

Exhibit No.:
Issue: Rate Design
Witness: Greg R. Meyer
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: MIEC & Triumph
Case Nos.: WR-2015-0301
Date Testimony Prepared: March 4, 2016

**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 Increase for Water and Sewer
Service Provided in Missouri Service Areas**

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) **Case No. WR-2015-0301**
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Surrebuttal Testimony of

Greg R. Meyer

On behalf of

**Missouri Industrial Energy Consumers
and
Triumph Foods, LLC**

March 4, 2016



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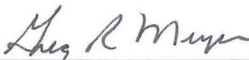
Case No. WR-2015-0301

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

Affidavit of Greg R. Meyer

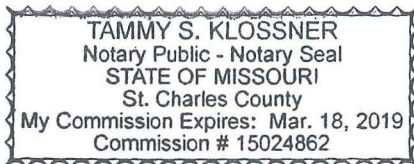
Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a Principal with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers and Triumph Foods, LLC in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2015-0301.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.



Greg R. Meyer

Subscribed and sworn to before me this 3rd day of March, 2016.





Notary Public

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Surrebuttal Testimony of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q ARE YOU THE SAME GREG R. MEYER WHO PREVIOUSLY FILED TESTIMONY**
5 **IN THIS PROCEEDING?**

6 A Yes, I am.

7 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

8 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers
9 ("MIEC") and Triumph Foods, LLC ("Triumph"). The corporations represented by the
10 MIEC and Triumph purchase substantial amounts of water from Missouri-American
11 Water Company ("Missouri-American" or "Company").

12 **Q WHAT WAS YOUR INVOLVEMENT FOR TRIUMPH?**

13 A I was requested to monitor the status of the special contract for Triumph.

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1 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A I will respond in support of the rebuttal testimony of Office of Public Counsel witness
3 Dr. Geoff Marke as it relates to Missouri-American's request to institute a revenue
4 adjustment mechanism. In this case, Missouri-American proposed a revenue
5 stabilization mechanism ("RSM"). OPC witness Marke filed rebuttal testimony
6 opposing Missouri-American's RSM.

7 **Q HAVE YOU READ THE TESTIMONY OF OPC WITNESS MARKE?**

8 A Yes, I have.

9 **Q DO YOU CONCUR WITH HIS TESTIMONY REGARDING THE DISALLOWANCE**
10 **OF AN RSM?**

11 A Yes. I concur with Dr. Marke's testimony. I agree with the arguments of Dr. Marke as
12 it relates to weather risk, performance revenues, reduction in rate cases and cost of
13 operating systems not being recovered. I do not have personal knowledge to support
14 other aspects of Dr. Marke's testimony. I am opposed to the RSM based on those
15 arguments listed above.

16 **Q PLEASE DESCRIBE YOUR UNDERSTANDING OF HOW THE RSM WOULD**
17 **OPERATE.**

18 A The RSM is a form of revenue decoupling. Since there currently is no legislation
19 which specifically allows a water utility to collect/credit customer bills for changes in
20 the level of revenues (decoupling), Missouri-American is proposing a revenue tracker.

1 **Q HOW WOULD THE REVENUE TRACKER WORK?**

2 A Missouri-American witness Jeanne Tinsley discusses the RSM in her direct
3 testimony. According to that testimony, Missouri-American proposes that the RSM
4 would operate as a revenue tracker. Revenues in between rate cases would be
5 tracked and the difference between the revenues, less the production costs of water,
6 established in a rate case and revenues, less the production costs of water, actually
7 experienced, and the difference would be accumulated in a regulatory asset/liability
8 account for rate recovery in a subsequent Missouri-American rate case.

9 **Q ARE ALL MISSOURI-AMERICAN CUSTOMERS INCLUDED IN THE RSM**
10 **TRACKER?**

11 A No. The customer classes that would be subject to the RSM tracker are the
12 Residential, Commercial, OPA, and Sales for Resale classes. Industrial customers
13 would not be included.

14 **Q IF INDUSTRIAL CUSTOMERS ARE NOT INCLUDED, WHY ARE YOU**
15 **PRESENTING TESTIMONY ON THIS ISSUE?**

16 A There are several reasons. First, there is no guarantee that Industrial customers will
17 not have to pay higher rates due to the effects of the RSM tracker. Missouri-
18 American's testimony clearly states that Industrial customers will not be included in
19 the RSM tracker. However, there is no guarantee or any assurance by Missouri-
20 American that the results of the tracker (regulatory asset) will not be assigned to
21 Industrial customers for collection in Missouri-American's next rate case. Thus, as it
22 stands now, the MIEC customers may be required to pay in rates the effects of an
23 approved RSM tracker in Missouri-American's next rate case.

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1 Second, as discussed below, decoupling, or in this instance an RSM tracker,
2 is bad regulatory policy and is not needed for Missouri-American.

3 **Q IN REFERENCE TO YOUR FIRST ARGUMENT THAT THE COLLECTION OF THE**
4 **RSM TRACKER MAY INCLUDE INDUSTRIAL CUSTOMERS, COULD MISSOURI-**
5 **AMERICAN ASSURE THAT INDUSTRIAL CUSTOMERS WOULD NOT BE**
6 **SUBJECT TO COLLECTION OF AN RSM TRACKER?**

7 A Although I would appreciate Missouri-American's assurance that Industrial customers
8 would not be impacted by the RSM tracker in its next rate case, that assurance could
9 not be guaranteed by any of the other parties to that future rate case, nor can the
10 Commission be bound to that treatment. Without certainty of being isolated from
11 those charges, the MIEC is compelled to argue in opposition to the RSM tracker.

12 **Q WHY DO YOU BELIEVE THE RSM TRACKER IS BAD REGULATORY POLICY?**

13 A The RSM tracker would isolate one piece of the utility's operations, its revenues, for
14 tracking purposes, without looking at the total operations of Missouri-American. The
15 concept of looking at only one aspect of a utility's costs/revenues in isolation fails the
16 fundamental regulatory "all relevant factors" test. The all relevant factors test requires
17 that all elements of a utility's cost of service should be looked at during the same time
18 period and considered before changing any element of a utility's revenue
19 requirement.

20 **Q ARE THERE OTHER CONCERNS WITH THE RSM TRACKER?**

21 A Yes, if the RSM tracker were approved, then in between rate cases a regulatory asset
22 would be created. A regulatory asset would imply that the actual revenues collected

1 from customers (Industrials excluded) was less than the authorized Commission
2 levels in this rate case. Later collection of that regulatory asset would be in violation
3 of the UCCM case.¹ Therefore, before the Commission is faced with that challenge, I
4 would propose that the RSM be rejected.

5 **Q WHAT IS THE PRACTICAL EFFECT OF THE RSM TRACKER IF THERE WERE**
6 **NO CONCERNS ABOUT ITS LEGALITY?**

7 A The RSM will guarantee the recovery of the Commission-authorized level of revenues
8 for the Residential, Commercial, OPA and Sales for Resale customers in between
9 Missouri-American rate cases.

10 **Q PLEASE SUMMARIZE YOUR POSITION.**

11 A I concur with many of the arguments presented in Dr. Marke's rebuttal testimony
12 relating to Missouri-American's request for an RSM. I believe implementation of a
13 RSM would be a bad regulatory policy. I urge the Commission to reject Missouri-
14 American's request.

15 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

16 A Yes, it does.

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¹*State ex rel. Utility Consumers Council of Missouri, Inc. v. Public Service Commission*,
585 S.W.2d 41, 58 (mo. banc 1979).