

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

In the Matter of Missouri-American Water Company)
Request for Authority to Implement a General Rate) **Case No. WR-2015-0301**
Increase for Water and Sewer Service Provided in)
Missouri Service Areas.)

**LIST OF ISSUES, LIST AND ORDER OF WITNESSES,
ORDER OF OPENING STATEMENTS, AND
ORDER OF CROSS-EXAMINATION**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and on behalf of all of the parties,¹ submits the following *List of Issues, List and Order of Witnesses, Order of Opening Statements, and Order of Cross-Examination*:

List of Issues:

This *List of Issues* includes contributions by several parties with adverse positions in this action; it is necessarily a compromise. Not all parties agree that every issue herein listed is properly an issue to be decided by the Commission in this case. Not all parties agree on the wording of every issue.

List and Order of Witnesses:

Monday, March 14, 2016:

8:30 A.M. Preliminary Matters
Mark Exhibits
Entries of Appearance
Motions and Outstanding Matters

¹ Most of the parties affirmatively indicated their agreement with this *List of Issues*; however, some had not as of the time of filing. No party affirmatively indicated its disagreement with this *List of Issues*.

10:00 A.M. Opening Statements

Missouri American Water Company (MAWC)
Staff of the Public Service Commission (Staff)
Office of the Public Counsel (OPC)
Missouri Division of Energy (MoDOE)
Missouri Industrial Energy Consumers (MIEC)
City of Brunswick
City of Joplin
City of Riverside
City of St. Joseph
City of Warrensburg
Public Water Supply Districts (PWSDs)
Stonebridge Village
Triumph Foods
Unions

1:00 P.M. Testimony.

1. Regulatory Policy

Norton for Kartmann (MAWC) ²
Watkins (MAWC)
Haye for Petry (MAWC) ³
Hyneman (OPC) ⁴
Dietrich (Staff)

2. Cost of Capital and Capital Structure

- A. What Capital Structure should be used in this case?
- B. What Return on Equity (“ROE”) should be allowed?
- C. What reduction to ROE should be imposed, if any, if the Revenue Stabilization Mechanism proposed by MAWC is adopted?
- D. Should the allowed ROE include common stock issuance expenses?

Morin (MAWC) ⁵
Rungren (MAWC)

² Mr. Kartmann’s testimony will be adopted by Ms. Cheryl Norton. She will stand cross-examination on all of Mr. Kartmann’s issues at this time, except the Union issues, for which she will return.

³ Mr. Petry’s testimony will be adopted by Mr. Ed Haye.

⁴ Mr. Hyneman will also appear for Ms. Roth on all of her issues.

⁵ Mr. Morin will appear on Thursday, March 17, 2016.

Gorman (OPC)
Murray (Staff)

Tuesday, March 15, 2016:

8:30 A.M. Testimony, continued.

3. Revenue Stabilization Mechanism Proposal

Should the Commission adopt the Revenue Stabilization Mechanism proposed by MAWC?

Watkins (MAWC)
Tinsley (MAWC)
Gorman (OPC)
Hyneman (OPC)
Marke (OPC)
Meyer (MIEC)
Busch (Staff)

4. District Allocations

Should a cap of \$20 per customer be imposed on allocations of Corporate A&G expenses and Service Company expenses to small districts?

Tinsley (MAWC)
Bolin (Staff)

5. Faulty Metering Issue

How should the Commission address the faulty metering issue?

Norton (MAWC)
Roach (MAWC)
Marke (OPC)
Busch (Staff)
Cassidy (Staff)

1:00 P.M. Testimony, continued.

6. Environmental Cost Adjustment Mechanism (“ECAM”) Proposal

Should an ECAM be approved in this case as proposed by MAWC and, if so, what conditions, if any, should be implemented?

Dunn (MAWC)
Gateley (Staff)
Oligschlaeger (Staff)
Mantle (OPC)
Hyneman (OPC)
Meyer (MIEC)

7. Business Transformation Program

Has American Water Works allocated an appropriate share of the costs of this program to Missouri?

Haye for Petry (MAWC)
Haye for VerDouw (MAWC)⁶
Haye for Wood (MAWC)⁷
Smith (OPC)
Bolin (Staff)

8. Service Company Costs

Are the costs charged to MAWC by the Service Company for the various services it provides reasonable and appropriate?

Haye for Petry (MAWC)
Bayrenbruch (MAWC)⁸
Bolin (Staff)
Hyneman (OPC)

Wednesday, March 16, 2016:

8:30 A.M. Testimony, continued.

9. Income Taxes

A. Should the Commission adopt the adjustment for the *Domestic Production Activities Deduction* (“DPAD”) proposed by OPC?

⁶ Mr. VerDouw’s testimony will be adopted by Mr. Ed Haye.

⁷ Mr. Wood’s testimony on this issue will be adopted Mr. by Ed Haye.

⁸ Mr. Baryenbruch will stand cross-examination on all of his issues at this time.

B. What is the appropriate amount of Deferred Income Tax expense to include in the cost of service calculation?

Meyers (MAWC)
Smith (OPC)
Hyneman (OPC)
Boateng (Staff)

10. Energy Efficiency

A. Should the Commission adopt the capital deferral mechanism and collaborative proposed by MoDOE to incentivize MAWC to increase supply-side energy efficiency and water loss reduction investment?

B. Should the Commission adopt the demand-side water efficiency program and collaborative proposed by MoDOE?

Epperson (MoDOE)
Hyman (MoDOE)
Norton for Kartmann (MAWC)⁹
Watkins (MAWC)
Dunn (MAWC)
Watkins for Wood (MAWC)¹⁰
Marke (OPC)
Merciel (Staff)
Oligschlaeger (Staff)

1:00 P.M. Testimony, continued.

11. Depreciation Issues

A. What is the appropriate depreciation rate to apply to sewer CIAC?

B. Should amounts relating to sewer assets placed by MAWC in water rate base accounts and vice versa be excluded from the cost of service calculation?

C. Given that every water and sewer district has at least one USOA account improperly carrying a negative reserve balance, should Staff's recommended adjustments be adopted?

D. Should the depreciation reserve adjustment of \$23,555 recommended by Staff for Ozark Meadows be adopted to offset the improper negative reserve account and, if so, should it be amortized to rates over five years?

⁹ Ms. Norton will stand cross on this issue on Monday, March 14, 2016.

¹⁰ Mr. Wood's testimony on this issue will be adopted by Mr. Watkins.

E. Has MAWC failed to depreciate the Business Transformation Program as required by the Stipulation and Agreement in Case No. WR-2011-0337, and, if so, how should this be resolved?

F. Should the depreciation rates ordered in Case No. ER-2011-0337 be continued in effect as recommended by Staff?

G. Should MAWC be permitted to use the Remaining Life Method on all but general plant accounts?

H. How should the retirement of the Parkville Water Treatment Plant be handled?

I. Should MAWC be allowed to use General Plant Amortization on selected general plant accounts?

Spanos (MAWC)
Haye for Petry (MAWC)
Wright (MAWC)
Tinsley (MAWC)
Dunn (MAWC)
Smith (OPC)
Robinett (Staff)
Wells (Staff)

12. Capitalized O&M Depreciation

Should MAWC capitalize a portion of depreciation expense on tools and equipment partly used on capital projects?

Wright (MAWC)
Ferguson (Staff)

13. Property Taxes Expense

Should Property Tax Expense be calculated based on actual known and measureable expenses or on estimated expenses not payable until December 2016?

Tinsley (MAWC)
Wells (Staff)

Thursday, March 17, 2016:

8:30 A.M. Testimony, continued.

(Mr. Morin will be available for cross-examination on Cost of Capital issues.)

14. Main Break Expense

How should Main Break Expense be calculated?

Bowen for Wood (MAWC)¹¹
Wells (Staff)

15. Lobbying Expense

Should the following items be excluded from the cost of service calculation?

A. MEDA expense?

B. A portion of 10 Service Company salaries for lobbying-related job duties?

Tinsley (MAWC)
Hyneman (OPC)
Sharpe (Staff)

16. Legal Expense

Should Legal Expense be based on actual payments or on accruals?

Tinsley (MAWC)
Wells (Staff)

17. Affiliate Transaction Rulemaking

Should the Commission open a separate case to consider adopting an affiliate transaction rule for water companies?

Hyneman (OPC)
Dietrich (Staff)
Haye for Petry (MAWC)

1:00 P.M. Testimony, continued.

¹¹ Mr. Wood's testimony on this issue will be adopted by Ms. Bowen.

18. Payroll & Payroll Taxes

- A. Should a scheduled raise that will take effect after the end of the true-up period be included in the cost of service calculation?
- B. How much overtime should be included in the cost of service calculation?
- C. How much Service Company payroll and related expenses should be included in the cost of service calculation?

Haye for Petry (MAWC)
Tinsley (MAWC)
Bayrenbruch (MAWC)¹²
Hyneman (OPC)
Kunst (Staff)

19. Dues & Donations Expense

Should state-level Chamber of Commerce expenses be excluded from rates?

Tinsley (MAWC)
Hyneman (OPC)
Sharpe (Staff)

Friday, March 18, 2016:

8:30 A.M. Testimony, continued.

20. Atrazine Settlement

- A. Should the amount received through the Atrazine Settlement be shared 50-50 between ratepayers and shareholders or 100 percent be allocated to ratepayers as a reimbursement for amounts they have previously paid?
- B. What is the appropriate amortization period to return the regulatory liability amount to ratepayers, three years or five years?

Tinsley (MAWC)
Hyneman (OPC)
Sharpe (Staff)

¹² Mr. Bayrenbruch will stand cross-examination on all his issues on Wednesday, March 16, 2016.

21. Other Employee Benefits & Group Insurance

A. What is the appropriate level of other employee benefits to include in rates for MAWC and Service Company?

B. What is the appropriate level of group insurance to include in rates for MAWC and Service Company?

Haye for Petry (MAWC)
Tinsley (MAWC)
Bayrenbruch (MAWC)¹³
Hyneman (OPC)
Kunst (Staff)

22. Pension and OPEBs

A. What is appropriate amount of pension and OPEBS expense to include in the cost of service calculation?

B. Should the pension tracker allow for rate base treatment of differences between the amount of MAWC's cash investment in its pension trust fund and its rate recovery for pension expense?

Tinsley (MAWC)
Watkins (MAWC)
Hyneman (OPC)
Boateng (Staff)

1:00 P.M. Testimony, continued.

23. Rents & Leases Expense

A. What amount should be included in the cost of service calculation for Transportation Lease Expense?

B. What amount should be included in the cost of service calculation for other leases?

Bowen (MAWC)
Tinsley (MAWC)
Hyneman (OPC)
Kunst (Staff)

¹³ Mr. Bayrenbruch will stand cross-examination on all his issues on Wednesday, March 16, 2016.

24. Miscellaneous Expenses

What miscellaneous expense items should be included in the cost of service calculation?

Tinsley (MAWC)
Sharpe (Staff)

25. Rate Case Expense

A. Over what period should rate case expense be normalized?

B. Should certain rate case expenses be shared between ratepayers and shareholders? If so, which expenses and how?

C. What expenses should be included in rate case expense?

Tinsley (MAWC)
Haye for Petry (MAWC)
Hyneman (OPC)
Wells (Staff)

Monday, March 21, 2016:

8:30 A.M. Testimony, continued.

26. Purchased Water Expense

What is the appropriate level of expense to reflect in rates for the Spring Valley district for purchased water?

Bowen (MAWC)
Carle (Staff)

27. Emerald Pointe Pipeline Rate Base Treatment

Should the cost associated with the portion of a pipeline that was contributed to the City of Hollister be included in rate base?

Tinsley (MAWC)
Wright (MAWC)
Hyneman (OPC)
Ferguson (Staff)

1:00 P.M. Testimony, continued.

28. Electricity, Fuel and Heating Oil Expense

What is the appropriate level of electricity, fuel and heating oil expense to include in rates?

Bowen (MAWC)
Carle (Staff)

29. Cash Working Capital

A. What is the appropriate billing lag?

B. What is the appropriate expense lead or lag treatment for Service Company expenses?

Wright (MAWC)
Hyneman (OPC)
Sharpe (Staff)

30. Arnold Plant Amortization

A. Should costs related to a treatment plant owned by MSD but used by MAWC under contract be amortized over the life of the asset or the term of the contract?

B. Should the difference between the contractual amount being amortized over the contract term or life of the asset be included in rate base?

Tinsley (MAWC)
Wright (MAWC)
Ferguson (Staff)

Tuesday, March 22, 2016:

8:30 A.M. Testimony, continued.

(Cities of Brunswick, St. Joseph and Warrensburg will make their Opening Statements.)

31. District Consolidation/Consolidated Pricing

Should the Commission adopt the consolidation of districts proposed by Staff, the alternative consolidation proposed by MAWC, or maintain the status quo as proposed by OPC?

McDermott (MAWC)¹⁴
Herbert (MAWC)
Tinsley (MAWC)
Haase (Joplin)
Busch (Staff)
Marke (OPC)
Smith (OPC)
Collins (MIEC)

32. Rate Design & Customer Charge

- A. How should rates be designed?
- B. How should the customer charge be adjusted?
- C. How should purchased power expense be allocated?

Herbert (MAWC)
Rungren (MAWC)
Tinsley (MAWC)
Watkins (MAWC)
Hyman (MoDOE)
Collins (MIEC)
Meyer (MIEC)
Rose (Riverside)
Marke (OPC)
Smith (OPC)
Busch (Staff)

1:00 P.M. Testimony, continued.

33. Incentive Compensation Expense

Should Incentive Compensation related to earnings per share (“EPS”) and other financial goals be included in the cost of service calculation?

Mustich (MAWC)
Haye for Petry (MAWC)
Bayrenbruch (MAWC)¹⁵
Haye for Wood (MAWC)¹⁶
Hyneman (OPC)
Kunst (Staff)

¹⁴ Mr. McDermott will appear on March 24.

¹⁵ Mr. Baryenbruch will stand cross-examination on all his issues on Wednesday, March 16, 2016

¹⁶ Mr. Wood’s testimony on this issue will be adopted by Mr. Haye.

34. Low-Income Tariff

Should the Commission adopt a low-income tariff for MAWC?

Tinsley (MAWC)
Busch (Staff)

Wednesday, March 23, 2016:

8:30 A.M. Testimony, continued.

35. Relocation Expense

What amount of relocation expense should be included in the cost of service calculation?

Tinsley (MAWC)
Hyneman (OPC)
Sharpe (Staff)

36. Waste Disposal Expense

What amount of waste disposal expense should be included in the cost of service calculation?

Bowen (MAWC)
Hyneman (OPC)
Kunst (Staff)

1:00 P.M. Testimony, continued

37. Residential Customer Usage/Revenues

A. How should normalized residential usage be determined for calculating revenues?

B. Is the Company experiencing declining usage?

Roach (MAWC)
Dunn (MAWC)
Tinsley (MAWC)
Marke (OPC)
Mantle (OPC)
Hyneman (OPC)
Busch (Staff)

38. Non-Residential Revenues

A. What is the appropriate annualized customer level for each revenue class?

B. What is the appropriate annualized revenue to include in rates for all non-residential categories?

C. Should 5-year averages be used in calculating Miscellaneous Revenues or should the Test Year values be used?

Tinsley (MAWC)
Carle (Staff)

Thursday, March 24, 2016:

8:30 A.M. Testimony, continued.

(Mr. McDermott will be available for cross-examination on District Consolidation/ Consolidated Pricing.)

39. Miscellaneous Charges

Should existing miscellaneous charges be modified and, if so, how?

Dunn (MAWC)
Gateley (Staff)

40. Infrastructure System Replacement Surcharge (ISRS)

How should the Commission address the Western District Court of Appeal's opinion in WD78792?¹⁷

Hyneman (OPC)
Tinsley (MAWC)

1:00 P.M. Testimony, continued.

41. Chemicals Expense

What amount of chemicals expense should be included in the cost of service calculation?

¹⁷ This is a legal issue and Staff will address it in its Opening Statement and Brief.

Bowen (MAWC)
Carle (Staff)

42. Insurance Other Than Group Expense

What amount of insurance expense should be included in the cost of service calculation with respect to the following items:

- A. Directors and Officers Liability Policy? Kidnap and Ransom Insurance?
- B. MAWC's proposed retrospective accrual adjustment?

Tinsley (MAWC)
Hyneman (OPC)
Sharpe (Staff)

Friday, March 25, 2016:

8:30 A.M. Testimony, continued.

43. Advertising Expense

What amount of advertising expense should be included in the cost of service calculation?

Tinsley (MAWC)
Hyneman (OPC)
Wells (Staff)

44. Promotional Items Expense

What amount of expense relating to promotional giveaway items should be included in the cost of service calculation?

Tinsley (MAWC)
Sharpe (Staff)

1:00 P.M. Testimony, concluded.

45. Tank Painting Expense & Tank Painting Tracker

- A. Should the tank painting tracker be continued?
- B. If so, what should the base be?

C. How much tank painting expense should be included in the cost of service calculation for the amortization of the regulatory asset?

Dunn (MAWC)
Hyneman (OPC)
Kunst (Staff)

46. Postage Expense

What amount of postage expense should be included in the cost of service calculation?

Tinsley (MAWC)
Hyneman (OPC)
Carle (Staff)

47. Union Issues

(The Unions will give their Opening Statement at this time.)

A. Should the Commission condition any rate increase upon MAWC's filling unfilled bargaining unit positions?

B. Should the Commission order semi-annual reporting of various items as urged by the Unions?

C. Should the Commission order MAWC to comply with and implement American Water Works' valve maintenance program?

Norton for Wood (MAWC)¹⁸
Dunn for Wood (MAWC)¹⁹
Ratermann (Unions)

Order of Cross-Examination:

MAWC's Witnesses: MoDOE, MIEC, Brunswick, Joplin, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, OPC, Staff.

Staff's Witnesses: MoDOE, MIEC, Brunswick, Joplin, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, OPC, MAWC.

¹⁸ Ms. Norton will adopt Mr. Wood's testimony on unfilled positions.

¹⁹ Mr. Dunn will adopt Mr. Wood's testimony on valve maintenance.

OPC's Witnesses: MoDOE, MIEC, Brunswick, Joplin, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, Staff, MAWC.

MoDOE's Witnesses: Staff, MIEC, Brunswick, Joplin, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, OPC, MAWC.

MIEC's Witnesses: Staff, MoDOE, Brunswick, Joplin, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, OPC, MAWC.

Joplin's Witness: Staff, MoDOE, MIEC, Brunswick, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, OPC, MAWC.

Riverside's Witness: Staff, MoDOE, MIEC, Brunswick, Joplin, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, Unions, OPC, MAWC.

Unions' Witness: Staff, MoDOE, MIEC, Brunswick, Joplin, Riverside, St. Joseph, Warrensburg, PWSDs, Stonebridge, Triumph, OPC, MAWC.

WHEREFORE, Staff prays on behalf of all of the parties herein that the Commission will accept this List and Order of Witnesses, Order of Opening and Order of Cross.

Respectfully submitted,

/s/ Kevin A. Thompson

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Attorneys for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 10th day of March, 2016, on the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Kevin A. Thompson