

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

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

RESPONSE TO OPC REPLY REGARDING RECONCILIATION

COMES NOW Missouri-American Water Company (“MAWC” or the “Company”), and, in response to the *OPC Reply to Response to Order Filing Regarding Reconciliation*, states as follows to the Missouri Public Service Commission (“Commission”):

1. On June 29, 2018, MAWC filed a reconciliation in response to the Commission’s *Order Directing Filing Regarding Reconciliation*. On July 13, 2018, the Office of the Public Counsel (“OPC”) filed a reply requesting that “the Commission adopt Public Counsel’s Lead Service Line Revenue Requirement calculation” and alleges that MAWC’s calculation “overstates interest expense” (“OPC’s Response”).

2. First, MAWC is encouraged by the fact that OPC’s Response supports the use of a future test year. Rather than follow the asset as of the end of the true-up period (December 31, 2017), OPC proposes that the Commission value the asset by looking into the future and taking into account amortizations that would take place over the next ten years.¹

3. The type of forward looking adjustment suggested by OPC would certainly be possible with the use of a future test year. Of course, in addition to lead service lines, MAWC would also anticipate that with the use of a future test year, we would also address issues suggest as other plant investment. For instance, since the end of the true-up period (December 31, 2017), MAWC’s utility plant in service has increased by over \$50 million.

¹ Among other issues, this ignores the fact that there will be intervening rate cases, at which time MAWC’s revenue requirement will be recalculated.

4. However, MAWC does not believe that how to value the lead service line AAO is at issue at this point in time. Section 386.420.4, RSMo requires “a detailed reconciliation containing the dollar value and rate or charge impact of each contested issue decided by the commission, and the customer class billing determinants used by the commission to calculate the rates and charges approved by the commission in such proceeding.” The purpose of the reconciliation is to sufficiently identify the value of the issues that they could be adjusted, if necessary, after appeal. See Section 386.420.4, RSMo.

5. The underlying tariff sheets had been filed by MAWC on May 4, 2018 (along with a Motion for Expedited Treatment). Workpapers supporting the rates found in these tariff sheets were provided to the parties one business day later, on May 7, 2018. The summary sheet provided with those workpapers showed both the \$318 million “Total Stipulation Revenue Requirement”, and the \$256,160 revenue requirement for “Lead Service Lines.”

6. Certain substitute sheets were filed on May 10, 2018. Also on May 10, 2018, Staff filed its Compliance Tariff Recommendation recommending approval of the tariff sheets. The rates to be charged by MAWC became effective on May 28, 2018, as a result of the Commission’s *Order Approving Tariffs* issued May 15, 2018. There is no opportunity to change the rates at this time.

7. MAWC believes that rates were created based on an additional \$256,160 being added to the stipulated revenue requirement. Valuing the lead service line issue at \$211,520, instead of the \$256,160 used to create rates, would not satisfy the purpose of the reconciliation.

WHEREFORE, MAWC requests the Commission consider this response.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that the foregoing document was filed in EFIS on this 17th day of July, 2018, with notification of the same sent to all counsel of record.


