

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

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

**SECOND STATEMENT OF POSITIONS
OF THE MISSOURI INDUSTRIAL ENERGY CONSUMERS**

Comes now the Missouri Industrial Energy Consumers ("MIEC") and for its Second Statement of Positions states as follows:

This Statement of Positions addresses all remaining issues in the case, including those previously addressed in MIEC's First Statement of Positions. The MIEC reserves the right to take positions on issues for which it is not now taking a position after the presentation of evidence on those issues at the hearing.

POSITIONS

Monday, February 26

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

The MIEC opposes the use of a future test year in this case, and recommends that the test year be the twelve months ended December 31, 2016, updated through June 30, 2017, and trued up for known and measurable changes through December 31, 2017.

Tuesday, February 27

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

The MIEC has no position on this issue.

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

The MIEC has no position on this issue.

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

Only the actual property taxes paid in 2017 before the end of the true-up (December 31, 2017) should be included in the calculation of revenue requirement.

Cloud Computing

The MIEC has no position on this issue.

Wednesday, February 28

Rate Base Issues

The MIEC has no position on these issues.

Thursday, March 1

Rate of Return

- a. Return on Common Equity – What is the appropriate return on common equity to be used to determine the rate of return?**

The appropriate return on common equity is 9.0 percent.

- b. Capital Structure – What capital structure should be used to determine the rate of return?**

The capital structure should consist of 49.95% Long-Term Debt, 0.05% Preferred Stock, and 50.00% Common Equity.

c. Debt/Preferred Stock Rates/Costs – What Debt/Preferred Stock Rates/Costs should be used to determine the rate of return?

Long-Term Debt should be reflected at a rate of 5.24%, and Preferred Stock should be reflected at a rate of 9.70% .

Hydrant Painting – What is the appropriate amount of hydrant painting expense to be included in the cost of service calculation?

This expense should be included in the Maintenance expense.

Tank Painting Expense – What is the appropriate amount for tank painting expense to be included in the cost of service calculation?

This expense should be included in the Maintenance expense.

Main Break Expense – What is the appropriate amount of main break expense to be included in the cost of service?

This expense should be included in the Maintenance expense.

Maintenance Expense – What is the appropriate amount of Maintenance Expense other than main break expense should be included in the cost of service calculation?

Maintenance expense should be based on a five year average of maintenance expenses from 2012-2016 (\$9,286,088).

Other Miscellaneous Expenses – For each of the following topics, what is the appropriate amount of related expenses that should be included in the cost of service calculation?

The MIEC has no position on these issues.

Friday, March 2

Depreciation Expense

The MIEC has no position on these issues.

Insurance Other than Group – Should the cost of a Directors and Officers Liability policy be included in the cost of service calculation?

The MIEC has no position on this issue.

Uncollectible Expense – What is the appropriate amount of uncollectible expense to recover in rates?

The MIEC has no position on this issue.

Coordination with local Municipalities for Water Main Replacement – Should MAWC’s five year main replacement program approved by the Missouri Department of Natural Resources (its Owner Supervised Program) prioritize the replacement of small dimension mains in Jefferson City and other municipalities that are connected to fire hydrants?

The MIEC has no position on this issue.

- a. Should MAWC be directed to provide on a regular basis the following described information to appropriate Jefferson City and other municipalities’ departments:**
 - i. MAWC’s annual or multi-year capital expenditure or improvement plan for the Jefferson City and other municipality service areas, and any updates made to those plans**
 - ii. Leak studies of the water system in the Jefferson City and other municipality service areas;**
 - iii. The current pressure and volume model for the water system in the Jefferson City and other municipality service areas and the age of all facilities.**
 - iv. The current and subsequent versions of MAWC’s Resource Supervised Plan.**

The MIEC has no position on this issue.

Water Rate Design Issue: Private Fire Service Rates – What is the appropriate private fire service rate?

The MIEC has no position on this issue.

Cedar City / Jefferson City Airport and Fire Protection – Is the proposed pressure valve replacement at the wholesale point of supply for the water system serving the Jefferson City Airport adequate to resolve water pressure losses or fluctuations in that system?

The MIEC has no position on this issue.

Monday, March 5

Affiliate Transactions – Should the Commission order the opening of a rulemaking docket to establish affiliate transaction rules for large water utilities?

The MIEC has no position on this issue.

System Delivery –

a. What is an acceptable level of water loss for the MAWC systems?

The Commission should use the average water loss percentage for the ten-year period ending December 2017.

b. What is the appropriate water loss to apply to chemicals, and fuel and Power expense?

The Commission should use the average water loss percentage for the ten-year period ending December 2017.

Lead Service Line Replacement (LSLR) –

Each class should bear only the costs of lead service lines associated with that class.

Tax Cut and Job Act of 2017

- a. Corporate Tax Rate Adjustment – Should the Commission reduce the federal corporate income tax rate reflected in MAWC’s cost of service from 35% to 21%?**

The effects on current income taxes from the change in the federal income tax rate from 35% to 21% should be reflected in current rates.

- b. ADIT Going Forward Treatment – How should the Commission address the portion of current ADIT balances that are overstated on account of the federal income tax reduction?**

The unprotected portion of the ADIT balance should be amortized over ten years. The protected portion of the excess ADIT balance should be amortized using the ARAM method based on MAWC’s current best estimates, and an excess ADIT tracker should be established to track the difference between the amortization included in rates and the actual amount of amortization.

- c. Other TCJA Impacts – How should the Commission treat any other cost of service impacts arising from the TCJA besides the federal corporate tax rate reduction and excess ADIT amounts?**

The Commission should not recognize any other impacts.

- d. Are there other items that should be deferred and considered as part of TCJA implementation?**

No other issues should be deferred and considered.

Tuesday, March 6

Payroll

- a. Number of Employees – What is the appropriate number of MAWC employees to include when setting rates?**

Only employees that have actually been hired as of the true-up cut-off date in this case should be included.

- b. Overtime – What is the appropriate amount of overtime to include in rates?**

The MIEC has no position on this issue.

Engage2Excel Awards – Should the Engage2Excel employee awards expense be included in the cost of service calculation?

The MIEC has no position on this issue.

Capitalization Ratio – Should an amount of labor and expenses related to capital investment be capitalized? If yes, what amount should be capitalized?

The December 31, 2017 O&M/Capitalization percentage must be adjusted to decrease the O&M percentage and increase the capitalization percentage labor and benefits to more accurately reflect the ongoing operations by using employee levels as of December 31, 2017.

Rate Case Expense

The MIEC has no position on this issue.

Wednesday, March 7

Usage Normalization – What is the appropriate level of normalized residential usage that the Commission should adopt?

The MIEC has no position on this issue.

Water Utility Revenues – What are the appropriate revenues to use to determine the increase or decrease in water service revenue requirement?

The MIEC has no position on this issue.

- a. Residential Revenue – What is the appropriate number of meters for fixed or customer charge to be used for revenues?**

The MIEC has no position on this issue.

- i. What is the appropriate number of residential meters for District 1 quarterly customers?**

The MIEC has no position on this issue.

- b. Non-Residential Revenues –**

- i. What is the appropriate usage to use for Rate J and Rate A?**

The MIEC has no position on this issue.

- ii. What is the appropriate annualized number of meters level for each revenue class?**

The MIEC has no position on this issue.

- iii. Should MAWC not use the pro-rated meters for District 1 quarterly customers?**

The MIEC has no position on this issue.

- iv. Should the usage from Water District #2 in Audrain County be allowed or disallowed in calculating the sale for resale District 1?**

The MIEC has no position on this issue.

Sewer Utility Revenues – What are the appropriate revenues to use to determine the increase or decrease in sewer service revenue requirement?

The MIEC has no position on this issue.

- a. What is the appropriate number of units to be used for fixed or customer charge?**

The MIEC has no position on this issue.

Revenue Stabilization Mechanism (RSM) – Should the Commission adopt a Revenue Stabilization Mechanism?

The Company's RSM proposal should be rejected.

Thursday, March 8

Water Rate Design

- a. Customer Classifications – Should Rate A rate be split into a Residential and a Non-residential rate?**

The MIEC has no position on this issue.

- b. Class Costs – What is the appropriate cost of service for each customer class?**

The cost of service for each customer class should be based on Schedule JAY-3 to the Direct Testimony of MIEC witness Jessica York.

- c. Customer Charge – What is the appropriate customer charge for each customer classification?**

The MIEC supports the Company's position on appropriate customer charges for the Rate J customer class.

d. Commodity Charge – What is the appropriate commodity charge for each customer classification?

The respective commodity charge revenue for Rate J in Districts 1, 2, and 3 should be based on each District's total class cost of service for Rate J, less the revenue produced by the Company's proposed customer charges. The District-specific commodity charge for each District's Rate J would be calculated by dividing each District's Rate J commodity revenue by the respective District's commodity billing determinants for Rate J.

e. Miscellaneous Service Charge – What are the appropriate amounts for the miscellaneous service charges related to water service?

The MIEC has no position on this issue.

f. Purchased-Power – What is the appropriate allocator for purchased power costs?

Factor 2 should be used for the allocation of purchased power costs associated with Source of Supply, and Factor 3 should be used for the allocation of purchased power expenses associated with Pumping. Factor 2 is the same allocator used to allocate other Source of Supply expenses and the associated electric pumping equipment included in rate base. Factor 3 is the same allocation factor used to allocate other Pumping expenses and the rate base associated with electric pumping equipment.

g. Single Tariff Pricing / District Specific Pricing – Should the Commission keep the current water district structure, adopt single tariff pricing for the water customers, or return to eight water districts?

The Commission should keep the current water district rate structure.

- i. Offset Mechanism – If the Commission orders consolidated tariffs for water service, should it also order the implementation of the Coalition City Offset Mechanism to allow certain service areas to avoid paying certain capital investment costs?**

The MIEC has no position on this issue.

h. Impacts of Pricing Districts on cities/service Areas

- i. If the Commission adopts either MAWC’s or Staff’s rate district proposal, should the Commission establish a working group or collaborative process to determine a rate offset for cities/service areas that have borne the costs of their own system upgrades since 2000?**

The MIEC has no position on this issue.

- ii. If the Commission adopts either MAWC’s or Staff’s rate district proposal, should the Commission establish a working group or collaborative process to explore capital expenditure tracking mechanisms?**

The MIEC has no position on this issue.

Sewer Rate Design

- a. Sewer Districts – What is the appropriate rate structure for the sewer service districts?**

The MIEC has no position on this issue.

- b. Miscellaneous Service Charge – What are the appropriate amounts for the miscellaneous charges related to sewer service?**

The MIEC has no position on this issue.

Low-Income Rate –

- a. Should the Commission maintain the current Low-Income Rate pilot program?**

The MIEC has no position on this issue.

- b. What is the appropriate accounting treatment for the current deferred unamortized balance of the pilot program?**

The MIEC has no position on this issue.

Friday, March 9

AMI Implementation – Should MAWC continue to replace AMR meters with AMI meters?

The MIEC has no position on this issue.

Inclining Block Rates –

- a. Should the Commission authorize the implementation of inclining block rates?**

The MIEC has no position on this issue.

- b. Should the Commission authorize an inclining block rate pilot program?**

The MIEC has no position on this issue.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed this 21st day of February, 2018, to all parties on the Commission's service list in this case.

/s/ Lewis Mills