

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 12th day of January, 2022.

In the Matter of the Petition of Missouri-)	
American Water Company for Approval to)	<u>File No. WO-2021-0428</u>
Establish a Water and Sewer Infrastructure)	Tariff Nos. YW-2022-0049 and
Rate Adjustment ("WSIRA"))	YS-2022-0050

**ORDER APPROVING WATER AND SEWER
INFRASTRUCTURE RATE ADJUSTMENTS**

Issue Date: January 12, 2022

Effective Date: January 22, 2022

On September 3, 2021, Missouri-American Water Company (MAWC) filed a petition to establish water and sewer infrastructure rate adjustments (WSIRAs) under Sections 393.1500-1509, RSMo.¹ MAWC also requested that the Commission approve its proposed customer notices and filed tariff sheets to implement the WSIRAs. MAWC amended its petition on September 17, 2021 to clarify that certain infrastructure system replacement surcharge amounts were included in this filing, but would be eliminated in a tariff filing prior to any infrastructure rate adjustments taking effect. The tariff sheets, Tariff Nos. YW-2022-0049 and YS-2022-0050, were suspended by the Commission until March 2, 2022.¹

The Commission issued notice of the petition, directed the Staff of the Commission (Staff) to file a recommendation, and set deadlines for filing requests to intervene, any other objections or requests for hearing, and responses to those pleadings. Timely

¹ The original petition opened two files at the Commission, one for water service, File No. WO-2021-0428, and one for sewer service, File No. SO-2021-0429. The files were consolidated on September 28, 2021, with File No. WO-2021-0428, being the lead case.

requests for intervention were received from Midwest Energy Consumers Group and the City of St. Joseph, Missouri. Those requests for intervention were granted.

Staff conducted an examination and investigation of MAWC's petition and its attachments, work orders, and answers to various data requests. Staff filed a memorandum and recommendation on December 2, 2021. Staff agreed with MAWC's methodology to calculate the WSIRA revenue requirement; however, Staff made the following changes when calculating the WSIRA revenue requirement:

1. Staff replaced the estimated costs included in the WSIRA plant balances found in MAWC's direct filing with actual costs for that period.
2. Staff removed costs that did not match supporting documents or certain costs where supporting documents were not provided.
3. Staff removed what it considered a non-WSIRA eligible project.

Staff advised that with these changes, the project costs incorporated within the WSIRA filing meet the requirements to be included in a WSIRA under Sections 393.1500-1509, RSMo. Staff recommended MAWC's WSIRA revenue requirement should be \$18,746,777 for water and \$207,395 for sewer. Staff also agreed with and used MAWC's methodology for calculating the WSIRA water and sewer rates based on this revenue requirement.

Staff recommended that the Commission reject MAWC's proposed WSIRA tariff sheets; approve Staff's recommended WSIRA revenue; order MAWC to add a graph that contains both WSIRA water and sewer rates to Appendix K similar to Appendix H in MAWC's petition; and order MAWC to file revised WSIRA tariff sheets that reflect Staff's calculated WSIRA rates.

On December 2, 2021, the Office of the Public Counsel (OPC) filed an objection to MAWC's proposed tariff sheets. OPC objected because the proposed tariff sheets

omitted language found in Subsection 393.1503(7), RSMo. OPC recommended that if the Commission granted MAWC's request for a WSIRA, the Commission require MAWC to include the omitted statutory limiting language in the Description section of the tariff sheets. OPC stated that MAWC and the other parties had no objection to this change.

MAWC filed a response to Staff's and OPC's recommendations on December 13, 2021. In the response, MAWC stated it had additional discussions with Staff and provided additional documentation, and believed that Staff had revised its recommendation so that the WSIRA rates should be designed to recover annual WSIRA revenues of \$16,135,000 for St. Louis water, \$2,659,795 for All Other water, \$42,491 for Arnold sewer, and \$165,495 for All Other sewer for a total of \$19,002,781. MAWC also stated that it did not object to the tariff changes suggested by OPC. MAWC attached revised exemplar tariff sheets (Appendix A – Revised and Appendix B – Revised) reflecting the language changes and the rates resulting from the agreed to annual WSIRA revenues. MAWC also attached a revised customer notice (Appendix K - Revised) that included the change recommended by Staff.

The Commission directed that any reply to MAWC's December 13, 2021 response be filed no later than December 28, 2021. Staff replied that it agreed with the WSIRA revenues and rates set out in MAWC's response and exemplar tariff sheets. No other replies were received.

The Commission has reviewed the amended verified petition, the proposed customer notices, the various responses and replies to the petition, and the proposed and exemplar tariff sheets. The Commission finds that Sections 393.1500 to 393.1509, RSMo, authorize eligible water and sewer corporations to recover eligible infrastructure system project costs outside of a formal rate case by establishing a WSIRA surcharge. The

Commission also finds that MAWC is a water and sewer corporation that provides water service to more than 8,000 customer connections and provides sewer service to more than 8,000 customer connections. Therefore, MAWC is eligible to establish both water and sewer WSIRAs “that will provide for the recovery of the appropriate pretax revenues associated with the eligible infrastructure system projects, less the appropriate pretax revenues associated with any retired utility plant that is being replaced by the eligible infrastructure system projects.”²

After reviewing the petition as amended, and Staff’s recommendations, the Commission determines that the included projects are eligible infrastructure system projects, less the appropriate pretax revenues associated with any retired utility plant that is being replaced by the eligible infrastructure system projects. The Commission has determined that the proposed WSIRA rates in the exemplar tariff sheets, after deducting the WSIRA revenues attributable to the replacement of customer-owned lead service lines, will not produce revenues in excess of 15% of MAWC’s base revenue requirement approved by the Commission in MAWC’s most recent general rate proceeding, File No. WR-2020-0344.³ The Commission further determines that the WSIRA as proposed in the exemplar tariff sheets is calculated and will be implemented in accordance with the provisions of Sections 393.1500 to 393.1509, RSMo, and the WSIRA revenues will be subject to recovery or credit of differences after reconciliation and prudence reviews as provided in Subsections 393.1509.5 and .8, RSMo.

The Commission also finds that the proposed WSIRA revenues include MAWC’s current infrastructure system replacement surcharge (ISRS). In accordance with

² Subsection 393.1506.1, RSMo (Supp. 2021).

³ Subsections 393.1506.1 and .2, RSMo (Supp. 2021). Tariffs resulting from that case became effective on May 28, 2021.

Subsection 393.1509.4, RSMo, and as agreed by MAWC, the Commission will direct MAWC to make a tariff filing to eliminate any existing ISRS prior to the WSIRA becoming effective.⁴

Therefore, the Commission approves the establishment of a WSIRA for both water and sewer service with rates designed to recover annual WSIRA revenues of \$16,135,000 for St. Louis water, \$2,659,795 for All Other water, \$42,491 for Arnold sewer, and \$165,495 for All Other sewer for a total of \$19,002,781 as calculated in Appendix C – Revised attached to MAWC’s December 13, 2021 response. The Commission will reject MAWC’s proposed WSIRA tariff sheets, YW-2022-0049 and YS-2022-0050, filed on September 3, 2021, and authorize MAWC to file tariff sheets to recover WSIRA revenues and rates as set out in the exemplar tariff sheets (Appendix A – Revised and Appendix B – Revised) attached to MAWC’s December 13, 2021 response. The Commission also approves the proposed customer notices as amended.

Because Section 393.1509, RSMo, contemplates a Commission order regarding a WSIRA to become effective no later than 180 days after the petition was filed, the Commission will make this order effective in less than 30 days so that compliance tariffs may be filed to become effective no later than March 2, 2022.

THE COMMISSION ORDERS THAT:

1. The tariff sheets filed by MAWC on September 3, 2021, and assigned Tariff Nos. YW-2022-0049 and YS-2022-0050, are rejected.

⁴ *Motion For Leave to Amend Petition and Amendment to Petition*, (filed September 17, 2021), amended paragraph 22.

2. MAWC is authorized to establish WSIRAs for water and sewer service and to file tariff sheets to recover WSIRA revenues and rates as set out in the exemplar tariff sheets attached to its December 13, 2021 response (Appendix A – Revised and Appendix B – Revised).

3. MAWC shall make a tariff filing to eliminate any existing ISRS prior to the WSIRA becoming effective.

4. The customer notices as amended are approved.

5. This order shall be effective on January 22, 2022.



BY THE COMMISSION

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

Morris L. Woodruff
Secretary

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

Dippell, Deputy Chief Regulatory Law Judge


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 12th day of January, 2022.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

January 12, 2022

File/Case No. WO-2021-0428

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

Sincerely,



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.