

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

In the Matter of the Application and Petition of	)	
Missouri-American Water Company Requesting the	)	File No. WX-2015-0209
Commission Promulgate a Revenue Decoupling	)	
Mechanism for the Water and Sewer Industry.	)	

REPLY COMMENTS OF THE CONSUMERS COUNCIL OF MISSOURI

COMES NOW the Consumers Council of Missouri ("Consumers Council" or "CCM") and hereby offers its comments in this rulemaking:

1. Consumers Council agrees with the Commission's Staff ("Staff") and the Office of the Public Counsel ("Public Counsel") that Missouri-American Water Company's ("MAWC") proposed rule to allow the imposition of a Revenue Stabilization Mechanism ("RSM") would establish an unlawful decoupling mechanism. Consumers Council agrees with and concurs in each of the legal and policy points made by Public Counsel in its April 7, 2015 comments.

2. Not only would MAWC's proposal violate State ex rel. Utility Consumers Council of Missouri v. PSC, 585 S.W.2d 41, 48 (Mo. 1979) ("UCCM"), it is also bad public policy. Missouri's legal ban on single-issue ratemaking (piecemeal ratemaking) and on retroactive ratemaking protects consumers from unfair rate increases. The law permits the Commission to set just and reasonable rates only after considering ALL

relevant factors. Any attempt to get around this consumer protection undermines the integrity of the cost controls which are inherent to rate of return regulation.

3. Moreover, the so-called RSM would weaken the financial reward to consumers associated with water conservation, thereby sending a price signal that conservation is not valued. Clearly, this proposal is driven by an attempt to stabilize corporate profits, rather than by a desire to send price signals that actually promotes or rewards water conservation.

4. Consumers Council is also opposed to the comments from the Missouri Industrial Energy Consumers ("MIEC") to interject issues into this rulemaking related to fixed charges for residential consumers. Those "fixed/variable" comments should be ignored as irrelevant to this proceeding.

Consumers Council remains steadfastly opposed to any attempt to increase fixed customer charges through this rulemaking process, or by any other means. As a general rule, fixed customer charges should recognize no costs apart from those costs that can be directly attributable to a particular customer (i.e., cost of a meter, billing costs, a fair allocation of customer service costs). Water pipes and other such distribution costs are sized based upon the combined demand and usage for water and cannot be fairly allocated on a per-customer basis. High fixed customer charges disproportionately harm low water users (including many fixed income seniors and low-income households). High fixed customer charges also take away some of the control

that people have over their monthly expenses, as well as reduce the financial rewards for water conservation.

Respectfully submitted,

A handwritten signature in blue ink, reading "John B. Coffman", written over a horizontal line.

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