

Exhibit No.: _____
Issue(s): Single Tariff Pricing/Affiliate Transactions/
Lead Line Replacement/ Utility Excavation
Coordination/Low-Income Programs/Late Fees
Witness/Type of Exhibit: Marke/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: WR-2022-0303

SURREBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

February 8, 2023

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MISSOURI AMERICAN WATER COMPANY

CASE NO. WR-2022-0303

1 **I. INTRODUCTION**

2 **Q. Please state your name, title, and business address**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Dr. Marke that filed revenue requirement direct testimony in WR-**
6 **2022-0303?**

7 A. I am.

8 **Q. What is the purpose of your surrebuttal testimony?**

9 A. I am responding to the rebuttal testimony of other parties' witnesses on select topics. The
10 following is a list of those topics and the witnesses:

- 11 • Single Tariff Pricing
- 12 ○ Missouri American Water Company ("MAWC") witness Charles B. Rea
- 13 ○ Missouri Public Service Commission Staff ("Staff") witness Keri Roth
- 14 • Affiliate Transactions
- 15 ○ MAWC witnesses John M. Watkins and Brian W. LaGrand
- 16 ○ Staff witness Kimberly K. Bolin
- 17 • Lead Line Replacements
- 18 ○ MAWC witness Matthew A. Lueders
- 19 • Utility Excavation Coordination
- 20 ○ MAWC witness Jeffrey T. Kaiser
- 21 ○ Staff witness David C. Roos
- 22 • Income Eligible Programs
- 23 ○ MAWC witness Brian W. LaGrand

- 1 • Late Fees
- 2 ○ MAWC witness Brian W. LaGrand

3 My silence regarding any issue should not be construed as an endorsement of, agreement with,
4 or consent to any party's filed position.

5 **III. SINGLE TARIFF PRICING**

6 **Q. What is MAWC, Missouri Industrial Energy Consumers ("MIEC"), and Staff's position**
7 **regarding single tariff pricing?**

8 A. MAWC recommends that the Commission consolidate Rate A customers between St. Louis
9 County and Non-St. Louis County customers; however, MAWC does not recommend that
10 rates B or J be consolidated.

11 Both MIEC and Staff recommend that St. Louis County and Non-St. Louis County customer
12 tariffs remain separate, as they currently operate.

13 **Q. What is your recommendation?**

14 A. I support Staff and MIEC's position.

15 **Q. What are MAWC's argument for single tariff pricing?**

16 A. MAWC's witness, Mr. Charles B. Rea, provides two arguments for single tariff pricing.
17 Those points are as follows:

18 The first is that the concept of single tariff pricing has already been established in
19 the Company's rate structure. There are more than 20 separate operating districts in
20 the MAWC service territory all taking service under a single consolidated rate
21 structure that is the non-St. Louis County rate. . . .

1 The second point to make is that it will always be the case that certain groups of
2 customers will be paying more or less than their absolute true cost to serve regardless
3 of whether single tariff pricing is in place or not.¹

4 **Q. Does Mr. Rea believe that customers can understand that costs can be different across**
5 **different water systems?**

6 A. Mr. Rea argues that customers cannot understand that the price of water service is different for
7 a customer next to a water source (i.e., like the Missouri River) compared to a customer in a
8 remote location without any clear water resource. Mr. Rea specifically states:

9 From a purely analytical perspective these myriads of differences will result in
10 different revenue requirement calculations in different discreet geographic locations
11 that would suggest that different rates could be justified, but from a practical
12 perspective these differences are not a valid reason for having different rates. If you
13 cannot in good faith explain to customers why their rates are different from other
14 similar groups of customers for the same service, your reasons for having different
15 rates are probably not valid. It would be unreasonable to suggest having a “rocky
16 soil rate”, or an “old plant rate”, or a “high labor cost rate”, or a “far away from the
17 river rate” because cost of service supports that distinction.²

18 **Q. Do you believe you can explain to a customer in “good faith” why a given water rate**
19 **would be different based on the cost to serve the customer *and* that said customer would**
20 **reasonably understand it?**

21 A. Yes, of course. To suggest otherwise runs in the face of decades of experience in how MAWC
22 and most of its affiliates in states across the United States actually price their water service.
23 This is an absurd position for the Company to take.

¹ Case No. WR-2022-0303 Rebuttal Testimony of Charles B. Rea p. 6, 14-17 & p. 7, 5-9.

² Ibid. p. 8, 14-21 & p. 9, 1.

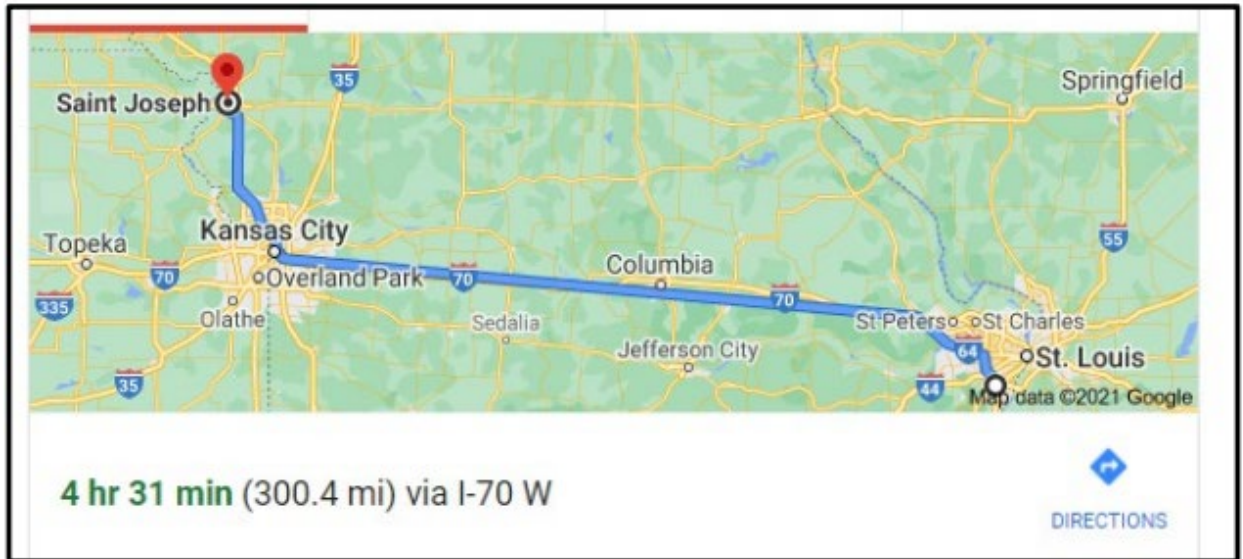
1 **Q. Can you provide compelling evidence that the cost of providing service in a given area is**
2 **fundamentally different than other areas?**

3 A. I can.

4 The costs of living varies across the state (and the world). This should seemingly not be a
5 surprise to anyone responsible for paying their bills. There are whole websites devoted to
6 comparing the cost of living from one locale to the next. Often these websites differentiate
7 the cost of living by category, including utilities. Not surprisingly, differences in costs vary
8 considerably despite the fact that eggs (or milk, or homes, or gas, etc...) are still eggs
9 whether consumed in California or Alabama. In the context of this rate case, costs associated
10 with the treatment of St. Joseph's water are caused by ratepayers in St. Joseph, not
11 ratepayers 300 miles away in St. Louis. Similarly, the potential future costs associated with
12 a new Joplin reservoir are costs that are indicative of the realities of living in Joplin, and
13 should not be the realities of customers in St. Charles. This is the principal of cost causation
14 that regulation attempts to adhere to by serving as a proxy for the market. The "market"
15 being the key term here. Regulation is supposed to serve as a proxy for a market, not a
16 means for socialization with additional costs for profit for the natural monopoly. If the latter
17 was the goal, then the government should take control of utility systems and cut out the risk
18 premium return the utilities' captive customers are paying these monopolies. This would
19 save all of the costs and time associated with economic regulation.

20 Consider for a moment that there is approximately a 300 mile distance between the south
21 St. Louis (Tesson Ferry) MAWC Meramec Plant and St. Joseph, Missouri, as seen in Figure
22 1.

1 Figure 1: Distance from Tesson Ferry (MAWC Meramec Plant) to St. Joseph, Missouri³



2
3 Now consider that the south St. Louis (Tesson Ferry) Meramec water treatment plant is
4 closer in proximity to all of the following cities than it is to MAWC's St. Joseph system.

- 5 • Memphis, TN – 270.8 miles (via I-55)⁴
- 6 • Iowa City, IA – 258.7 miles (via US-2018 and US-61)⁵
- 7 • Louisville, KY- 274.8 miles (via I-64)⁶
- 8 • Kansas City, KA – 249.3 miles (via I-70)⁷
- 9 • Indianapolis, IN – 257.3 miles (via I-70)⁸
- 10 • Jonesboro, AR – 215.1 miles (Via US-67)⁹

11 At more than three hundred miles apart, these two systems (St. Louis and St. Joseph)
12 represent entirely different customers (demographics) and customer densities (number of
13 customers per square mile), economies, geographies, weather, local water sources, and

³ Google search: "Tesson Ferry, Missouri to St. Joseph, Missouri"

⁴ Google search: "Tesson Ferry, Missouri to St. Joseph, Missouri"

⁵ Google search: "Tesson Ferry, Missouri to Memphis, Tennessee"

⁶ Google search: "Tesson Ferry, Missouri to Iowa City, Iowa"

⁷ Google search: "Tesson Ferry, Missouri to Louisville, Kentucky"

⁸ Google search: "Tesson Ferry, Missouri to Indianapolis, Indiana"

⁹ Google search: "Tesson Ferry, Missouri to Jonesboro, Arkansas"

1 treatment and distribution systems. For instructive purposes under a single-tariff design, a
2 customer in St. Louis would receive no benefit from but would shoulder an additional cost
3 for an upgrade to a treatment plant in St. Joseph, which is as far away as the city of Chicago.

4 With rare exceptions (and at extraordinary costs), residential water is consumed where it is
5 withdrawn and to the extent possible, ratepayers should pay for the costs that they incur.
6 Further approving consolidation of non-contiguous districts based on “equivalent service
7 provided” ignores the economic and engineering realities of what it takes to provide that
8 service at a local level. To illustrate the flaw in this logic, take Mr. Rea’s equivalent service
9 assertion one step further and consider the argument that the rates of all of American Water
10 Works Company, Inc.’s (“American Water”) subsidiaries across multiple states should be
11 consolidated because they all report to the same national headquartered office in New
12 Jersey. Ratepayers across those states would understandably object to such a proposal.

13 **Q. Beyond hundreds of miles of distance between non-contiguous systems, can you**
14 **provide analytical support that the cost of water service varies across the state?**

15 A. Yes. MAWC relies on either groundwater (aquifers), surface water (rivers, creeks) or a
16 combination of the two as a local resource in its local systems. The extraction, treatment
17 and delivery of that water at the local level will vary considerably from site to site. For
18 MAWC ratepayers, more than 80% of the total customer base is composed of residents in
19 the St. Louis Metro, Jefferson City and Joplin districts that rely primarily on surface water
20 from rivers or creeks. However, the majority of MAWC’s districts rely on local ground
21 water sources. Not all ground water or surface water is alike. For example, surface water
22 availability and quality can be understood in part by identifying the appropriate river basin
23 a district is situated in. Just as a bathtub catches all of the water that falls within its sides, a
24 river basin (creeks, waterways, storm water runoff, drainage lines, etc.) sends all of the water
25 falling within it to a river. In the state of Missouri: the Mississippi, the Missouri and the
26 Arkansas White River basins provide the primary sources of surface water. This breakdown
27 can be seen in Figure 2.

1 Figure 2: Major drainage basins in Missouri¹⁰



2
3 Surface water is generally more expensive to treat than ground water. While both sources
4 are dependent on fluctuations in the weather, surface water availability will be impacted
5 more rapidly during both droughts and heavy rain seasons. Ultimately, the interdependence
6 of the ecosystem is such that any major development in either source will impact the
7 quantity and quality of the other.¹¹

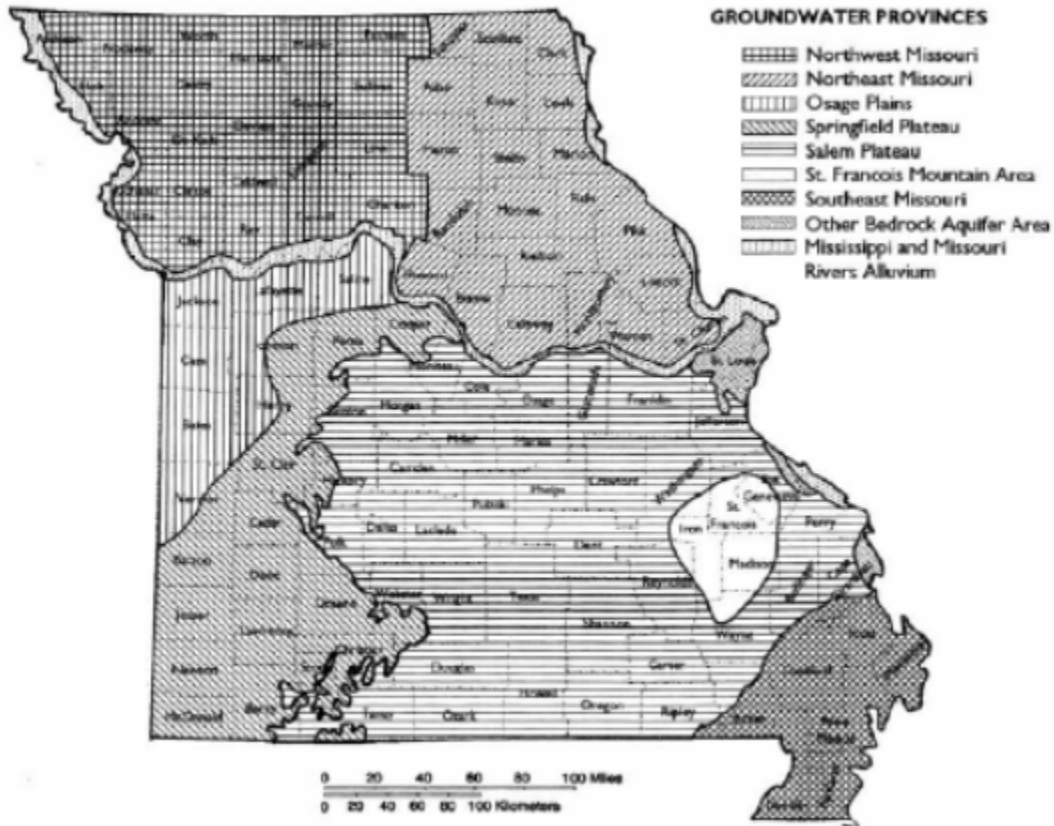
8 The majority of MAWC's systems rely primarily on groundwater. The quality, cost and
9 treatment of groundwater varies regionally throughout the state. Groundwater resources are
10 not evenly distributed. Usable groundwater is most abundant from the Ozark aquifer in the
11 Springfield and Salem Plateau and sparsest in the St. Francois Mountain area.¹²

¹⁰ 2 Missouri Water Quality Assessment (1997) Water Resources Report Number 47, Missouri State Water Plan Series Volume III. P. 6 <http://dnr.mo.gov/pubs/WR47.pdf>

¹¹ Winter, et. al (1998). U.S. Geological Survey Circular 1139. Ground Water and Surface Water a Single Source. <https://pubs.er.usgs.gov/publication/cir1139>

¹² Missouri Department of Natural Resources (2016) Missouri Groundwater Provinces and Aquifer Characteristics <https://dnr.mo.gov/geology/wrc/groundwater/education/provinces/gwprovince.htm>

1 According to the last statewide Missouri Water Quality Assessment report, seven
2 groundwater provinces were formed “using factors such as physiography, geology,
3 hydrology, and vulnerability to contamination.”¹³ These provinces can be seen in Figure 3.
4 Figure 3: Groundwater provinces of Missouri¹⁴



5 Variations between districts are based in part on the accessibility and availability of those
6 sources of water. Location matters for water utility cost of service, for the quality of the
7 product, and for the availability of the resource in a manner that is not comparable to electric
8 or gas operations. For instance, consider that an Ameren Missouri customer in Jefferson
9 City is not dependent on the availability, treatment and distribution of Jefferson City fuel or
10 generation to power their lights. Treating MAWC customers as if they function under the
11

¹³ *Ibid.*

¹⁴ *Ibid.*

1 same market conditions or have the same resource flexibility as Ameren Missouri customers
2 runs counter to the manner in which MAWC actually operates, despite what Mr. Rea would
3 have the Commission believe.

4 **Q. Is there a concern that customers could end up paying more under a diluted pricing**
5 **structure?**

6 A. Absolutely. The phenomenon is known as “gold plating” and is consistent with the
7 observation that utilities have a perverse incentive to overbuild under cost of service
8 regulation.

9 **Q. Can you point to any historic examples where a Missouri Commission ordered a cost**
10 **disallowance associated with overbuild of investments?**

11 A. Yes. In Case No. WR-2000-28 the Commission found that MAWC over-built its St. Joseph
12 water treatment plant:

13 Rated capacity of 28.5 million gallons daily is in excess of present needs, expressed
14 as the average day figure of 16.0 million gallons or the peak day figure of 23.0
15 million gallons.¹⁵

16 As a result, \$2,271,756 million in overbuild costs were excluded from rate base.

17 Not surprisingly, this same case, of which, the costs overruns of the St. Joseph water
18 treatment plant were the major item, resulted in the Commission moving off of single-tariff
19 pricing and back to district specific pricing:

20 The Commission will move away from STP [single tariff pricing] and toward DSP
21 [district specific pricing]. One factor for consideration in determining just and
22 reasonable rates is public perception. The testimony adduced at the Local Public
23 Hearings held in this matter was strongly in favor of DSP. . . . MAWC must calculate
24 its revenue requirement separately for each of its seven districts, as though each were

¹⁵ Case No. WR-2000-281 Report and Order p. 46.

1 a stand-alone water company, applying the Commission's Report and order as
2 appropriate.¹⁶

3 **Q. Do you have any final comments to make on this topic?**

4 A. I think it is telling that all consumer parties and the Commission Staff oppose MAWC's
5 proposal to consolidate its rate tariffs. Economic regulation of a natural monopoly
6 attempting to imitate the market setting of competition should not be muting price signals
7 associated with cost causation. No need exists to further undermine this core regulatory
8 principle. Shifting costs onto non-cost-causers will exacerbate costs for all customers in the
9 long-run. I recommend that the Commission maintain the status quo in this case and order
10 the Company to file a zonal cost of service study in the next rate case to more accurately
11 reflect the regulatory principle of cost causation in setting just and reasonable rates.

12 **III. AFFILIATE TRANSACTIONS**

13 **Q. What was your recommendation regarding affiliate transactions in direct testimony?**

14 A. I recommended that the Commission move forward with implementing affiliate transaction
15 rules for large water and sewer companies. This could be accomplished easily by changing
16 out the word "electric" or "gas" for the existing electric and gas rules with the word "water."
17 I also recommended that MAWC create a new Cost Allocation Manual ("CAM") using
18 existing standards in place from other regulated utilities. I also raised anti-competitive
19 behavior and affiliate transaction concerns regarding a \$1.275 billion transaction and
20 revenue sharing agreement with an American Water affiliate and the private equity firm
21 Apax Partners LLP ("Apax").

¹⁶ *Ibid.* p. 58

1 **Q. How did the Company and Staff respond to your request for a rulemaking docket and**
2 **request that MAWC create a new CAM?**

3 A. MAWC witness Brian LaGrand pointed out that there is already a case (AW-2018-0394)
4 open to address this recommendation and that the Company already has a CAM that it files
5 annually.

6 Staff witness Kimberly K. Bolin responded to the recommendation to “just add water” to
7 the existing affiliate transaction rules with the following statement:

8 No. While Staff agrees that water or sewer utilities with over 8,000 customers should
9 have affiliate transaction rules, Staff prefers continuing to work with other parties
10 and stakeholders in Case No. AW-2018-0394 to draft new affiliate transaction rules
11 for qualifying water utilities. Staff is aware of changes to the current rules for electric
12 and gas utilities that need to be made to provide clarity to the affiliate transaction
13 rules, and should be reflected in draft water affiliate transaction rules language.¹⁷

14 Staff did not seem to have an opinion on whether or not MAWC should conform to a
15 standardized CAM as Ms. Bolin deferred to the Commission:

16 If the Commission decides water and sewer utilities with over 8,000 customers
17 should be covered under affiliate transaction rules as part of Case No. AW-2018-
18 0394 or in a future WX rulemaking case, Staff supports a requirement within such a
19 rule that MAWC be required to submit a CAM as soon as reasonably possible.¹⁸

20 **Q. What is your response?**

21 A. In 1944 the Office of Strategic Services (“OSS”), the precursor organization of the Central
22 Intelligence Agency (“CIA”), published and secretly distributed the “Simple Sabotage
23 Field Manual” to citizens sympathetic to the Allies living in Axis nations. The pamphlet
24 outlined a number of ways for everyday people to best sabotage the United States’ World
25 War II enemies by impairing organizations’ productivity. Relevant to this topic is section
26 11 titled General Interference with Organizations and Production. Which is as follows:

¹⁷ Case No. WR-2022-0303 Rebuttal Testimony of Kimberly K. Bolin, p. 24, 3-9.

¹⁸ Ibid. p. 24, 14-17.

1 (a) Organizations and Conferences

- 2 1) Insist on doing everything through “channels.” Never permit short-cuts to be taken
3 in order to expedite decisions.
- 4 2) Make “speeches.” Talk as frequently as possible and at great length. Illustrate your
5 “points” by long anecdotes and accounts of personal experiences. Never hesitate to
6 make a few appropriate “patriotic” comments.
- 7 3) When possible, refer all matters to committees, for “further study and
8 consideration.” Attempt to make the committees as large as possible—never less
9 than five.
- 10 4) Bring up irrelevant issues as frequently as possible.
- 11 5) Haggle over precise words of communications, minutes, resolutions.
- 12 6) Refer to matters decided upon at the last meeting and attempt to re-open the question
13 of the advisability of that decision.
- 14 7) Advocate “caution.” Be “reasonable” and urge your fellow-conferees to be
15 “reasonable” and avoid haste which might result in embarrassments or difficulties
16 later on.
- 17 8) Be worried about the propriety of any decision—raise the question of whether such
18 action as is contemplated lies within the jurisdiction of the group or whether it might
19 conflict with the policy of some higher echelon.¹⁹

20 The OSS would have been well advised to also include a ninth point.

- 21 9) Open up a rulemaking docket and insist that the existence of said docket is proof
22 that action is taking place and that all parties are committed to its objective.

23 **Q. Are you suggesting that MAWC and Staff are sabotaging efficient economic regulation?**

24 **A.** No. However, it has now been three years since there has been *any* activity in AW-2018-
25 0394 and four and half years since the docket was opened. It has been more than 20 years

¹⁹ Simple Sabotage Field Manual (1944) Strategic Services Field Manual No.3 <https://files.libcom.org/files/simple-sabotage-manual.pdf>

1 since Ms. Bolin filed testimony recommending the Commission adopt large water and sewer
2 affiliate transaction rules. And still there is pushback.

3 I am as sympathetic to Staff's excessive workload and limited resources as any individual,
4 but it is also painfully obvious when regulatory inertia has crept in. It should also be obvious
5 to any objective observer that my solution is straightforward, simple, and does not fall into
6 an "either or" category but could easily include both moving forward with water affiliate
7 transaction rules that mirror existing rules today *and* continued docket for discussions about
8 updating all of the affiliate transaction rules.

9 Absent proactive Commission action, I have every reason to believe this absurd "kick the
10 can" endeavor will persist indefinitely. I take little satisfaction in having to copy-and-paste
11 this testimony for MAWC's next rate case.

12 **Q. What is your recommendation on the rulemaking docket?**

13 A. I recommend that the Commission move forward with a drafted affiliate transaction rule
14 that mirrors existing affiliate transaction rules by merely adding the word "water." The
15 AW-2018-0394 docket can still remain open if and when Staff and other stakeholders decide
16 to revisit the affiliate transaction rules in their entirety "to add clarity."

17 **Q. What was MAWC's response to your concerns regarding potential affiliate transaction
18 violations and anti-competitive behavior?**

19 A. MAWC witness Mr. John M. Watkins disagreed with the allegations and made a point of
20 claiming that the disclaimer language around logos does not apply to MAWC because there
21 are no water affiliate transaction rules.

22 **Q. What is your response?**

23 A. Regardless of whether or not there are explicit water affiliate transaction rules, American
24 Water's actions clearly violate the spirit of the Commission's rules. OPC witness Angela
25 Schaben's surrebuttal testimony addresses Mr. Watkins rebuttal in greater detail. Including
26 the need to open an investigatory docket into the transaction with Apax and its subsequent
27 operations.

1 I cannot understand why Staff is treating this as an “either or” option. There is absolutely
2 no reason why we cannot move forward with a “just add water” option that would have
3 water affiliate transaction rules be forwarded to the Secretary of State’s Office soon and, at
4 the same time, continue down the long (three years and counting) path of updating all of the
5 affiliate transaction rules.

6 **IV. LEAD LINE REPLACEMENT**

7 **Q. What was your concern regarding lead line replacement costs you raised in direct**
8 **testimony?**

9 A. My concern centered on the fact that the federal government has made lead line replacement
10 a national priority and opened up direct funding for the excavation and replacement of lead
11 service lines through multiple streams of federal funding in excess of billions of dollars and
12 MAWC was not able to demonstrate that it had taken any actionable efforts in an attempt to
13 secure any of this funding.

14 **Q. What was MAWC’s response?**

15 A. MAWC witness Mr. Lueders listed four examples where MAWC applied for federal
16 funding assistance on capital projects. Only one of the four applications was awarded to
17 MAWC. Those projects and their respective outcomes are as follows in Table 1

18 Table 1 Recent MAWC Federal Grant Applications and Outcomes

Project	Amount	Source	Granted Award
Jefferson City Water Treatment Plant	\$11.2m	Drinking Water State Revolving Fund	Yes
Lead Line Service Replacement	\$200K	American Rescue Plan Act of 2021	No
Jefferson City Water Treatment Plant	\$5M	American Rescue Plan Act of 2021	No
Wardsville Wastewater Treatment	\$5M	American Rescue Plan of 2021	No

1 **Q. Do these examples appease your concerns?**

2 A. No. Mr. Lueders provided no testimony on:

- 3 • The \$15 billion in direct funding from the Bipartisan Infrastructure Law for lead
- 4 service line replacements at the Environmental Protection Agency (“EPA”) through
- 5 the Drinking Water State Revolving Fund (“SRF”), or
- 6 • The additional \$11.7 billion in SRF funding for which lead pipes replacement is
- 7 eligible; and
- 8 • The \$9 billion in the Build Back Better Act for lead remediation grants to
- 9 disadvantaged communities through the Water Infrastructure Improvements for the
- 10 Nation Act (“WIIN”) program, including for schools and childcare centers at EPA.

11 Additionally, discovery responses provided in my direct testimony reiterated that MAWC
12 has not meaningfully explored any of these cost saving measures or demonstrated that it is
13 committed to applying for available loans.

14 **Q. Where do we go from here?**

15 A. In my direct testimony, I made two recommendations. The first was that MAWC should
16 participate in the AW-2023-0156 docket that explores securing federal funding from the
17 Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022.
18 MAWC has yet to file any comments in AW-2023-0156 to date.

19 The second recommendation was to have MAWC provide a detailed response in rebuttal
20 testimony. I do not believe Mr. Lueders testimony provided any meaningful response to my
21 concerns.

22 Given the lack of information and the lack of action to date, I maintain my position from
23 direct testimony, that failure to act on available funding in a timely manner (or at all) will
24 result in increased regulatory risk and likely cost recovery disallowances. As such, this
25 testimony serves as a placeholder for future dockets moving forward and should nullify any
26 hindsight analysis arguments parties may level against OPC if cost disallowance
27 recommendations are made.

1 **Q. Do you have any recommendations for the Commission?**

2 A. I recommend that the Commission order MAWC to aggressively pursue all cost savings
3 measures for its customers that are available. As a matter of good management practice,
4 MAWC should also publically disclose their actions and plans with the Commission and
5 stakeholders in the AW-2023-0156 docket for securing federal funding through low/no
6 interest loan assistance and any direct federal assistance for lead line replacements. The
7 Company should also provide all action plans including deliverable time tables on
8 identification and excavation of lead lines across its service territory in its future Water
9 Sewer Infrastructure Rate Adjustment (“WSIRA”) dockets. To date, MAWC’s lead service
10 line replacement has been an opaque process that raises more questions than answers for its
11 customers.

12 **Q. What happens if MAWC does not pursue federal funding offsets?**

13 A. Then MAWC should be prepared for large cost disallowances in future dockets.

14 **V. UTILITY EXCAVATION COORDINATION**

15 **Q. What was your recommendation regarding utility excavation coordination in your direct**
16 **testimony?**

17 A. I recommended that that the Commission order MAWC to document, report and ultimately
18 benchmark its efforts taken and savings incurred from coordination with public and private
19 actors impacted by any excavation of its distribution system on a bi-annual basis (and within
20 six months of new rates going into effect) in this docket until the conclusion of its next rate
21 case.

22 I also recommended that the Commission order MAWC to meet with representatives from
23 Staff and OPC at least twice to discuss what actions MAWC will document and what MAWC
24 will include in said reports.

25 Finally, I also recommended that the Commission consider opening a working docket that
26 results in a reoccurring annual workshop in which invitations are extended to all regulated

1 utilities, the Missouri Municipal League, the Missouri Department of Transportation, and other
2 relevant actors to provide a forum to examine the possibility for cost savings from:

- 3 • Memorandums of Understanding (“MOU’s”),
- 4 • Shared-Savings Agreements (“SSA’s”), and
- 5 • Shared Best Practices on Coordinated Activity.

6 **Q. What was MAWC’s response to the reporting and benchmarking recommendations?**

7 A. MAWC witness Mr. Kaiser responded by stating:

8 There is no indication that creating an additional report on these activities,
9 attempting to extrapolate savings estimates, or benchmarking would provide any
10 additional value or offer tangible benefits to customers.²⁰

11 **Q. What was Staff’s response?**

12 A. Staff witness Mr. Roos responded by stating:

13 It is important to note that Staff has had several conversations with MAWC during the
14 past several years about its efforts to coordinate with municipalities and county
15 governments so as to reduce cost where possible. This issue has been examined in
16 previous rate cases, and Staff remains satisfied that MAWC is doing what it can to
17 conduct planned projects in coordination with planned roadwork by local government
18 entities.

19 However, Staff is willing to discuss the issue of increasing costs of replacing water
20 mains with interested parties during this rate case and outside of this rate case. Staff
21 suggests that if the Commission orders MAWC to provide additional information on
22 efforts to reduce these costs, MAWC be allowed to provide this information in future
23 Water and Sewer Infrastructure Rate Adjustment (“WSIRA”) filings, rather than to
24 order separate new filings.

²⁰ Case No. WR-2022-0303 Rebuttal Testimony of Jeffrey T. Kaiser p. 10, 5-7.

1 **Q. What is your response?**

2 A. I find MAWC's response disappointing. The Company is asking for an increase in rates
3 associated with restoration costs related to municipal excavation ordinances and in the same
4 breath suggesting that measuring performance and prioritizing cost efficiencies has no
5 value. It should be obvious to any objective observer that both the costs and frequency of
6 excavation projects has increased exponentially. Holding for-profit investor-owned natural
7 monopolies accountable for achieving operational and capital cost efficiencies should be of
8 paramount importance in achieving just and reasonable rates under sound public utility
9 regulation. Requesting that MAWC work with regulators and the consumer advocate office
10 to document and benchmark its excavation process and the associated costs is both
11 reasonable and long-overdue. The Commission should dismiss MAWC's objection and
12 order the Company to provide said information moving forward.

13 **Q. What was the Company and Staff's response to opening up a working docket/workshop**
14 **for all utilities and impacted entities in the hope of uniform collaboration around**
15 **excavation?**

16 A. Both entities objected to it. Staff in particular responded with the following statement and
17 hypothetical objection:

18 Staff sees little value in setting up an annual, reoccurring workshop. Some of the
19 entities that Dr. Marke envisions as potentially being involved are regulated, some
20 are not. These entities are subject to their own independent plans, schedules, and
21 budgets, and are vulnerable to uncertainties in planning and completion of
22 infrastructure projects. For example, it is not reasonable or cost effective to ask
23 MAWC to wait several years to replace a section of main that keeps breaking, in
24 order to do the work at the same time as a proposed city stormwater project.²¹

²¹ Case No. WR-2022-0303 Rebuttal Testimony of David C. Roos p. 7, 17-23.

1 **Q. Did you suggest that it would be reasonable “to ask MAWC to wait several years to**
2 **replace a section of main that keeps breaking, in order to do the work at the same time**
3 **as a proposed city stormwater project”?**

4 A. I did not. I am not sure why Staff would present such a strawman argument as the basis to
5 reject my recommendation.

6 **Q. Why do you believe a workshop with a broad invitation list is appropriate?**

7 A. Because there are other actors involved in this exercise and they stand to gain from improved
8 coordination and benchmarking efficiencies as well. Their (municipalities and other
9 utilities) absence is also a glaring problem in achieving cost efficiencies. Creating a forum
10 where dialogue is possible to share best practices and explore cost saving actions seems
11 more than reasonable and at very little cost in both real dollars and actual time.

12 **Q. What is your recommendation to the Commission?**

13 A. I maintain the initial recommendation I made in direct testimony. There is value in
14 performance metrics and benchmarking and there is no reason why MAWC should be
15 exempt from pursuing cost efficiencies in an increasing cost area. I also continue to
16 recommend that a working docket and subsequent workshop be opened to provide a forum
17 for utilities and other relevant actors to discuss cost savings through coordination and
18 elimination of duplicative excavation where feasible.

19 **VI. INCOME ELIGIBLE PROGRAMS**

20 **Q. In your direct testimony you recommended two income eligible programs. What was**
21 **MAWC’s response?**

22 A. Mr. LaGrand agreed to my recommendations in part as he did not take issue with the shared
23 funding of the programs (Critical Needs and Rehousing). However, he disagreed with the
24 amount of funding allocated. Mr. LaGrand did not provide an appropriate dollar amount
25 but rather suggested it should be more aligned with the size disparity of MAWC relative to
26 the electric and gas utilities currently contributing to the programs.

1 **Q. What is your response?**

2 A. I appreciate Mr. LaGrand's agreement to participate in the funding of my recommended
3 programs but disagree that the requested amount is too rich for MAWC to contribute. The
4 cost of service for Missouri American water is increasing at a rate that exceeds any other
5 large utility in the state and there is every reason to expect MAWC to continue its aggressive
6 infrastructure replacement build-out moving forward. The total amount of shareholder
7 funding for the two programs requested in my direct testimony is \$500K on an annual basis.
8 This amounts to a rounding error in the Company's cost of providing service. Additionally,
9 MAWC's footprint will extend to three partner United Way programs (St. Louis, Joplin and
10 Kansas City) which make the requested amount both appropriate and necessary. I continue
11 to recommend that both the Critical Needs and the Rehousing Program be funded at \$500K
12 annually with costs split 50/50 between ratepayers and shareholders.

13 **Q. Mr. LaGrand also recommended that the programs should be evaluated to determine**
14 **whether or not the programs have been successful and done in a cost effective manner.**
15 **Do you agree?**

16 A. Yes. For the same reasons I recommended that performance metrics and benchmarking are
17 appropriate for excavation coordination across municipalities and other utilities, it is
18 appropriate to evaluate the programs to determine if they have been successful and done in
19 a cost effective manner. It is difficult to improve anything without first measuring it.

20 **Q. Will a program measurement and evaluation be conducted in the future of these**
21 **programs?**

22 A. Yes, based on feedback from all participating utilities. Those discussions are already taking
23 place.

24 **VII. LATE FEES**

25 **Q. In your direct testimony, what was your recommended change to MAWC's late fees?**

26 A. I recommended that the Commission reduce MAWC's late fees from the currently
27 authorized level of 1.50% per month to 0.25%. I also recommended that the Company

1 update its website so that it is abundantly clear to customers what they will be charged for
2 a late payment.

3 **Q. What was MAWC's response?**

4 A. My suggestion was not positively received. Mr. LaGrand centers the argument primarily
5 on the fact that any change in late fees would necessarily be absorbed by all customers.

6 **Q. What is your response?**

7 A. I do not believe late fees are a meaningful deterrent to non-payment, nor do I believe that
8 1.50% is an accurate cost causative amount to render for services incurred. The 0.25% that
9 I recommended is based on agreed-to amounts with other utilities including recent rate cases
10 involving Evergy Missouri Metro, Evergy Missouri West and Empire District Electric
11 Company. I continue to recommend that the Commission adopt a 0.25% late fee for MAWC.

12 **Q. What was MAWC's response to updating its website?**

13 A. MAWC agreed to work with stakeholders on the disclosure of this information. Presently,
14 customers would have to have the foreknowledge to go to the Company's "Water and
15 Wastewater Rates" section and locate Tariff Sheet No. RT 9.1 to find the late fee amount.
16 I do not believe that the average MAWC customer would know that the late fee information
17 can only be found by going to the Company's tariff. In fact, I do not believe most MAWC
18 customers know what a tariff is. I do appreciate the Company's willingness to work with
19 stakeholders on this issue moving forward.

20 **Q. Does this conclude your testimony?**

21 A. Yes.

**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 General Rate) Case No. WR-2022-0303
 Increase for Water and Sewer Service)
 Provided in Missouri Service Areas)

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



 Geoff Marke
 Chief Economist

Subscribed and sworn to me this 8th day of February 2023.



TIFFANY HILDEBRAND
 My Commission Expires
 August 8, 2023
 Cole County
 Commission #15637121



 Tiffany Hildebrand
 Notary Public

My commission expires August 8, 2023.