BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Missouri- American Water Company for an Accounting Order Concerning MAWC's Lead Service Line Replacement Program	))))	**File No. WU-2017-0296**

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT'S INITIAL POST-HEARING BRIEF

COMES NOW the Missouri Department of Economic development ("DED") before the Missouri Public Service Commission ("Commission"), by and through the undersigned counsel, and for its *Initial Post-Hearing Brief* in the above-styled matter, states:

DED supports Missouri-American Water Company's ("MAWC") lead service line replacement ("LSLR") program. DED is not opposed to studying some of the issues raised by the Office of the Public Counsel ("OPC") if the effort is limited to MAWC's service territory and so long as LSLRs are not delayed, as described further below.

Background

DED works to create an environment that encourages economic growth by supporting Missouri's businesses and diverse industries, strengthening the state's communities, developing a talented and skilled workforce, and maintaining a high quality of life. Among DED's interests in this proceeding is ensuring that Missouri communities have access to water supplies that maintain a high quality of life and support the growth of businesses and diverse industries. Without access to safe drinking water, Missourians may face increased health risks and associated medical costs, with particularly problematic impacts on those least able to afford higher medical costs. As demonstrated by the crisis in Flint, Michigan, a threat to community health and safety can lead to a cycle of "disinvestment."[1]

Lead service lines ("LSLs") in MAWC's system pose a potential threat to public health if they are disturbed during main replacements, or if they are only partially replaced.[2] Lead has known detrimental effects on the health of children, pregnant women, and adults.[3] MAWC proposes to continue LSLRs concurrent with its main replacements, a cost-effective solution to a potential threat to safe and adequate service.[4]

Research Effort

As stated above, DED is not opposed to a reasonably priced study (i.e., no more than $150,000)[5] to address some of the concerns raised by OPC. To the extent possible, the effort could build on the work already performed by MAWC. However, DED's support for such a study is based on the following conditions:

1. MAWC's current LSLR program should continue until such time as a suitable alternative is implemented.[6] Ensuring the continuation of LSLRs during the research process will meet public health and safety needs.
2. The scope of the effort should be limited to MAWC's service territory and problems that MAWC could reasonably address, since the study would be funded by MAWC ratepayers.[7]

[1] Tr. Vol. 2, p. 31, ll. 1-23.
[2] Exhibit No. 10, p. 5, ll. 4-8.
[3] *Id*, p. 2, ll. 14-19.
[4] *Id*, p. 5, ll. 13-15.
[5] Tr. Vol. 2, p. 34 , ll. 14-16.
[6] *Id*, pp. 236-237, ll. 10-25 and 1.
[7] *Id*, p. 231, ll. 8-16.

DED would support many of the participants suggested by OPC, and would request that a representative of DED be added to the list of participants.[8] As demonstrated by the evidence it has presented in this case, DED has expertise in some of the topics that the study would address – e.g., determining the criteria that may define a "low-income" customer in particular contexts.[9] As to the price of the research effort, DED would note that the Division of Energy has obtained consultants for statewide initiatives at a cost well below the one million dollars[10] that could result from OPC's proposal.

LSLR Funding

Other parties have noted that there are equity concerns with socializing the costs of LSLRs for customers with the means to do so themselves. DED acknowledges that the Company's program may not be the perfect solution;[11] a research effort as described above would provide a forum through which the question of who pays for which LSLRs could be addressed. However, the perfect should not be the enemy of the good[12] – MAWC's program should continue under its current parameters until an alternative solution is implemented. As to cost allocation between districts or rate classes, the Commission need not make such a determination in this case; however, DED is not opposed to a cost allocation methodology for the costs of this program that ensures payment by the customer groups associated with LSLR costs and a program that targets ratepayer-funded LSLRs to low-income customers.[13]

[8] *Id*, pp. 231-232, ll. 17-25 and 1-6.
[9] *Id*, p. 235, ll. 2-17.
[10] *Id*, p. 230, ll. 15-22.
[11] *Id*, p. 32, ll. 15-19.
[12] *Id*, p. 34, ll. 18-21.
[13] *Id*, pp. 32-33, ll. 22-25 and 1-5.

Accounting-Related Issues

DED takes no position as to the appropriate accounting treatment associated with MAWC's LSLR program.[14] However, DED is not opposed to the accounting treatment proposed by OPC – i.e., deferring the costs of LSLR and any potential pilot program using USOA Account 186. Additionally, DED is not opposed to using the short-term cost of debt of MAWC's parent company, American Water Works Company, as proposed by OPC and the Commission Staff. Regardless of the accounting treatment ordered by the Commission, DED encourages the Commission to find a way for the LSLR program to continue.

WHEREFORE, the Missouri Department of Economic Development respectfully files its *Initial Post-Hearing Brief*.

Respectfully submitted,

/s/ Brian Bear

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[14] *Id*, p. 229, ll. 3-9.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 19th day of October, 2017.

/s/ Brian Bear
Brian Bear