

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

In the Matter of the Application of Missouri-)	
American Water Company for an Accounting)	<u>File No. WU-2017-0296</u>
Order Concerning MAWC's Lead Service)	
Line Replacement Program)	

**MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT'S
STATEMENT OF POSITIONS**

COMES NOW the Missouri Department of Economic development ("DED") before the Missouri Public Service Commission ("Commission"), by and through the undersigned counsel, and for its *Statement of Positions* in the above-styled matter, states:

MAWC-Identified Issues:

1. Should the Commission grant MAWC the Accounting Authority Order it has requested in this case?

DED supports Missouri-American Water Company's ("MAWC") lead service line replacement ("LSLR") program. Although DED does not support delaying LSLRs under the pilot program proposed in testimony by the Office of the Public Counsel ("OPC"), DED is not opposed to a pilot program studying many of the issues raised by OPC if the pilot program is limited to MAWC's service territory and so long as the pilot program does not delay LSLRs.

DED works to create an environment that encourages economic growth by supporting Missouri's businesses and diverse industries, strengthening the state's communities, developing a talented and skilled workforce, and maintaining a high quality of life. Among DED's interests in this proceeding is ensuring that Missouri communities have access to water supplies that maintain a high quality of life and support the growth of businesses and diverse industries.

Without access to safe drinking water, Missourians may face increased health risks and associated medical costs, with particularly problematic impacts on those least able to afford higher medical costs.

Lead service lines (“LSLs”) in MAWC’s system pose a potential threat to public health if they are disturbed during main replacements, or if they are only partially replaced. Lead has known detrimental effects on the health of children, pregnant women, and adults. MAWC proposes to continue LSLR concurrent with its main replacements, a cost-effective solution to a potential threat to “safe and adequate” service.

DED takes no position as to the appropriate accounting treatment associated with MAWC’s LSLR program. However, DED is not opposed to the accounting treatment proposed by OPC – i.e., deferring the costs of LSLR and any potential pilot program using USOA Account 186.

2. If so, what carrying costs should be utilized in regard to the balance of the regulatory asset?

DED takes no position as to the appropriate carrying costs to use in association with any accounting treatment ordered by the Commission. However, DED is not opposed to using the short-term cost of debt of MAWC’s parent company, American Water Works Company, as proposed by OPC and the Commission Staff.

Additional Issues Identified by OPC:

1. Does MAWC’s tariff permit the company to replace customer-owned service lines?

DED takes no position on this issue at this time, but reserves the right to take a position after hearing.

2. Has MAWC demonstrated the necessity of replacing customer-owned lead service lines?

Yes. LSLs in MAWC's system pose a potential threat to public health if they are disturbed during main replacements, or if they are only partially replaced. Lead has known detrimental effects on the health of children, pregnant women, and adults.

3. What is the cost of MAWC's proposed program to replace customer-owned lead service lines?

DED takes no position on this issue at this time, but reserves the right to take a position after hearing.

4. If the Commission grants an AAO, what is the starting date of the amortization of the deferred account?

DED takes no position on this issue at this time, but reserves the right to take a position after hearing.

5. If the Commission grants an AAO, does the Commission classify any deferred cost related to this application as a "deferred debit" per NARUC USOA Account 186, or does the Commission make a determination that the deferred costs are a "regulatory asset", as defined by generally accepted accounting principles.

DED takes no position on this issue at this time, but reserves the right to take a position after hearing.

WHEREFORE, the Missouri Department of Economic Development respectfully files its *Statement of Positions*.

Respectfully submitted,

/s/ *Brian Bear*

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 21st day of September, 2017.

/s/ *Brian Bear*

Brian Bear