitute *good* cause, the reason or legal excuse given “must be real not imaginary, substantial not trifling, and reasonable not whimsical.”⁶ And some legitimate factual showing is required, not just the mere conclusion of a party or his attorney.⁷

The Commission finds that OPC has shown good cause in that the information it wishes to receive is pertinent to what appears to be a disputed issue; namely, what MAWC’s capital structure should be for ratemaking purposes. The Commission is statutorily required to ensure that MAWC’s rates are just and reasonable.⁸

Multi-layered corporate relationships with holding companies make it difficult for the Commission to know where the capital funding is coming from. Knowing the source and type of capital directly addresses the risk that the capital structure is being manipulated to increase equity, which might, in turn, unjustly increase rates. The information OPC requests goes to the heart of MAWC’s rate increase request.

OPC states that it cannot verify MAWC’s claims that it is financially independent from its parent company without access to American Water’s books and records. In fact, the Commission is expressly required to examine the dealings of regulated entities with

⁴ *Black’s Law Dictionary* 692 (6th ed. 1990).

⁵ *Graham v. State*, 134 N.W. 249, 250 (Neb. 1912). Missouri appellate courts have also recognized and applied an objective “ordinary person” standard. See, e.g., *Cent. Mo. Paving Co. v. Labor & Indus. Relations Comm’n*, 575 S.W.2d 889, 892 (Mo. App. W.D. 1978) (“[T]he standard by which good cause is measured is one of reasonableness as applied to the average man or woman.”)

⁶ *Belle State Bank v. Indus. Comm’n*, 547 S.W.2d 841, 846 (Mo. App. S.D. 1977). See also *Barclay White Co. v. Unemployment Compensation Bd.*, 50 A.2d 336, 339 (Pa. 1947) (to show good cause, reason given must be real, substantial, and reasonable).

⁷ See generally *Haynes v. Williams*, 522 S.W.2d 623, 627 (Mo. App. E.D. 1975); *Havrisko v. U.S.*, 68 F.Supp. 771, 772 (E.D.N.Y. 1946); *The Kegums*, 73 F.Supp. 831, 832 (S.D.N.Y. 1947).

⁸ Section 393.130, RSMo.

their unregulated affiliates, and specifically to “inquire as to, and prescribe the apportionment of, capitalization, earnings, debts and expenses.”⁹

Thus, in finding good cause, the Commission finds not only that OPC is entitled to the information pursuant to Section 386.450, but also that the information is relevant to OPC’s position of what MAWC’s capital structure and overall rate of return should be. What is more, the Commission further notes that Section 386.450 states that upon the request of OPC, upon good cause shown, the Commission shall require production of the requested books, accounts, papers or records.

The Commission notes that American Water or MAWC may seek a protective order or other remedies should they believe OPC’s request is unreasonable.

THE COMMISSION ORDERS THAT:

1. The Motion for Production of Documents Pursuant to Section 386.450 is granted.
2. This order shall be effective when issued.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Rupp, Chm., Coleman, Holsman, and
Kolkmeier CC., concur.

Pridgin, Regulatory Law Judge

⁹ *In re Elm Hills*, Order Granting Motion for Production, p. 4.


STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 17th day of February, 2023.





Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

February 17, 2023

File/Case No. WR-2022-0303

Missouri Public Service Commission

Staff Counsel Department
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

Office of the Public Counsel

Marc Poston
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
opcservice@opc.mo.gov

American Water Works Company, Inc.

Legal Department
1209 Orange Street
Wilmington, DE 19801

City of Riverside, Missouri

Joseph P Bednar
304 E High St, Jefferson City, MO 65101
Jefferson City, MO 65101
jbednar@spencerfane.com

City of St. Joseph, Missouri

William D Steinmeier
2031 Tower Drive
Jefferson City, MO 65109
wds@wdspc.com

Consumers Council of Missouri

John B Coffman
871 Tuxedo Blvd.
St. Louis, MO 63119-2044
john@johncoffman.net

Liberty (Empire)

Diana C Carter
428 E. Capitol Avenue, Suite 303
Jefferson City, MO 65101
Diana.Carter@LibertyUtilities.com

Midwest Energy Consumers Group

Tim Opitz
308 E. High Street, Suite B101
Jefferson City, MO 65101
tim.opitz@opitzlawfirm.com

Missouri Industrial Energy Consumers (MIEC)

Diana M Plescia
130 S. Bemiston, Suite 200
St. Louis, MO 63105
dplescia@chgolaw.com

Missouri Public Service Commission

Karen Bretz
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
Karen.Bretz@psc.mo.gov

Missouri-American Water Company

Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Missouri-American Water Company

Timothy W Luft
727 Craig Road
St. Louis, MO 63141
Timothy.Luft@amwater.com

Missouri-American Water Company

Rachel Niemeier
727 Craig Rd.
St. Louis, MO 63141
rachel.niemeier@amwater.com

Office of the Public Counsel

Lindsay VanGerpen
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
Lindsay.vangerpen@opc.mo.gov

Public Water Supply District No. 2 of Andrew County

James M Fischer
2081 Honeysuckle Lane
Jefferson City, MO 65109
jfischerpc@aol.com

Sunnydale Properties

Stephanie S Bell
308 East High Street, Suite 300
Jefferson City, MO 65101
sbell@ellingerlaw.com

Triumph Foods, LLC

Joshua Harden
1010 W Foxwood Dr.
Raymore, MO 64083
jharden@collinsjones.com

Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive style with a large, prominent initial "M".

**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.