

**BEFORE THE PUBLIC SERVICE COMMISSION
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**

**STATEMENT OF POSITIONS
FOR DAYS ONE AND TWO OF HEARING**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Statement of Positions for Days One and Two of Hearing*, states as follows:

1. On February 16, 2018, counsel for Missouri-American Water Company (MAWC) filed a motion requesting a one day extension to the statement of positions due February 20, 2018.
2. On February 20, 2018, the Commission issued an order directing the parties to file by 1:00 pm on February 20, 2018, their positions statements on the issues that will be presented to the Commission during the first two days of the evidentiary hearing. An extension to February 21, 2018 was granted to the parties to file position statements on all remaining issues.
3. This filing is to comply with the Commission's February 20, 2018 order.

Staff Positions

Monday, February 27

Future Test Year – What is the appropriate test year for purposes of determining MAWC's cost of service in this case

Staff Position:

A historical test year of the 12 months ending December 31, 2016, updated

through June 30, 2017, and with a true-up period ending December 31, 2017 should be used to determine MAWC's cost of service in this case. (Oligschlaeger COS Report; p. 3–11; Oligschlaeger Rebuttal, p. 2–30; Oligschlaeger Surrebuttal, pages 1 – 8)

Tuesday, February 27

Allocations – What is the appropriate method to allocate MAWC corporate costs to the water and sewer districts?

Staff Position:

The appropriate method for allocating MAWC corporate costs to the water and sewer districts is to use the same allocation factors used by both parties in the last rate case (WR-2015-0301). (Foster COS Report, p. 57-58.) These allocation factors were the result of several meetings between Staff and MAWC employees to help MAWC determine the allocation factors to assign to specific accounts for allocating corporate costs according to cost causers, which were subsequently reflected in the Company's WR-2015-0301 rate case filing. (Foster Surrebuttal, p. 4:10-17.)

Production Costs – Waste Disposal – What is the appropriate amount of waste disposal expense to recover in rates?

Staff Position:

Staff normalized actual expenses that occurred in the 18 month test year and update period in the amount of \$2,411,043. Staff's adjustment recognizes the actual costs that occurred in the test year and eliminates the under-accrual. Staff will continue to evaluate this issue as part of its true-up audit. (Newkirk COS Report, p. 78-79.)

Property Tax – What is the appropriate amount of property tax to recover in rates?

Staff Position:

The appropriate amount of property taxes to recover in rates is \$14,208,628. Staff calculated this amount based on the actual dollars spent by the company for the test year. Staff will review the property taxes for 2017 and any known material changes from the taxing authorities in the true-up audit. (McMellen COS Report, p. 81.)

Cloud Computing –

- a. Should expenses associated with Cloud Computing be booked in USOA account 303 or USOA account 930.2?**

Staff Position:

The expenses associated with Cloud Computing should be booked in USOA Account 930.2. Staff believes this approach would follow Accounting Standards Update (ASU) No. 2015-05 Subtopic 350-40. (Bolin Rebuttal, p. 2-4.)

- b. Should the capital costs associated with Cloud Computing be booked in USOA account 303 or USOA account 391.25?**

Staff Position:

Capital costs associated with Cloud Computing should be booked in USOA account 391.25. (Bolin Rebuttal, p.2-4.)

WHEREFORE, Staff respectfully submits its *Statement of Positions for Day One and Two of Hearing*.

Respectfully submitted,

/s/ Jacob T. Westen

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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 counsel of record on this 20th day of February, 2018.

/s/ Jacob T. Westen