

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

In the Matter of the Application/Petition of)
Missouri-American Water Company for)
Approval to Reconcile its Infrastructure)
System Replacement Surcharge (ISRS))

File No. WO-2016-0098

STAFF REPLY AND RECOMMENDATION

COMES NOW Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, in response to Missouri-American Water Company (MAWC) and its recent filing *MAWC's Response to Staff Recommendation and OPC's Motion to Dismiss*, and in response to the Commission's *Order Directing Filing*, respectfully states:

1. On October 28, 2015, MAWC submitted its *Application/Petition to Reconcile its Infrastructure System Replacement Surcharge* wherein it asserted a cumulative under-collection of \$5,870,309, for the period of September 25, 2012, through September 30, 2015, and requested the Commission approve MAWC's reconciliation, without filing tariff sheets to increase its ISRS rate to compensate for its under-collection. As MAWC noted, it filed a general rate case on July 31, 2015 - Case No. WR-2015-0301, the result of which will reset the ISRS rates to zero by rolling the eligible ISRS costs into base rates.

2. On December 29, 2015, Staff filed its *Motion for Leave to File Recommendation Late and Staff Recommendation* wherein Staff presented an analysis, consistent with that applied to prior MAWC ISRS filings and ISRS filings made by other utilities, of MAWC's filing and determined an overstatement, for reasons

discussed in Staff's report¹, of \$1,597,985. Staff found a cumulative reconciliation total of \$4,272,324 from September 25, 2012, to November 30, 2015. Staff requested a waiver from the rules to permit MAWC to file a reconciliation report without tariff sheets to adjust its ISRS rate.

3. On January 7, 2016, MAWC filed its *MAWC's Response to Staff Recommendation and OPC Motion to Dismiss*, wherein MAWC reasserted its initial total under-collection as \$5,870,309, taking exception to Staff's calculations based on its time period and accusing Staff of determining its reconciliation total using daily authorized amounts.

4. Staff's reconciliation calculation is updated to the most recent known data available, November 30, 2015. As a result, Staff's reconciliation includes two additional months of ISRS revenue compared to MAWC's calculations. This methodology is consistent with past reconciliations conducted by Staff, and consistent with Staff's preference that calculations of the ISRS revenue requirement should most closely reflect the revenue requirement at the effective date of the ISRS rates.

5. Contrary to MAWC's characterization, Staff's reconciliation was not calculated using MAWC's actual billed ISRS revenues and the Commission's authorized ISRS revenues *on a daily basis*. Rather, Staff's reconciliation compares ***the total*** Commission authorized ISRS revenues for the period of September 25, 2012, to November 30, 2015, and MAWC's actual billed ISRS revenues for the same period. As stated in Staff's recommendation, this method is consistent with Staff's review of the MAWC's prior ISRS reconciliation in Case No. WO-2015-0059 and recent ISRS

¹ Case No. WO-2016-0098, Staff Recommendation, page 5.

reconciliation filings by Missouri Gas Energy² and Laclede Gas Company³. Because the ISRS revenues authorized by the Commission are an annualized level of revenues and Staff's reconciliation calculation is based on the Commission authorized ISRS revenue, MAWC's concern regarding daily sales projections and monthly water sales is inapposite.

6. Staff also opposes MAWC's methodology for determining its ISRS reconciliation as it found several independent deficiencies. For example, as identified in Staff's recommendation and stated in MAWC's *Response*, MAWC developed and applied a ratio for monthly ISRS revenue allocations that only totaled 99.91% for the period of October 2014 to September 2015. Whereas MAWC's reconciliation total omits nine hundredths from its calculation of monthly percentages, Staff's methodology accounts for the total percentage.

7. Furthermore, MAWC's application attempts to include previous ISRS reconciliation amounts to determine its percentage of overall sales. For the foregoing reasons and reasons stated in Staff's initial recommendation, Staff reaffirms its recommendation that the Commission reject MAWC's proposed ISRS reconciliation total.

8. As Staff's calculation incorporates the best available data and applies methodologies consistent with prior ISRS reconciliation calculations, Staff reaffirms its recommendation that the Commission determine MAWC's total under-collected ISRS

² See Case No. GO-2014-0179 and, Case No. GR-2015-0025 Staff and Missouri Gas Energy utilized the same methodology to reconcile prior ISRS.

³ See Case No. GR-2015-0026 Staff and Laclede Gas Company utilized the same methodology to reconcile prior ISRS.

reconciliation to be \$4,272,324 through November 30, 2015.

9. In the alternative, as the Parties disagree on the total ISRS reconciliation amount, Staff recommends the Commission stay such determination until MAWC's next ISRS filing, subsequent to its pending rate case. As MAWC did not file any tariffs to adjust its ISRS rates to compensate for its under-collection, there are no pressing issues subject to the Commission's determination of reconciliation totals. As such, the reconciliation total will be carried over and addressed in MAWC's next ISRS and tariff filing, consistent with Commission Rule 4 CSR 240-3.650(17)⁴ and prior applied practice⁵.

WHEREFORE, Staff requests that the Commission approve Staff's reconciliation number, or in the alternative, withhold approval of any reconciliation total until MAWC files its next ISRS and tariff subsequent to its upcoming rate case.

⁴ Quoting in part, "[i]f an over or under recovery of ISRS revenues, exists after the ISRS has been reset to zero, the amount of over or under recovery **shall be tracked in an account and considered in the water utility's next ISRS filing** that it submits pursuant to the provisions of section (2) of this rule." 4 CSR 240-3.650(17) (Emphasis added).

⁵ See Case No. WO-2012-0401, MAWC's first ISRS case subsequent to resetting its ISRS to zero in its general rate case, WR-2011-0337. The Commission approved reconciliation methodology wherein Staff used the Commission's authorized ISRS revenue and MAWC's billed ISRS revenue that occurred prior to the ISRS resetting to zero. Staff and MAWC included an under-collection of \$253,280 carried over from its reconciliation.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 13th day of January, 2016.

/s/ William Hampton Williams II