

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 3rd day of February, 2016.

In the Matter of Missouri-American Water Company's)
Request for Authority to Implement a General Rate) **File No. WR-2015-0301**
Increase for Water and Sewer Service Provided in its)
Missouri Service Area)

**ORDER DIRECTING FILING
OF SUPPLEMENTAL TESTIMONY**

Issue Date: February 3, 2016

Effective Date: February 3, 2016

On May 15, 2015, Missouri-American Water Company filed a Notice of Intended Case Filing indicating its intent to initiate a general rate case sometime after the passage of sixty days from the filing of the notice. Under the Commission's ex parte and extra-record communications rule,¹ the filing of that notice triggers certain restrictions on communications outside the evidentiary record in the case.

Before Missouri-American filed its 60-day notice, Commissioner Daniel Hall informally directed the Staff of the Commission to prepare a rate structure analysis regarding the following concepts as applicable to water utilities: (1) an increase to the customer charge; (2) a corresponding decrease in the volumetric charge; (3) inclining block rates for residential customers; (4) level rates for commercial and industrial customers; (5) a modified future test year for consumption; (6) a one-way tracker on consumption; and, (7) a corresponding downward adjustment in Return on Equity.

¹ 4 CSR 240-4.020.

After Missouri-American filed its 60-day notice, direct communication between Staff and the Commissioners about likely issues in the rate case was no longer permitted. Therefore, on June 16, 2015, the Staff filed its analysis in this file so that it would be available to the Commission, all interested parties, and the public.

On June 29, 2015, the Commission issued an Order Directing Response, in which it directed Missouri-American to respond to Staff's Water Utility Rate Design Analysis in its direct testimony. Upon review of Missouri American's Direct Testimony, the Commission determines it is not satisfied with Missouri-American's response in that the response addresses only a few of the concepts listed above and does so only in isolation.²

In the event the Commission was not clear, it will now clarify its request. The Commission is interested in Missouri-American's response to Staff's analysis. More specifically, the Commission expects Missouri-American to submit to the Commission its analysis of a rate structure that combines the seven above-listed concepts and to respond to the opinions Staff expressed about those concepts in its analysis. To be very clear, the Commission is directing Missouri-American's response to a rate structure as described above, separate and apart from any of its positions on related issues in this case.

THE COMMISSION ORDERS THAT:

1. Missouri-American Water Company shall respond, as described in the body of this order, through Supplemental Direct Testimony by February 10, 2016.
2. The Staff of the Commission shall respond to Missouri-American Water Company's Supplemental Direct Testimony by February 19, 2016.

² For instance, witness Morin purports to respond to Staff's analysis but then discusses the impact of alternative ratemaking approaches on risk and ROE in general. Witness Rungren also purports to respond to Staff's analysis but then discusses the impact on a company's financial and business risk of alternative ratemaking approaches, again, very generally.

3. If any other party wishes to respond to Missouri-American Water Company's Supplemental Direct Testimony, they shall do so by February 19, 2016.

4. This order shall be effective when issued.



BY THE COMMISSION

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

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney,
Rupp, and Coleman, CC., concur.

Jones, Senior Regulatory Law Judge