

No.:  
Issues: Cost of Service  
Witness: Jessica A. York  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: MIEC  
Case No.: WR-2020-0344  
Date Testimony Prepared: February 9, 2021

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

\_\_\_\_\_)  
**In the Matter of the Application of** )  
**Missouri-American Water Company's** )  
**Request for Authority to Implement** ) **Case No. WR-2020-0344**  
**General Rate Increase for Water and** )  
**Sewer Service Provided in Missouri** )  
**Service Areas** )  
\_\_\_\_\_)

Surrebuttal Testimony and Schedule of

**Jessica A. York**

On behalf of

**Missouri Industrial Energy Consumers**

February 9, 2021



Project 10995

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

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STATE OF MISSOURI    )  
                                  )        **SS**  
COUNTY OF ST. LOUIS    )

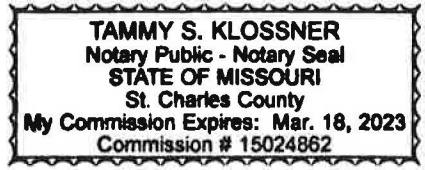
**Affidavit of Jessica A. York**


Jessica A. York, being first duly sworn, on his oath states:

1. My name is Jessica A. York. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on its behalf.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony and schedule which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2020-0344.
3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.

  
\_\_\_\_\_  
Jessica A. York

Subscribed and sworn to before me this 8<sup>th</sup> day of February, 2021.



  
\_\_\_\_\_  
Notary Public

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

_____ )	
In the Matter of the Application of )	
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Schedule JAY-2

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

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**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**

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**Case No. WR-2020-0344**

**Surrebuttal Testimony of Jessica A. York**

**1 I. Introduction**

**2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A Jessica A. York. My business address is 16690 Swingley Ridge Road, Suite 140,  
4 Chesterfield, MO 63017.

**5 Q ARE YOU THE SAME JESSICA A. YORK WHO PRESENTED BOTH DIRECT AND  
6 REBUTTAL TESTIMONIES IN THIS PROCEEDING?**

7 A Yes, I am.

**8 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

9 A This information can be found in my direct testimony on cost of service filed on  
10 December 9, 2020.

**11 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

12 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers  
13 (“MIEC”). The MIEC companies purchase substantial amounts of water from  
14 Missouri-American Water Company (“MAWC” or “Company”).

**Jessica A. York  
Page 1**

1 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of  
3 MAWC witness Mr. Charles B. Rea. My silence with respect to any position taken by  
4 other parties in this case should not be construed as agreement with that position.

5 **Q PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

6 A The Company's class cost of service study ("COSS") reflects its proposal for  
7 consolidated tariff pricing ("CTP"), as well as its proposal to implement a new large user  
8 customer class, Rate L, and transition existing Rate J customers that do not qualify for  
9 Rate L to Rate A. The Company's proposal for CTP should be rejected. In addition,  
10 the proposed COSS should be rejected. The Company provided no support for its  
11 proposal to combine Rate J customers that do not qualify for Rate L with Rate A  
12 customers, and there is no cost-based support for MAWC's proposed spread of its  
13 claimed revenue deficiency across the customer classes in each district.

14 Staff's proposed rate design should also be rejected. Staff proposes significant  
15 reductions to the fixed monthly meter charges, and increases to volumetric rates in  
16 order to produce its proposed revenue requirement. Fixed monthly meter charges  
17 should not be reduced from their current levels, regardless of whether the Commission  
18 approves an increase or decrease in MAWC's revenue requirement.

19 **Q PLEASE SUMMARIZE MR. REA'S REBUTTAL TESTIMONY, TO WHICH YOU ARE**  
20 **RESPONDING.**

21 A Mr. Rea recommends the Company's class COSS and proposed revenue spread  
22 should be adopted in this case.<sup>1</sup> In addition, Mr. Rea continues to recommend that

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<sup>1</sup>Rebuttal testimony of Mr. Rea at page 2.

1 MAWC's proposed Rate L be adopted, and that Rate J customers that do not qualify  
2 for Rate L begin transitioning to Rate A.<sup>2</sup> Finally, Mr. Rea recommends completing the  
3 move to CTP in this case.<sup>3</sup>

4 **Q DO YOU AGREE THAT MR. REA'S PROPOSALS WITH RESPECT TO COSS,  
5 REVENUE SPREAD, AND RATE DESIGN SHOULD BE ADOPTED?**

6 A No. Mr. Rea's COSS reflects the Company's proposal for CTP, along with the creation  
7 of a new Rate L customer class, and the transition of Rate J customers that do not  
8 qualify for Rate L to Rate A.<sup>4</sup> Thus, the Company proposes to eliminate Rate J over  
9 time, leaving just Rate A and Rate L. CTP is inconsistent with the Commission's Order  
10 in MAWC's last rate case because it ignores the Commission's reasoning for  
11 maintaining St. Louis County as a separate district.<sup>5</sup> Further, Staff, OPC and MIEC are  
12 all opposed to consolidating St. Louis County and non-St. Louis County districts –  
13 primarily on the basis of cost-causation principles, which Mr. Rea completely  
14 disregards. Lastly, MAWC has provided no evidence to show that non-qualifying  
15 Rate J (industrial) customers have similar consumption patterns such that combining  
16 them with Rate A (residential and commercial) customers would be reasonable, and  
17 fails to address the harm this proposal would cause to these non-qualifying Rate J  
18 industrial customers.

19 Because MAWC has not provided a COSS with non-qualifying Rate J  
20 customers as a separate class, non-qualifying Rate J customers are severely  
21 disadvantaged because they do not know how MAWC's actual cost of providing service

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<sup>2</sup>*Id.*

<sup>3</sup>*Id.*

<sup>4</sup>Rate J customers that do not qualify for Rate L are referred to as "non-qualifying Rate J customers" throughout this testimony.

<sup>5</sup>Please see discussion in Ms. York's direct testimony at pages 6-7.

1 to them compares to the level of revenue that MAWC proposes to collect from them  
2 under phase one of the proposed transition to Rate A.

## 3 **II. Consolidated Tariff Pricing**

4 **Q WHAT CLAIMS ARE MADE BY MR. REA IN AN EFFORT TO SUPPORT MAWC'S**  
5 **PROPOSAL FOR CTP?**

6 A Mr. Rea claims that the quality of water service that customers are receiving from the  
7 Company is the same regardless of where they are located or what assets are used to  
8 provide that service.<sup>6</sup> He also states that absent compelling evidence to show that the  
9 cost of providing service is fundamentally different between locations, it is most  
10 appropriate that rates be consolidated over time across the entire service territory.<sup>7</sup>  
11 Finally, Mr. Rea claims that the benefits of consolidating rates across the entire service  
12 territory outweigh the concerns that customers might be paying non-cost-based rates.<sup>8</sup>

13 **Q HAS MAWC PROVIDED EVIDENCE THAT THE QUALITY OF WATER SERVICE**  
14 **THAT CUSTOMERS RECEIVE IS THE SAME ACROSS ITS ENTIRE SERVICE**  
15 **TERRITORY?**

16 A No. I am not aware of any evidence introduced in this case supporting this claim. In  
17 fact, certain evidence indicates that the quality of water service does vary between the  
18 various districts. Specifically, in response to MCEG DR 7-001, MAWC discusses the  
19 prevalence of water main breaks in the St. Louis County district and in the non-St. Louis  
20 County district.<sup>9</sup> There MAWC points out that, while it has tracked water main leaks in

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<sup>6</sup>Rebuttal testimony of Mr. Rea at page 19.

<sup>7</sup>*Id.*

<sup>8</sup>*Id.*

<sup>9</sup>MAWC's response to Data Request MCEG 7-001, attached as Schedule JAY-2 at page 1.

1 St. Louis County for over a decade, it did not even track water main breaks in the  
2 non-St. Louis County district prior to 2019. “Prior to 2019 the number of water main  
3 breaks were not tracked outside of St. Louis County.” Given the fact that MAWC was  
4 tracking water main breaks in St. Louis County and ignoring the frequency of main  
5 breaks outside of the County tends to indicate that main breaks are a much bigger  
6 problem in St. Louis County. Therefore, contrary to Mr. Rea’s assertion, quality of  
7 service does vary between the St. Louis County district and the non-St. Louis County  
8 district. This distinction is the reason that the current ISRS is only available in St. Louis  
9 County and, by implication, the reason that the Commission maintained St. Louis  
10 County as a district unto itself in the last case.

11 **Q HAS MAWC OFFERED EVIDENCE THAT THE COST OF PROVIDING SERVICE IS**  
12 **FUNDAMENTALLY THE SAME ACROSS ITS ENTIRE SERVICE TERRITORY?**

13 A No. On the contrary, MIEC and OPC have testified to the numerous reasons why the  
14 cost of providing service is indeed fundamentally different across MAWC’s service  
15 territory. Mr. Rea also acknowledged the differences in sizes, operating characteristics,  
16 customer usage characteristics, investment histories and requirements, O&M  
17 requirements, population densities, and cost structures.<sup>10</sup>

18 **Q HAS AMERICAN WATER WORKS COMPANY ACKNOWLEDGED THAT THE COST**  
19 **OF PROVIDING SERVICE VARIES BETWEEN SERVICE LOCATIONS?**

20 A Yes. For example, MAWC’s website states, “Rates are based on the actual costs of  
21 water treatment and delivery.”<sup>11</sup> MAWC’s website also states “[r]ates can vary based on

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<sup>10</sup>Rebuttal testimony of Mr. Rea at page 23.

<sup>11</sup><https://www.amwater.com/moaw/Customer-Service-Billing/Your-Water-and-Sewer-Rates/>



1 the cost of providing service in each of the communities we serve.”<sup>12</sup> These comments are  
2 made on several of American Water Works Company’s state subsidiary websites as well,  
3 including Virginia, New Jersey, Tennessee, and California.

4 **Q DOES MR. REA BELIEVE THAT COST OF SERVICE DIFFERENCES ARE A VALID**  
5 **REASON TO ESTABLISH SEPARATE PRICING STRUCTURES FOR DIFFERENT**  
6 **SERVICE AREAS?**

7 A No. Mr. Rea concedes that from an analytical perspective, these differences could  
8 justify different rates.<sup>13</sup> But, he then argues that from a practical perspective, these  
9 differences are not a valid reason for having different rates.<sup>14</sup> He proceeds to opine  
10 that customers in one location would not understand or accept cost-based reasons for  
11 having rates different from those charged to customers in another location.<sup>15</sup>

12 **Q HAVE ANY CUSTOMERS QUESTIONED MAWC ABOUT RATE DIFFERENTIALS**  
13 **BETWEEN DISTRICTS OVER THE LAST FIVE YEARS?**

14 A No. Despite Mr. Rea’s assertion that customers would not accept cost-based reasons  
15 for rate differentials between districts, MAWC indicated in response to a data request  
16 that it is not aware of any customers having requested information about rate  
17 differentials over the last five years.<sup>16</sup>

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<sup>12</sup>*Id.*

<sup>13</sup>Rebuttal testimony of Mr. Rea at page 25.

<sup>14</sup>*Id.*

<sup>15</sup>*Id.*

<sup>16</sup>MAWC’s response to Data Request MIEC 4-010, attached as Schedule JAY-2 at page 2.

1 **Q HAS MR. REA PROVIDED EVIDENCE THAT THE BENEFITS OF CTP OUTWEIGH**  
2 **THE CONCERNS THAT CUSTOMERS MIGHT BE PAYING RATES THAT ARE NOT**  
3 **COST-BASED?**

4 A No. In fact, in response to data requests, the Company admits that it has never studied  
5 or tried to quantify the claimed benefits provided to customers as a result of CTP.<sup>17</sup>  
6 Similarly, Mr. Rea explains that there are over 20 separate unconnected operating  
7 districts in MAWC's service territory, all taking service under the non-St. Louis County  
8 rate structure. He claims that no ill effects have been identified as a result.<sup>18</sup> However,  
9 MAWC admitted that it has not performed any studies to attempt to identify any ill  
10 effects (defined by Mr. Rea as financial hardship) that CTP may create for its  
11 customers.<sup>19</sup>

12 **Q DOES MR. REA SUGGEST THAT RATE SHOCK MIGHT OCCUR WITHOUT CTP?**

13 A Yes. Mr. Rea suggests that if water customers in different communities completely pay  
14 for, and only pay for, the costs of water production and delivery service in their  
15 communities, they would have to absorb all rate shock that could result.<sup>20</sup>

16 **Q HOW DO YOU RESPOND?**

17 A Mr. Rea offers contradictory information on situations that would or could cause rate  
18 shock. On one hand, he suggests that without CTP rate shock could occur. On the  
19 other hand, he implies that CTP could cause rate shock. For example, Mr. Rea  
20 explains that when new systems are acquired, agreements are often put in place to

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<sup>17</sup>MAWC's responses to Data Request MoPSC 0088, and Data Request MIEC 2-005, attached as Schedule JAY-2, at pages 3-5.

<sup>18</sup>Mr. Rea's rebuttal testimony at page 31.

<sup>19</sup>MAWC's response to Data Request MIEC 4-009, attached as Schedule JAY-2, at page 6.

<sup>20</sup>Mr. Rea's rebuttal testimony at page 18.

1 maintain existing rate structures for a number of years before rolling the newly acquired  
2 systems into the Company's larger rate structure, in order to avoid rate shock for these  
3 customers.<sup>21</sup> Notably, Mr. Rea does not address rate shock, or ill effects, in terms of  
4 the impact of CTP on St. Louis County customers.

5 **Q WILL RATE SHOCK OCCUR IF CTP IS APPROVED?**

6 A Yes. Under the Company's proposal, St. Louis County Rate A (which includes  
7 residential) customers would experience an increase in their volumetric rate of 46%,  
8 compared to an increase of 12% for Rate A customers outside of St. Louis County.<sup>22</sup>  
9 Rate J customers in St. Louis County would experience an increase in their volumetric  
10 rate of 108%, compared to an increase of 28% for Rate J customers outside of St.  
11 Louis County.<sup>23</sup> Even more alarming is the fact that the 108% increase for Rate J  
12 customers in St. Louis County is just the increase for phase one of MAWC's proposed  
13 transition to Rate A. If non-qualifying Rate J customers were fully transitioned to Rate A  
14 in this rate case, the increase in the volumetric rate would be nearly 300% for St. Louis  
15 County customers.

16 **Q DO YOU HAVE ANY OTHER COMMENTS WITH RESPECT TO CTP?**

17 A Mr. Rea says that the CTP issue is a policy and fairness issue regarding the appropriate  
18 way to price water service across the service territory.<sup>24</sup> Under CTP, St. Louis County  
19 customers would pay for a portion of the costs of system improvements in areas outside  
20 of the county, plus pay for improvements inside the county through the ISRS. However,

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<sup>21</sup>*Id.* at page 27.

<sup>22</sup>*Id.* at page 15.

<sup>23</sup>*Id.*

<sup>24</sup>*Id.* at page 20.

1 customers outside the county do not pay the ISRS, so those customers would not be  
 2 making a contribution to system improvements in the county. This is not a fair  
 3 arrangement for St. Louis County customers.

4 **Q UNDER CTP, WOULD ST. LOUIS COUNTY CUSTOMERS SUBSIDIZE NON-ST.**  
 5 **LOUIS COUNTY CUSTOMERS?**

6 A Yes. As shown in Table 1, below, under MAWC's proposal for CTP, St. Louis County  
 7 customers would be paying rates that recover about \$17.4 million more than the  
 8 revenue deficiency identified by the Company for St. Louis County. Non-St. Louis  
 9 County customers would pay about \$17.4 million less than the revenue deficiency  
 10 identified for that district. Requiring the St. Louis County district to pay \$17.4 million  
 11 more than MAWC's cost of providing service to it, so that the non-St. Louis County  
 12 district can pay \$17.4 million less than its cost of service is the very definition of a  
 13 subsidy.

**TABLE 1**

**District-Specific Revenue Deficiency vs. MAWC Proposed Increase**

<u>Line</u>	<u>Description</u>	<u>Current</u>	<u>District-Specific</u>	<u>MAWC</u>	
		<u>Revenues<sup>1</sup></u>	<u>Revenue</u>	<u>Proposed Increase<sup>1</sup></u>	
		(1)	<u>Deficiency<sup>2</sup></u>	<u>Amount</u>	<u>Percent</u>
			(2)	(3)	(4)
1	St. Louis County	\$ 210,612,243	\$ 73,827,343	\$ 91,212,449	43.3%
2	Other	<u>86,083,560</u>	<u>31,052,469</u>	<u>13,667,369</u>	15.9%
3	Total Water	\$ 296,695,803	\$ 104,879,812	\$ 104,879,819	35.3%

Sources

<sup>1</sup> CAS 11 and 12.xlsx

<sup>2</sup> MAWC Schedule CAS-1.

1 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS WITH**  
2 **RESPECT TO CTP.**

3 A The Company's proposal for consolidating the St. Louis County and non-St. Louis  
4 County districts should be rejected, and the current two-district structure should be  
5 maintained. It appears that MAWC agrees with MIEC and OPC that there are cost of  
6 service differences between the various communities served by MAWC. However,  
7 despite these differences, the Commission determined in the prior case that  
8 consolidating to two districts was reasonable. The Commission determined that St.  
9 Louis County should remain separate due to the limited applicability of the ISRS, and  
10 that consolidating the remaining districts would still allow MAWC to acquire and  
11 improve small struggling systems, while avoiding rate shock.<sup>25</sup> Maintaining the existing  
12 two districts is consistent with the Commission's prior Order, and is sufficient to allow  
13 MAWC to continue the practice of acquiring and improving small struggling water  
14 systems.

15 **III. Cost of Service Study**

16 **Q HOW DID MR. REA RESPOND TO YOUR CRITICISM THAT MAWC DID NOT**  
17 **INCLUDE RATE J AS A SEPARATE CLASS IN THE COSS?**

18 A Mr. Rea stated that the Company's COSS is filed in support of the Company's proposal  
19 for creation of Rate L and the elimination of Rate J, and that it is not meant or intended  
20 to support alternative proposals the other parties in this case may have.<sup>26</sup>

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<sup>25</sup>Case No. WR-2017-0285. Final Order at pages 30-31.

<sup>26</sup>Mr. Rea's rebuttal testimony at page 4.

1 **Q HOW DO YOU RESPOND?**

2 A MAWC is doing a disservice to its customers by failing to present sufficient information  
3 for stakeholders and the Commission to adequately evaluate its proposals. As a matter  
4 of due diligence, in addition to a COSS reflecting all of its proposals, the Company  
5 should be required to provide COSS models separately for its St. Louis County and  
6 non-St. Louis County districts with non-qualifying Rate J customers and Rate L as  
7 separate classes. The COSS models provided in this case, between Staff and MAWC,  
8 do not provide enough information to assess the impact of all of the Company's  
9 proposals on each of MAWC's customer classes. This makes it impossible to verify  
10 the reasonableness of MAWC's proposed increase for non-qualifying Rate J  
11 customers, to gauge whether it is appropriate to combine non-qualifying Rate J  
12 industrial customers with Rate A commercial customers in the COSS, or to charge the  
13 non-qualifying Rate J customers the same volumetric rate as a residential customer.  
14 For this reason, in an effort to keep MAWC from limiting the Commission's review in  
15 future cases, I recommended that, in future rate cases, MAWC be required to file a  
16 COSS that reflects the number of districts and rate classes established by the  
17 Commission in this case as well as a separate COSS that reflects any specific  
18 recommendations that MAWC may be requesting.<sup>27</sup>

19 **Q HAS MAWC SHOWN THAT IT IS APPROPRIATE TO ELIMINATE RATE J BY**  
20 **TRANSITIONING EXISTING RATE J CUSTOMERS TO RATE A OR RATE L?**

21 A No. As explained in my direct testimony, MIEC is open to considering a new large user  
22 tariff. And, the proposed new large user class should be reflected in an accurate,  
23 district-specific COSS. However, non-qualifying Rate J industrial customers should not

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<sup>27</sup>Direct testimony of Jessica York at page 2.

1 be transitioned to Rate A, and should not be included with Rate A customers in the  
2 COSS without any analysis supporting such a change. The Company has provided no  
3 analysis to show whether consumption patterns of non-qualifying Rate J industrial  
4 customers are similar enough to Rate A commercial customers to warrant combining  
5 them into a single class. Nor has it shown that Rate J customers are not disadvantaged  
6 by doing so.

7 **Q DID MR. REA OFFER A SUGGESTION ON THE TYPE OF ANALYSIS THAT**  
8 **SHOULD BE PERFORMED TO ASSESS WHETHER NON-QUALIFYING RATE J**  
9 **CUSTOMERS ARE DISADVANTAGED IN MAWC'S COSS?**

10 A Yes. Mr. Rea criticized the comparison of customer class historical maximum day and  
11 maximum hour demand ratios in my direct testimony. He suggested that in order to  
12 determine if non-qualifying Rate J customers are disadvantaged in MAWC's COSS,  
13 one should review usage characteristics of these customers relative to the  
14 non-residential Rate A class, and to Rate L.<sup>28</sup>

15 Mr. Rea proceeded to offer a limited comparison of monthly consumption  
16 between Rate L and non-qualifying Rate J customers, but offered no comparison  
17 between non-Residential Rate A customers and non-qualifying Rate J customers.

18 Because MAWC proposes to combine non-Residential Rate A customers with  
19 non-qualifying Rate J industrial customers, this is the relevant comparison to determine  
20 whether these Rate J customers are disadvantaged in MAWC's COSS. Mr. Rea's  
21 rebuttal testimony tries to muddy the issue by emphasizing comparisons of  
22 non-qualifying Rate J customers to Rate L.

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<sup>28</sup>*Id.* at pages 10-11.

1 Q HAVE YOU COMPARED USAGE CHARACTERISTICS OF NON-QUALIFYING  
 2 RATE J CUSTOMERS TO RATE A?

3 A Yes. MAWC provided information in response to MIEC’s Data Request 4-001 on the  
 4 maximum day and maximum hour demand ratios. This data is summarized below in  
 5 Table 2.

<b>TABLE 2</b>					
<b><u>Summary of Usage Characteristics</u></b>					
<b>Line</b>	<b>Description</b>	<b>Maximum Day Demand Ratio</b>		<b>Maximum Hour Demand Ratio</b>	
		<b>St. Louis County</b>	<b>Other</b>	<b>St. Louis County</b>	<b>Other</b>
		(1)	(2)	(3)	(4)
1	Rate A (excluding non-qualifying Rate J customers) <sup>1</sup>	1.80	1.46	2.29	2.38
2	Non-qualifying Rate J <sup>1</sup>	1.56	1.36	2.01	1.98
3	Combined Rate A and Non-Qualifying Rate J <sup>2</sup>	1.76	1.42	2.14	2.33

Sources  
<sup>1</sup>MAWC’s response to data request MIEC 4-002.  
<sup>2</sup>MAWC’s response to data request MIEC 3-001.

6 These ratios represent the relationship between each class’s maximum daily use and  
 7 average daily use, or maximum hourly use and average hourly use during the year. As  
 8 shown in Table 2, non-qualifying Rate J customers have lower maximum day and  
 9 maximum hour demands relative to their average day and average hour demands than  
 10 Rate A non-residential customers. This indicates that non-qualifying Rate J industrial  
 11 consumption is less “peaky” than non-residential Rate A consumption, and  
 12 non-qualifying Rate J customers more efficiently utilize the capacity installed on  
 13 MAWC’s system to serve them.



1 **Q ARE NON-QUALIFYING RATE J INDUSTRIAL CUSTOMERS UNJUSTIFIABLY**  
2 **DISADVANTAGED IN THE COSS BY BEING COMBINED WITH RATE A**  
3 **NON-RESIDENTIAL CUSTOMERS?**

4 A Yes. These capacity ratios are used to develop allocation factors for fixed,  
5 capacity-related costs. As a result, a COSS would allocate more fixed costs to Rate A  
6 customers than to non-qualifying Rate J customers, and would result in a lower  
7 cost-based rate for the Rate J customers than for Rate A. Therefore, by combining  
8 non-qualifying Rate J customers with Rate A customers in the COSS, non-qualifying  
9 Rate J customers would be subsidizing the capacity costs incurred to serve Rate A  
10 customers.

11 MAWC claims that at its proposed revenue requirement, 94%<sup>29</sup> of its costs are  
12 fixed costs. Therefore, it is important that these costs be fairly and accurately allocated  
13 to each customer class. Combining non-qualifying Rate J and Rate A customers into  
14 a single class in the COSS produces an inaccurate measure of the capacity costs  
15 incurred to serve both Rate A and Rate J, to the detriment of non-qualifying Rate J  
16 customers.

17 **Q ARE THERE ANY OTHER DISTINCTIONS BETWEEN THE SERVICE MAWC**  
18 **PROVIDES TO NON-RESIDENTIAL RATE A AND NON-QUALIFYING RATE J**  
19 **CUSTOMERS THAT SHOULD BE RECOGNIZED IN THE COSS?**

20 A Yes. Non-Residential Rate A water usage is served by distribution mains (smaller than  
21 10 inches in diameter).<sup>30</sup> Therefore, in addition to the transmission mains used to serve

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<sup>29</sup>MAWC's response to Data Request MIEC 2-012, attached as Schedule JAY-1, page 7, in my direct testimony.

<sup>30</sup>MIEC 3-001\_Attachment v2.xlsx. Provided as an updated response to Data Request MIEC 3-001. Attached as Schedule JAY-1, pages 8-10, in my direct testimony.

1 these customers, Rate A customers in the Non-Residential class should also receive  
2 an allocation of distribution main costs. However, of the Rate J usage included by  
3 MAWC in the Non-Residential class, 55% is served directly from transmission mains  
4 (sized ten inches in diameter and above) and do not utilize any of the distribution  
5 system. As a result, charging such users a lower rate is justified, because the cost of  
6 service is lower.<sup>31</sup>

7 MAWC attempted to reflect this distinction in main size in its COSS by using a  
8 distribution multiplier in the development of its capacity-related allocation factors.  
9 However, combining Rate A and non-qualifying Rate J results in an allocation of  
10 distribution main costs to these Rate J customers despite the fact that such customers  
11 do not utilize the distribution mains. This distinction in main size was addressed in my  
12 direct testimony, but Mr. Rea's rebuttal testimony was silent on this issue.

13 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS WITH**  
14 **RESPECT TO MAWC'S COSS AND REVENUE SPREAD.**

15 **A** MAWC's COSS should be rejected. The Company should be required to provide  
16 district-specific COSS models with non-qualifying Rate J customers as a separate  
17 class, and Rate L as a separate class. As shown above, consumption patterns and  
18 service characteristics associated with non-qualifying Rate J customers differ from  
19 Rate A. Combining these classes in the COSS as MAWC has done fails to accurately  
20 or fairly measure the cost of providing service to either of these customer classes, to  
21 the disadvantage of non-qualifying Rate J customers.

22 In essence, MAWC has provided no reliable measure of the cost of providing  
23 service in each district, or the cost of providing service to each class within each district.

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<sup>31</sup>Mr. Rea's direct testimony at 35.

1 As a result, its proposed revenue spread is not supported, and should be rejected. Due  
2 to the inadequacy of MAWC's COSS in this case, it should not be relied upon as the  
3 basis for spreading the Company's claimed revenue deficiency across customer  
4 classes in this case. Because MAWC has not produced a reliable measure of Rate J's  
5 cost of service, Rate J should receive no more than a system average increase. MIEC  
6 recommends that in future cases a COSS be prepared showing the proper assignment  
7 of costs to the Rate J class in order to validate any rate increase.

#### 8 **IV. MAWC's Proposal for Rate L and Rate J**

9 **Q IS MR. REA CONCERNED THAT CERTAIN LARGE COMMERCIAL CUSTOMERS**  
10 **THAT ARE CURRENTLY SERVED ON RATE A COULD ARTIFICIALLY INCREASE**  
11 **THEIR USAGE TO QUALIFY FOR THE LOWER RATES ON RATE J?**

12 A Yes. This is one concern cited by Mr. Rea as a reason to implement Rate L and  
13 transition the non-qualifying Rate J customers to Rate A. Mr. Rea goes so far as to  
14 argue that a customer using 300,000 gallons per month could literally open the spigot,  
15 pour 150,000 gallons of water down the street every month, and cut their bill in half for  
16 doing so.<sup>32</sup>

17 **Q IS THIS CONCERN REASONABLE?**

18 A No. As explained in my direct testimony, commercial customers are unlikely to do this,  
19 and to Mr. Rea's knowledge, no customer ever has done this.<sup>33</sup>

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<sup>32</sup>Mr. Rea's rebuttal testimony at page 15.

<sup>33</sup>MAWC's response to Data Request MIEC 4-003, attached as Schedule JAY-2 at page 7.

1 Q SHOULD NON-QUALIFYING RATE J CUSTOMERS BE TRANSITIONED TO  
2 RATE A?

3 A No. As discussed above, given the vast differences in usage characteristics,  
4 non-qualifying Rate J customers should remain as a separate customer class. Rates  
5 for this class should reflect MAWC's cost of providing service to this class, and should  
6 be differentiated between the two existing districts.

7 Q PLEASE SUMMARIZE THE CURRENT AND PROPOSED VOLUMETRIC RATES BY  
8 CLASS.

9 A Current and Company proposed volumetric rates for Rate A, non-qualifying Rate J, and  
10 Rate L customers are presented in the following table from Mr. Rea's rebuttal  
11 testimony.

Line	District	Rate	Current	Proposed	Increase	
			Rate	Rate	Amount	Percent
			(1)	(2)	(3)	(4)
1	St. Louis County	Rate A	\$4.7814	\$ 6.9827	\$2.2013	46%
2	Non-St. Louis County	Rate A	\$6.2469	\$ 6.9827	\$0.7358	12%
3	St. Louis County	Rate J	\$1.7680	\$ 3.6753	\$1.9073	108%
4	Non-St. Louis County	Rate J	\$2.8268	\$ 3.6753	\$0.8485	30%
5	All	Rate L		\$ 3.2417		

Source  
Rebuttal testimony of Mr. Rea at page 15.

12 As shown in the table, St. Louis County customers would experience significantly larger  
13 increases than non-St. Louis County customers. Non-qualifying Rate J customers in  
14 St. Louis County would experience a 108% increase in their volumetric rate – and this  
15 is only phase one of the proposed transition to Rate A. St. Louis County Rate A

1 customers (including residential) would experience a 46% increase in their volumetric  
2 rate.

3 Under MAWC's proposals, the non-qualifying Rate J class in St. Louis County  
4 would receive an increase of 84.8%, and the non-qualifying Rate J class outside of St.  
5 Louis County would receive an increase of 22.6%.<sup>34</sup> St. Louis County Rate J customers  
6 that qualify for Rate L would receive an increase of 96.1% by transitioning to Rate L.<sup>35</sup>  
7 Outside of St. Louis County, Rate J customers transitioning to Rate L would receive an  
8 increase of 10.7%.<sup>36</sup>

9 **Q WHAT COMMENTS DID MR. REA MAKE WITH RESPECT TO THE PROPOSED**  
10 **RATE CHANGES SHOWN IN THE TABLE?**

11 A Mr. Rea argues that while the percentage increases for St. Louis County customers  
12 are higher than for non-St. Louis County customers, the total price change is similar.<sup>37</sup>  
13 He proceeds to state that the percentage changes for St. Louis County customers are  
14 as high as they are because St. Louis County volumetric rates are significantly lower  
15 than for non-St. Louis County customers.<sup>38</sup> Lastly, Mr. Rea concludes that the Rate J  
16 price is only slightly higher than the average proposed rate for Rate L, so non-qualifying  
17 Rate J customers are not significantly disadvantaged relative to what their rate would  
18 be without Rate L.<sup>39</sup>

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<sup>34</sup> Direct testimony of Jessica York at Table 3.

<sup>35</sup>*Id.*

<sup>36</sup>*Id.*

<sup>37</sup> Rebuttal testimony of Mr. Rea at page 15.

<sup>38</sup>*Id.*

<sup>39</sup>*Id.* at pages 15-16.

1 **Q HOW DO YOU RESPOND?**

2 A Mr. Rea's comments with respect to the rate comparison table appear to serve no  
3 purpose other than to distract from the negative impact that the Company's proposals  
4 will have on customers in St. Louis County – for both Rate A and non-qualifying Rate J  
5 customers.

6 It is true that St. Louis County volumetric rates are lower than volumetric rates  
7 outside of the county. It is also true that volumetric rates for St. Louis County and  
8 non-St. Louis County customers are cost-based rates established from district-specific  
9 COSS models. The fact that St. Louis County volumetric rates are lower than non-St.  
10 Louis County volumetric rates does not justify increases of nearly 50%, or in excess of  
11 100% - or make such increases any less harmful customers. To add insult to injury,  
12 these increases are not supported by a district-specific COSS, or a COSS with the  
13 appropriate customer classes.

14 Further, residential customers in St. Louis County use about 40% more water  
15 on average than residential customers outside of the county.<sup>40</sup> Under the Company's  
16 proposed rates, the St. Louis County residential class would see an increase of 43.1%,  
17 while the residential class outside of St. Louis County would receive an increase of  
18 17.4%.<sup>41</sup>

19 **Q ARE MR. REA'S COMPARISONS BETWEEN NON-QUALIFYING RATE J**  
20 **CUSTOMERS AND RATE L CUSTOMERS RELEVANT?**

21 A In part. If Rate L customers receive service primarily from transmission mains, they  
22 should not be assigned the costs associated with distribution mains. Thus, it makes

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<sup>40</sup>MAWC workpaper CAS 11 and 12.xlsx.

<sup>41</sup>Direct testimony of Jessica York at Table 3.

1 sense that the Rate L average cost-based rate would be less than the rate for  
2 non-qualifying Rate J customers. However, as discussed earlier in this testimony, a  
3 large portion of non-qualifying Rate J consumption is also served by transmission  
4 mains rather than distribution mains. Therefore, it would make sense for non-qualifying  
5 Rate J customers to pay a lower cost-based rate than Rate A customers.

6 However, the Company's proposal ignores this cost of service issue and  
7 proposes to make non-qualifying Rate J customers ultimately pay the same volumetric  
8 rate as Rate A customers. Contrary to Mr. Rea's statement, this proposal will  
9 significantly disadvantage non-qualifying Rate J customers relative to Rate L by the  
10 time the transition is complete – and with no cost-causation basis to support it.

## 11 **V. Staff's Rate Design**

12 **Q HAS STAFF DEVELOPED RATES THAT WILL PRODUCE ITS PROPOSED**  
13 **REVENUE REQUIREMENT?**

14 A Yes. Staff continues to recommend significant reductions to the fixed monthly meter  
15 charges, and increases to the volumetric charges. As discussed in my rebuttal  
16 testimony, this rate design recommendation should be rejected. Regardless of any  
17 change in revenue requirement the Commission might approve in this case, the fixed  
18 monthly meter charges should not be decreased from their current levels, which were  
19 approved by the Commission in the last rate case. Furthermore, maintaining or  
20 increasing fixed monthly meter charges would minimize MAWC's claimed need for a  
21 Revenue Stabilization Mechanism ("RSM").

22 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

23 A Yes, it does.

**DATA INFORMATION REQUEST**  
**Missouri-American Water Company**  
**WR-2020-0344**

**Requested From:** Brian LaGrand  
**Date Requested:** 12/24/2020

**Information Requested:**

The workpaper for CAS-13 provides main break expense, but not number of main breaks. Please provide on an annual basis for the years 2010-2019 the miles of water mains and the number of main breaks for each of the following service areas: (1) St. Louis County; (2) St. Charles County; (3) Jefferson City; (4) Warrensburg; (5) Joplin; (6) St. Joseph and (7) Mexico. Please update when information for 2020 becomes available.

**Requested By:** David Woodsmall – Woodsmall Law  
 For MECG – (Midwest Energy Consumers Group)

**Information Provided:**

Please see MECG 7-001 Attachment\_2010-2019 Annual Reports for the Missouri-American Water Company miles of water main.

Please see the chart below for number of main breaks. Prior to 2019 the number of main breaks were not tracked outside St. Louis. The 2019 information is not available by individual service area other than for St. Louis.

Number of Main Breaks

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>St. Louis</b>	1,103	778	877	886	1,118	545	525	608	719	277
<b>All Other Water</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	110



**DATA INFORMATION REQUEST  
Missouri-American Water Company  
WR-2020-0344**

**Requested From:** Brian LaGrand

**Date Requested:** 1/27/2021

**Information Requested:**

Please refer to Mr. Rea's rebuttal testimony at page 31, lines 17-21:

- a. Please identify the number of customers that have requested an explanation about rate differentials between districts over the last 5 years.
- b. Please identify the customer classes associated with the customers that have made these inquiries.

**Requested By:** Diana Plescia (dplescia@chgolaw.com)  
For MIEC – (Midwest Industrial Energy Consumers)

**Information Provided:**

The Company is unaware of, and does not have records related to, any specific customers that have requested explanations about rate differentials between districts over the last 5 years.

Responsible Witness: Charles Rea

**DATA INFORMATION REQUEST  
Missouri-American Water Company  
WR-2020-0344**

**Requested From:** Brian LaGrand  
**Date Requested:** 07/17/2020

**Information Requested:**

For each of American Water Works (“AWW”) subsidiaries, please provide the following:

1. a description of the most recent rate design approved by each Commission i.e., a single-tariff rate, district-specific rate, or some combination;
2. If a single-tariff rate has been implemented, please provide the cost-savings, if any, to AWW’s subsidiaries customers since implementation of the statewide single-tariff rate; and
3. Any other benefits that AWW’s subsidiaries customers have received since implementation of the statewide single-tariff rate.

**Requested By:** Matthew Barnes- Missouri Public Service Commission – matthew.barnes@mo.psc.gov

**Information Provided:**

1)

Iowa - Single tariff pricing, although a separate district tariff has been added for an acquisition after the last rate case.

Indiana - Two-district pricing with common pricing for meter charges and sales for resale.

Illinois - Three-district pricing, with separate pricing for districts added due to acquisitions after the last rate case.

Kentucky - Single tariff pricing

Tennessee -District-specific pricing

Virginia - District-Specific pricing

Maryland - Single tariff pricing

West Virginia - Single tariff pricing

New Jersey - Multiple-district pricing due to acquisitions, although the vast majority of general service customers are on a single tariff.

Pennsylvania - Multiple-district pricing due to acquisitions, although the vast majority of general service customers are on a single tariff.

California - Multiple-district pricing

New York - Two-district pricing

b)

The Company doesn't specifically track the impact of simplifying rate structures on administrative costs, the cost of billing and collections, or regulatory costs associated with the complexity of filing and supporting separate rate structures.

c)

The Company does not specifically track benefits to AWWA subsidiary customers from the implementation of statewide single-tariff pricing.

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST**  
**Missouri-American Water Company**  
**WR-2020-0344**

**Requested From:** Brian LaGrand  
**Date Requested:** 10/29/2020

**Information Requested:**

Please refer to the discussion on Consolidated Tariff Pricing (“CTP”) in Section IV. of Mr. Rea’s direct testimony.

- a. At page 21, lines 19-21, and page 22, line 1, Mr. Rea states that “consolidating rates across districts improve affordability of water service for all customers over the long term and is in the long term best interest of all of our customers.”
  - i. Please provide a detailed explanation of the basis for this conclusion.
  - ii. Please provide all documents and workpapers relied on by Mr. Rea to draw this conclusion. Please provide workpapers in electronic format with all formulas intact.
  - iii. Please explain whether or not MAWC has endeavored to study the impacts of CTP on all customer classes in all districts to determine whether or not CTP is in the best interest of all customers.

**Requested By:** Diana Plescia (dplescia@chgolaw.com)  
For MIEC – (Midwest Industrial Energy Consumers)

**Information Provided:**

- i. Consolidating rates across all districts improves affordability of water service for all customers over the long term and is in the long term best interest of our customers because rates will be more stable and lower on the long term. This is primarily because needed investments in water infrastructure which would be required to be made by individual communities on their own can be spread more evenly over larger groups of customers. Please see Rea Direct Testimony pp. 23-25 for a more detailed discussion of these benefits.
- ii. Mr. Rea did not rely on any other documents or workpapers to draw these conclusions in his testimony.
- iii. MAWC has not attempted to forecast out future rates for customers under CTP versus the status quo to determine quantitatively the financial impacts on customers of CTP.

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST  
Missouri-American Water Company  
WR-2020-0344**

**Requested From:** Brian LaGrand  
**Date Requested:** 1/27/2021

**Information Requested:**

Please refer to Mr. Rea's rebuttal testimony at page 31, lines 1-5.

- a. Please explain the basis for Mr. Rea's claim that there have been no ill effects identified from the consolidation of over 20 separate disconnected operating districts all taking service under the non-St. Louis County rate.
- b. Please define "ill effects" as that phrase is used by Mr. Rea.
- c. Please state whether Missouri-American has specifically performed studies of "ill effects" on customers within the different districts served under the consolidated non-St. Louis County rate.
- d. Please provide all documentation supporting Mr. Rea's claim about no ill effects being identified for non-St. Louis County customers.

**Requested By:** Diana Plescia (dplescia@chgolaw.com)  
For MIEC – (Midwest Industrial Energy Consumers)

**Information Provided:**

- a. Please see response to MIEC 4-008. Mr Ray is not aware of any witness in this case that has provided evidence demonstrating any financial hardship to any customer taking service under the non Saint Louis County rate or any instance of imprudent investment or spending on the part of the Company resulting from the merging rates for non-St. Louis County districts into a single consolidated rate.
- b. See response to part a).
- c. Missouri-American has not performed any studies of the type referenced in this data request.
- d. See response to part a).

Responsible Witness: Chuck Rea

**DATA INFORMATION REQUEST  
Missouri-American Water Company  
WR-2020-0344**

**Requested From:** Brian LaGrand

**Date Requested:** 1/27/2021

**Information Requested:**

Please refer to Mr. Rea's rebuttal testimony at pages 14 - 15. In electronic spreadsheet format with all formulas intact, please provide the following information:

- a. Please state the number of Rate A customers that have increased usage to qualify for Rate J, and identify the month and year when the switch occurred.
- b. For each commercial customer included above, please identify the increase in monthly usage (gallons and percentage increase) that was achieved to qualify for Rate J.

**Requested By:** Diana Plescia (dplescia@chgolaw.com)  
For MIEC – (Midwest Industrial Energy Consumers)

**Information Provided:**

- a. Mr. Rea is not aware of any specific individual customer that has artificially increased their water consumption for the sole purpose of qualifying for Rate J.
- b. N/A

Responsible Witness: Charles Rea

**DATA INFORMATION REQUEST  
Missouri-American Water Company  
WR-2020-0344**

**Requested From:** Brian LaGrand  
**Date Requested:** 1/27/2021

**Information Requested:**

Please refer to Mr. Rea's rebuttal testimony at pages 10-11. Please provide the maximum day and maximum hour demand ratios for the following customer classes:

- a. Rate J (as it currently exists) in St. Louis County;
- b. Rate J (as it currently exists) outside of St. Louis County;
- c. Non-Residential Rate A (as it currently exists) in St. Louis County;
- d. Non-Residential Rate A (as it currently exists) outside of St. Louis County;
- e. Remaining customers in the existing Rate J class that do not qualify for the Company's proposed Rate L – in St. Louis County;
- f. Remaining customers in the existing Rate J class that do not qualify for the Company's proposed Rate L – outside of St. Louis County;
- g. Proposed Rate L class in St. Louis County; and
- h. Proposed Rate L class outside of St. Louis County.

**Requested By:** Diana Plescia (dplescia@chgolaw.com)  
For MIEC – (Midwest Industrial Energy Consumers)

**Information Provided:**

- a. Max Day – 1.50, Max Hour – 2.14
- b. Max Day – 1.33, Max Hour – 1.76
- c. Max Day – 1.80, Max Hour – 2.29
- d. Max Day – 1.46, Max Hour – 2.38
- e. Max Day – 1.56, Max Hour – 2.01
- f. Max Day – 1.36, Max Hour – 1.98
- g. Max Day – 1.38, Max Hour – 1.80
- h. Max Day – 1.28, Max Hour – 1.67

Responsible Witness: Charles Rea

**DATA INFORMATION REQUEST**  
**Missouri-American Water Company**  
**WR-2020-0344**

**Requested From:** Brian LaGrand  
**Date Requested:** 11/11/2020

**Information Requested:**

Please refer to MAWC's "MO COSS Workpaper.xlsx."

a. In electronic spreadsheet format with formulas intact, please break out the St. Louis district's water revenue requirement into the following categories:

- i. Source of Supply Expense – Fixed;
- ii. Source of Supply Expense – Variable;
- iii. Power and Pumping Expenses – Fixed;
- iv. Power and Pumping Expenses – Variable;
- v. Water Treatment – Fixed;
- vi. Water Treatment – Variable;
- vii. Transmission;
- viii. Distribution;
- ix. Storage;
- x. Meters;
- xi. Services;
- xii. Customers;
- xiii. Hydrants; and
- xiv. Other Water Operating Revenue.

b. In electronic spreadsheet format with formulas intact, please provide an updated version of the "Usage Statistics" tab, which reflects the usage statistics for the existing rate classes in the St. Louis district (i.e., Residential, Non Residential, Rate J, Rate B, Rate P, Public Fire, and Private Fire).

**Requested By:** Diana Plescia (dplescia@chgolaw.com)  
For MIEC – (Midwest Industrial Energy Consumers)

**Information Provided:**

Please see MIEC 3-001\_Attachment.

Responsible Witness: Charles Rea