BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas.	))))	**Case No. WR-2017-0285**

STAFF'S REPLY BRIEF

Respectfully Submitted,

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COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Reply Brief,* states as follows:

INTRODUCTION

The purpose of a *Reply Brief* is to respond to the arguments made by parties' opponent. Rather than replying to every argument other parties' make in their initial briefs, having presented and argued its positions in its initial brief, Staff is limiting its replies to where it views further explanation will most aid the Commission in its deliberations.

In determining each contested issue, the Commission should be ever mindful that the law places the burden of proof on the Company. Section 393.150.2, RSMo, provides:

> At any hearing involving a rate sought to be increased, the burden of proof to show that the increased rate or proposed increased rate is just and reasonable shall be upon the . . . water corporation . . . and the commission shall give to the hearing and decision of such questions preference over all other questions pending before it and decide the same as speedily as possible.

In its most basic sense, the burden of proof is "that of establishing the affirmative of the ultimate issue[.]"[1] The burden of proof has two parts: the burden of production and the burden of persuasion.[2] The burden of production is "a party's duty to introduce enough evidence on an issue to have the issue decided by the fact-finder[.][3] "The burden of persuasion is defined as "[a] party's duty to convince the fact-finder to view the facts in a way that favors that party."[4] In practical terms, it means that to receive a favorable decision from the Commission, the Company must persuade the Commission using evidence on the record that the Company's request (i.e., to increase rates, or implement a proposed policy) should be granted, and any failure of proof means that the Company loses. This burden never shifts away from the Company.[5]

True-up Stipulation:

The purpose of True-up is an opportunity for parties to update their calculations with the most recent "known and measurable" changes to the accounting, so as to provide the Commission the most up-to-date information to consider.[6] It is not an opportunity to reargue the same questions of fact or policy.[7]

On March 26, 2018, Missouri-American Water Company ("MAWC"), and the Office of the Public Counsel ("OPC") filed a "Stipulation of Fact Related to True-Up and

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[1] ***Been v. Jolly,*** 247 S.W.2d 840, 854 (Mo. 1952).

[2] ***In re Request for an Increase in Sewer Operating Revenues of Emerald Pointe Util. Co.***, 438 S.W.3d 482, 490 (Mo.App. W.D. 2014), *quoting*, ***White v. Director of Revenue***, 321 S.W.3d 298, 304 (Mo. banc 2010)(internal quotations omitted).

[3] ***In re Emerald Pointe Revenues****,* at 490, *quoting*, BLACK'S LAW DICTIONARY 223 (9th ed.2009).

[4] *Id*.

[5] *Id*. (Internal citation omitted.)

[6] ***State ex rel. Missouri Public Service Co. v. Fraas***, 627 S.W.2d 882, 888 (Mo.App. W.D. 1981).

[7] ***State ex rel. Praxair, Inc. v. Public Service Com'n***, 328 S.W.3d 329, 337, (Mo.App. W.D. 2010); quoting § 536.070(8) RSMo ("[i]rrelevant and unduly repetitious evidence shall be excluded").

Motion to Suspend True-Up Procedural Schedule" ("Stipulation of Fact") regarding the appropriate cost of the lead service line replacement program from the accounting authority order ("AAO") case, [8] the only remaining question for True-up. On March 27, 2018, based on the Stipulation of Fact, the Commission suspended the remaining true-up schedule, setting a deadline for any other parties to object. No parties, including Staff, have objected to the Stipulation of Fact.

- *Jacob Westen*

ARGUMENT

I. Lead Service Line Replacement Program

a. The lead service line replacement program is lawful.

i. The Commission is authorized by statute to decide questions of proper utility accounting and set rates.

The Commission is authorized by statute to decide questions of proper utility accounting and set rates. The Commission is broadly delegated authority by § 393.140.4 RSMo to "determine and prescribe the just and reasonable rates and charges thereafter to be in force for the service to be furnished" for regulated utilities, including water utilities.[9] Moreover, the Commission is authorized to "[h]ave power, in its discretion, to prescribe uniform methods of keeping accounts, records and books, to be observed" by the regulated utilities.[10] Because the Commission has this broad authority, it is wholly within its discretion to decide whether inclusion of costs authorized

[8] See, Case no. WU-2017-0296.

[9] Sections 386.020, 386.250, and 393.140.5 RSMo.

[10] Section 393.140.4 RSMo

to be accounted for in the WU-2017-0296[11] are appropriate to be booked and collected in rates. Therefore, it is lawful for the Commission to set rates that would include the costs of the LSL replacement program so far incurred by MAWC.

ii. The lead service line replacement activity is not a violation of MAWC's tariff.

OPC argues that replacing customer-owned LSL is a tariff violation, despite the fact that MAWC's tariff is silent on this issue. Staff does not dispute the fact that the tariff does identify the customer-owned LSL as the responsibility of the customer with regards to repairs and replacements.[12] The purpose of a tariff is to establish expectations of a company's customers.[13] By definition, "'A tariff is a document which lists a public utility *[sic]* services and the rates for those services.'"[14] In Staff's view, a tariff violation would occur if a company was, outside of its Commission approved tariff, to require a customer to take some sort of action that is not authorized by the tariff, such as replacing a properly functioning LSL. MAWC is not asking its customers to take any sort of action under this proposal other than agreeing to have their LSL replaced, both company and customer-owned portions, by MAWC.[15] The role of the tariff is to protect customers; in this instance, Staff does not think additional language is necessary since no new expectations are being placed on MAWC's customers. A company's actions are not completely limited to what is included in its tariff; tariffs do not prohibit a company

[11] See, Case no. WU-2017-0296, *Report and Order*.

[12] PSC MO No. 13 Original Sheet No. R. 12, Rule 4.C; PSC MO No. 13 1st Revised Sheet No. R 17.F.

[13] 4 CSR 240-13-010(4).

[14] ***State ex rel. Mo. Gas Energy v. Pub. Serv. Comm'n,*** 210 S.W.3d 330, 337 (Mo. App., W.D. 2006) (*quoting* ***Bauer v. Sw. Bell Tel. Co.,*** 958 S.W.2d 568, 570 (Mo. [sic] App., W.D. 1997)); ***Public Service Com'n of State v. Missouri Gas Energy,*** 388 S.W.3d 221, 227 (Mo. App., W.D. 2012).

[15] Ex. 2. Aiton Rebuttal, Schedule BAW-1, 6 3-6

from acting voluntarily in their interest, and their customers' interests. For example, details relating to call center operations are not included in the tariff, but their existence is a benefit to both the Company and its customers. Without call centers, communications between a company and its customers would be greatly limited and the timeframe for addressing a customer's concern might be extended.

Staff agrees with OPC that the Company is in compliance with the Lead and Copper Rule (LCR) and has been for decades.[16] OPC is correct: Missouri is not Flint, Michigan; the program is not trying to mitigate a crisis but prevent one by eliminating one source of risk. Following the LCR is part of the Company's responsibility of providing safe and adequate service. MAWC is also allowed to go further than what is required by law; there is nothing prohibiting it from doing so as long as any changes made are not more than authorized by the Commission.[17] MAWC's actions meet these statutory limitations: they are not asking customers to pay for anything outside of what is included in their Commission-approved tariff. OPC has not offered any evidence proving that MAWC has committed a tariff violation.

OPC's view that the Company would like to take some sort of legal responsibility for customer-owned service lines is a clear misstatement of the issue to which OPC provides no source or citation.[18] Staff is unaware of any time during this case or during Case No. WU-2017-0296 that the Company advocated for legal responsibility of customer-owned service lines. In actuality, the Company has clearly stated that it does

[16] Ex. 2, Aiton Rebuttal, Schedule BWA-1, 5:5-10

[17] RSMo § 393.130.1.

[18] *Initial Brief of the Office of the Public Counsel*, p. 7. ("The statements of the parent of the Company plainly declares that the Company is not "legally responsible" for the customer-owned service line. The statement should be weighed against the credibility of the Company's claim that it should have a legal responsibility for customer-owned service lines.")

not at this time and will not in the future own the lines in question.[19] If OPC is attempting to argue that replacing the customer-owned LSL of consenting customers is taking "legal responsibility" of the service line, it is mistaken. After the LSL is replaced, customers will still own the service line and be responsible for any repairs or replacements in the future, as set out in MAWC's tariff.

OPC's argument that the Commission should be wary of the MAWC's LSLR program because of the Company's non-regulated insurance affiliate that sells protection plans to insure customer-owned lines is wholly uncited to the record and is therefore speculative at best.[20] This issue was not raised prior to the evidentiary hearing as part of any issues list or filed testimony. While Counsel for OPC did briefly question MAWC witness Mr. Naumick about *the existence* of the affiliate that offered insurance protection,[21] there is absolutely nothing in the hearing transcript or prefiled testimony that tends to evince that replacement of customer owned service lines will create any profit for an affiliate of MAWC.

b. Should the Commission order the implementation of OPC's Proposed LSL Pilot Program?

OPC continues to raise the point that LSL are not the primary source of lead contamination.[22] During the evidentiary hearing, Staff asked OPC witness Dr. Geoff Marke, "Would you agree that the only source of lead contamination the Missouri-American could reasonably control would be exposure though pipes, as a water

[19] Ex. 19, Jenkins Surrebuttal, 46: 17-23.

[20] *Initial Brief of the Office of the Public Counsel*, p. 7-8.

[21] Hrg. Tr. Vol. 15, 294:9-25.

[22] *Initial Brief of the Office of the Public Counsel*, p. 20-21.

company?" Dr. Marke responded in the affirmative.[23] While other sources of lead contamination may exist, those sources are not ones that a water corporation can address.

To support its argument that LSL replacement is unlawful, OPC produces examples that mischaracterize the company's tariff.[24] The potential violations that OPC cites to assume that MAWC cannot act beyond its tariff to benefit its customers in any way. By OPC's reasoning, if there must be tariff language authorizing all actions by MAWC, then there should also be tariff language authorizing OPC's proposed program. OPC has proposed no tariff language to support its proposed pilot program.

c. What recovery approach, if found prudent by the Commission, should be adopted for the AAO amount from WU-2017-0296?

Staff agrees with some of the arguments put forth by OPC regarding the appropriate recovery approach for the AAO amount in Account 186 from WU-2017-0296. Regarding which USOA account LSLR costs should be booked in, Staff agrees that Account 100 or Account 345 are not appropriate.[25] LSLs are not and will never be considered plant in service because they are not owned, nor will be owned, by the Company.[26] Further, the Company argues that the USOA has made provisions for a Company to replace damaged or disturbed property during its work.[27] If this were meant to include replacing an entire customer-owned service line, this issue and the entire WU-2017-0296 case

[23] Hrg. Tr. Vol. 16, 493:11-15.

[24] *Initial Brief of the Office of the Public Counsel*, p. 12-14.

[25] *Initial Brief of the Office of the Public Counsel*, p. 31-32.

[26] Ex. 19, Jenkins Revenue Requirement Rebuttal, 38:36-37:4.

[27] Hrg. Tr. Vol. 15, 314:2-315:16.

might not exist. If partial LSLR were not an option, MAWC would already be accounting for full LSLR of customer lines in Account 345.

Thus, the costs cannot be booked into any "plant" account, and should be booked in Account 186. These costs, the unamortized balance of $1,668,796[28], should be included in rate base and amortized over ten years.[29] Because the actions being taken by the Company eliminate a risk source and are good policy, Staff views this as an activity that should be supported. In AAO cases where the Company is making a good policy decision, Staff generally recommends to include the AAO amount in rate base and grant the company carrying costs and a return on their investment.[30]

Staff also agrees with the OPC that costs of MAWC's LSLR program could be excessive.[31] This is just another reason why Staff supports LSLR costs being booked in Account 186; booking in this account does not guarantee recovery and allows the Commission to continue monitoring and evaluating the program over time, with the help of annual reports from the Company on its LSLR activity.[32] Staff agrees that costs booked into Account 186 are not guaranteed recovery, and, therefore, makes the continuation of their program riskier: MAWC will be spending money replacing customer-owned LSLs without knowing if their investment will be returned. However, the

[28] *See*, WR-2017-0285, *Stipulation of Fact Related to True-Up and Motion to Suspend True-Up Procedural Schedule*, Exhibit A.

[29] Ex. 107, McMellen Rebuttal, 3:10-13.

[30] Hrg. Tr. Vol. 16, 444:6-10.

[31] *Initial Brief of the Office of the Public Counsel*, p. 26.

[32] Ex. 3, Aiton Rebuttal, 7:13-20. ("…The Company does not oppose providing information regarding its LSLS activity to the Staff. By February 15 of each year, the Company can provide details regarding its planned main replacement projects expected to include lead service lines, including the footage of the main, number of customer connections, and estimated number and cost of customer-owned lead service lines for that year. It can also update that data with actual information within forty-five (45) days of the end of each calendar quarter…)

Commission has already made clear that it is good public policy to replace LSLs.[33] Thus, booking costs into Account 186 merely places the onus on MAWC to continue to ensure that LSLR costs are actually reasonable before they are passed on to customers.

d. What should the Commission authorize for the recovery of future LSL replacement activity?

For the reasons stated above, and as argued in its Initial Brief, the Commission should authorize the future recovery of LSLR costs with the same treatment that Staff argues for in this current case.

- *Casi Aslin*

II. Single Tariff Pricing / Consolidated Tariffs / Eight Districts

a. The Commission has always had the legal authority to decide whether to consolidate or separate service areas into districts.

Missouri case law makes clear that the Commission has the legal authority to determine whether to consolidate service areas into districts for the purpose of customer cost allocation and determining rates. Further, this case law also provides that "true cost of service is not required in the making of rates."[34]

In May 2017, the Western District Court of Appeals decided an appeal involving MAWC and brought by the Office of Public Counsel (OPC) regarding the Commission's report and order adopting three consolidated districts "for the purpose of setting rates."[35]

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[33] Case No. WU-2017-0296, *Report and Order*, p. 9.

[34] ***Missouri-Am. Water Co.'s Request for Auth. to Implement a Gen. Rate Increase for Water & Sewer Serv. Provided in Missouri Serv. Areas v. Office of Pub. Counsel***, 526 S.W.3d 253, 269 (Mo. App. W.D. 2017).

[35] ***Missouri-Am.***, 526 S.W.3d at 256. "[T]he only issue that is relevant to this appeal was determining how to allocate the cost of providing service to the various water systems for the purpose of developing the rates that the customers served by those systems must pay." *Id.* at 257.

Similar to arguments made in briefs by those parties advocating for a return to eight districts,[36] OPC challenged, in part, consolidated tariff pricing as unlawful "because it results in the subsidization of one water system's customers by customers of another water system."[37] Thus, the ***Missouri-American*** Court was tasked with determining the following question:

> [W]hether consolidating the costs of service of several water systems into a single district for the purpose of allocating costs of service to customers constitutes granting an undue or unreasonable preference or advantage of one locality over another or subjects a locality to a[n] undue or unreasonable prejudice or disadvantage to one locality over another, thereby violating section 393.130.3.[38]

The ***Missouri-American*** Court examined the seminal ***Laundry*** case,[39] as relied on by OPC for the proposition that consolidation "discriminates in favor of some localities and against other localities in violation of section 393.130.3", and determined:

> *Laundry, Inc.* simply spoke in terms of forbidding a difference of charge that is not based on the difference of service. Here, there is no difference in charge based on a difference of service, and OPC does not assert that there has been an improper classification of customers or rate discrimination within a class of customers. To the contrary, every residential customer in a particular consolidated district pays the same rate for water service. That rate is determined based on the costs of service for all residential customers in all water systems located within the consolidated district. Thus, the Commission's adoption of PSC Staff's three-district consolidation plan does not discriminate on the basis of service, and the Commission's Report and Order does not violate those principles set forth in *Laundry, Inc.*[40]

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[36] *Initial Post-Hearing Brief of St. Joseph, Missouri* at 11 ("In contrast, district-specific pricing would establish reasonable rates on a cost-causation basis and avoid unlawful subsidization of some customers' rates by other customers."); *City of Warrensburg Initial Brief* at 2 ("In contrast, district-specific pricing through eight districts would establish reasonable rates on a cost-causation basis and avoid unlawful subsidization."); *see also Initial Brief of the City of Jefferson, Missouri* (joining and concurring in the initial brief and argument of the City of St. Joseph).

[37] ***Missouri-Am.***, 526 S.W.3d at 261.

[38] ***Missouri-Am.***, 526 S.W.3d at 262.

[39] ***State ex rel. Laundry, Inc. v. Public Service Commission***, 34 S.W.2d 37 (Mo. 1931).

[40] ***Missouri-Am.***, 526 S.W.3d at 262-63.

The Court then turned to an argument that section 393.130 must involve equitable cost causation in that rates are required to "reflect the true cost to the individual customers."[41] Two cases were primarily utilized by the Court in addressing this argument: ***State ex rel. City of Cape Girardeau v. Public Service Commission***, 567 S.W.2d 450 (Mo. Ct. App. 1978), and ***State ex rel. City of West Plains v. Public Service Commission***, 310 S.W.2d 925 (Mo. 1958).[42]

"In *City of Cape Girardeau*, at issue was the Commission's allocation of the costs of service to an electric company's customers…The Commission elected to allocate the costs of service equally among rural customers and city customers."[43] "The City of Cape Girardeau argued that because the cost of providing electricity per customer was less for those customers residing in the city versus those customers residing in rural areas, section 393.130 required the lower costs of service for city customers to be reflected in the rate adopted by the Commission."[44] In rejecting such an argument, "[t]he court clearly held that … section 393.130.3 does not require, ***as a matter of law***, that the rate each customer pays reflect the costs of providing service to that particular locality."[45]

"Similarly, *City of West Plains* did not hold that rates must be based on the costs of service to a particular locality."[46] In *City of West Plains*, "the Commission's report and order eliminated license and occupation taxes as an operational expense payable

[41] ***Missouri-Am.***, 526 S.W.3d at 263.

[42] ***Missouri-Am.***, 526 S.W.3d at 263-265.

[43] ***Missouri-Am.***, 526 S.W.3d at 263.

[44] ***Missouri-Am.***, 526 S.W.3d at 263.

[45] ***Missouri-Am.***, 526 S.W.3d at 263 (emphasis original).

[46] ***Missouri-Am.***, 526 S.W.3d at 263.

by all of the telephone company's customers and instead allocated those taxes to the customers in the respective cities levying such taxes."[47] After describing the Commission's statutory power and authority "to determine and pass upon the question of what rates are necessary to permit a utility to earn a fair and reasonable return [which] necessarily includes the power and authority to determine what items are properly includable in a utility's operating expenses and to determine and decide what treatment should be accorded such expense items", the court held as follows:

> We are of the view, therefore, that the commission, as a part of its power and duty to establish reasonable rates which would produce a fair return, ***could*** lawfully provide for and prescribe the regulations and practices to be indulged by the utility to produce the desired result, including the power to permit Western to file a general rule with its rate schedule authorizing that utility to pass on license and occupation taxes to certain subscribers.[48]

Thus, *City of West Plains* stands for the proposition that the Commission "ha[s] the statutory authority to spread the costs of service to all of the [ ] company's customers."[49] Ultimately, "[t]rue cost of service is not required in the making of rates"[50] and therefore any argument regarding "unlawful subsidization" should be disregarded as legally irrelevant.

Where it is clear the Commission has legal authority to decide whether there should be three districts, eight districts, or one district, and to the extent policy

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[47] ***Missouri-Am.***, 526 S.W.3d at 263.

[48] ***Missouri-Am.***, 526 S.W.3d at 264 (emphasis original).

[49] ***Missouri-Am.***, 526 S.W.3d at 264; *see also* ***Missouri-Am.***, 526 S.W.3d at 265:

> *City of West Plains* states that, when ratemaking, the Commission has the statutory authority to decide whether to employ a single-tariff pricing system, a district-specific pricing system, or a hybrid of the two in order to achieve the most just and sound result. 310 S.W.2d at 933. The plain language of section 393.130.3 does not forbid the Commission from adopting a consolidated tariff pricing structure wherein several water systems are combined to create a single water district wherein all customers, regardless of their water system, pay for the costs of service for the entire water district.

[50] ***Missouri-Am.***, 526 S.W.3d at 269.

discussions are helpful in making such a decision, Staff rests on its portion of the *Initial Brief* regarding the same.[51]

b. The Commission should not order a revised Exhibit 136.

Several intervenors have requested that the Commission direct the Company and Staff to revise Exhibit 136, or to create an exhibit or other similar document, to include information regarding eight (8) districts.[52] This request is impractical for a number of reasons. First, there is no district specific cost information within Staff's possession from which a column for eight districts within the exhibit could be developed. Thus, the data sought by intervenors requesting a revised Exhibit 136 is not in a form to allow Staff to attempt the analysis in a non-cumbersome manner.[53] Moreover, if there is existing information from which such an analysis could be made, that existing information would be better within the possession of the Company than with Staff.

[51] *See Staff's Initial Brief* at 18-28.

[52] *Initial Post-Hearing Brief of St. Joseph, Missouri* at 13 ("**Exhibit 136** provides the Commission with detailed information concerning the rate impacts of the Company's single tariff proposal and the continuation of the three-district pricing model. Prior to making its decision in this matter, the Commission should direct the Company and Staff to provide the same amount of detail concerning eight-district prices, so that it can be fully informed of the impacts and see the benefits of that rate structure."); *City of Warrensburg Initial Brief* at 3 ("Prior to making its decision in this matter, the Commission should direct the Company and Staff to provide the same amount of detail concerning eight-district prices, so that it can be fully informed of the impacts and see the benefits of that rate structure."); *see also Initial Brief of the City of Jefferson, Missouri* (joining and concurring in the initial brief and argument of the City of St. Joseph).

[53] In order to complete such an analysis, Staff would need certain information to complete certain steps; for instance, Staff would first need all rate base amounts per district, including all subsets of what would be within that district. *See* Ex. 101, *Staff's COS Report*, at 48-54, and Ex. 104, *Staff's CCOS & RD Report* at 1-10 (including attendant schedules). Second, Staff would need a way to allocate corporate costs between all water districts and these allocation factors would not be based on the pure, true cost of service to serve any one district. *See* Ex. 101, *Staff's COS Report*, at 57-58, and Ex. 104, *Staff's CCOS &RD Report* at 1-10 (including attendant schedules). Third, all of this would still be especially difficult as to District Eight, which previously had three rate tiers associated with it and thus a return would leave questions about whether new systems would fall within one of those three tiers or whether a new tier would need to be created. Ex. 121, Busch Surrebuttal, 6:16-21.

Third, until the time of briefing, there had not been any proposal from those parties suggesting reversion back to eight districts for what to do with systems that had been acquired between MAWC's last case and the current case.[54]

c. Conclusion

It is clear that the Commission has the authority to decide whether to consolidate service areas into districts for the purpose of customer cost allocation and determining rates. It is equally clear that the making of these rates need not be based solely on pure, true cost of service. Thus, any argument to the contrary should be disregarded as a matter of law. As a matter of policy, Staff's recommendation to maintain the existing three district consolidated structure is reasonable and appropriate for the reasons set forth in *Staff's Initial Brief*.[55]

- *Alexandra Klaus*

[54] *See Staff's Initial Brief* at 25 ("The Coalition Cities witness' recommendation is silent on the proper way to set rates for those remaining districts to be consolidated into District 8." (citing Ex. 121, Busch Surrebuttal 6:20-21)); *see also MAWC's Initial Brief* at 33 ("[T]he Coalition Cities' proposal to return to eight rate districts is problematic as a matter of fact. There is no evidence in the current case to indicate what areas those districts might encompass or what rate levels would appropriately reflect each district's respective cost of service…Since [the last rate case] a number of smaller water districts have been acquired by MAWC, and the Coalition Cities offer no advice or suggestion as to whether those after-acquired properties should be consolidated in one or more of the existing eight districts or should constitute a separate, stand-alone district. Even if one were able to group these after-acquired systems into one or more of the former eight districts, there is no cost of service study or other evidence in this case that demonstrate, let alone support, the appropriate cost-based rates to apply to those districts."). While there previously had been no suggestion of what to do with newly-acquired systems, it was stated in the *Initial Post-Hearing Brief of St. Joseph, Missouri* that "[t]he Company can, and should be ordered to, simply add its newest acquired systems to District 8." *See Initial Post-Hearing Brief of St. Joseph, Missouri* at 13. This suggestion is seemingly an argument in favor of consolidation, as it implies that any system, it just so happens to be newly-acquired systems in this instance, can be placed into a service area irrespective of service similarities.

[55] *See Staff's Initial Brief* at 18-28.

III. Customer Charge – What is the appropriate customer charge?

Moving customers to a lower customer charge would necessarily increase the commodity charge.[56] Moreover, MAWC's proposal increases the monthly price of the customer charge for quarterly billed customers, even while decreasing the monthly customer charge for monthly billed customers.[57] Should the Commission approve MAWC's proposal to move customers from quarterly to monthly billing as AMI meters are installed, as well as approve the decrease to the customer charge for monthly customers and the increase to the customer charge for quarterly customers; quarterly billed customers will receive more of the burden of the rate adjustments.[58]

Staff witness James Busch in testimony[59] and on the stand [60] clearly articulated that Staff has concerns regarding a rate change coupled with moving customers from quarterly to monthly billing. There is no requirement that quarterly customers be moved to monthly billing *as a result* of receiving an AMI meter; and, in fact, customers could realize benefits from an AMI regardless of the billing structure. At this time, it is not possible to know exactly how costs will be affected by the installation of the AMI meters for the remaining quarterly customers, when exactly installation will be complete, or how the effects of the change in billing will affect customers. While MAWC stated in its Initial Brief that Staff witness Busch indicated when the company intends to have its

[56] Hrg. Tr. Vol. 18, 845:12-24.

[57] Ex. 15 Heppenstall Direct 12:15-17.

[58] Even if this is only temporary while the quarterly customer is waiting to be switched to a monthly billing cycle.

[59] Ex. 121 Busch Surrebuttal 7:21-8:3.

[60] Hrg. Tr. Vol. 18, 851:22-852:12.

AMI meters fully installed,[61] Mr. Busch's information came from conversations with and data provided by MAWC and Mr. Busch has no independent knowledge beyond what MAWC has indicated.[62]

Should the Commission order MAWC to maintain the current customer charges and wait until the next rate case to change the monthly customer charge, Staff will be able to conduct a full analysis of the change in costs resulting from the AMI meters and the all-monthly billing structure.[63] A full analysis including historical data of the effects of AMI meters would provide the only accurate picture of the appropriate costs to charge customers for their service. Staff continues to recommend that the Commission order the current customer charges to remain in effect and the commodity charges to be determined accordingly.

- *Whitney Payne*

CONCLUSION

WHEREFORE, on account of all the foregoing, Staff prays that the Commission will issue its findings of fact and conclusions of law, determining just and reasonable rates and charges for Missouri-American Water Company, as recommended by Staff herein; and granting such other and further relief as is just in the circumstances.

Respectfully submitted,

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[61] *Missouri American Water Company Initial Brief*, p. 38.

[62] Ex. 121 Busch Surrebuttal 7:16-21.

[63] Ex. 121 Busch Surrebuttal 7:21-8:3.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and or their counsel of record on this 9th day of April, 2018.

/s/ Jacob T. Westen