

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

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

**MIEC SUPPLEMENT TO THE JOINT APPLICATION FOR REHEARING OR
RECONSIDERATION OF THE MISSOURI INDUSTRIAL ENERGY CONSUMERS,
CITY OF JOPLIN, CITY OF ST. JOSEPH, AND CITY OF WARRENSBURG**

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COMES NOW, the Missouri Industrial Energy Consumers and for its Supplement addressing solely the issue of “Allocation of Purchased Fuel/Power Associated With Pumping,” states as follows:

Introduction

MIEC witness Collins proposed an adjustment for how the cost of purchased power should be allocated among customer classes. The basis for his adjustment is that the allocation factor used by Missouri-American allocated power cost solely based upon volumes of water used. The problem with Missouri-American’s approach is that power costs are also a function of when the power is purchased and the load factor of the user. This Commission rendered three factual findings on this issue, Findings 7, 8, and 9 on pages 32-33 of the Report & Order. It then devoted one paragraph to its decision on this issue. Report & Order at 41. Respectfully, the decision on this issue is contrary to the weight of the evidence, is not supported by competent and substantial evidence, and is arbitrary, capricious, unreasonable and illegal.

Discussion

The Commission’s Finding 8 notes that Collins’ adjustment “would have the primary effect of shifting costs from ... the large user class [industrial customers] to ... the residential

and commercial class.” But industrial customers have high load factors, meaning that they use roughly the same amount of water every day of the year and thus don’t use more water in the summer. The commercial and residential customers use more water, and thus force Missouri American to buy more power, power that is more expensive power, in the summer when those customers water their lawns and landscapes. His adjustment did not shift costs. His adjustment correctly allocated these costs to the cost causers, which is something Missouri-American, and now this Commission, did not do. That residential and commercial customers benefit from this misallocation by Missouri-American and this Commission, at the expense of industrial customers, does not make the subsidy lawful or reasonable.

In finding 9, the Commission cites Herbert’s testimony that the misallocation was only \$24,160. Herbert reached that conclusion based on his failure to consider the variance in demand costs recognized in the higher summer energy charges. Collins, on the other hand, included the fact that residential and commercial customers were causing Missouri-American to consume more electricity in the summer, but ALSO that the electricity was more expensive on a unit basis in the summer:

Factor 3 allocates cost based on customers’ maximum day demands as well as average flow or volume. Factor 1 allocates costs only on volume. Also, Ameren Missouri’s commercial rates are broken out for seasonal variation in energy charges. The energy rates during the summer period, a period where water demand is highest, reflect significantly higher demand and energy charges than rates in the winter period. Variation in rates reflects higher demands during the summer during average annual flow conditions. As such, the Company’s cost of purchased power is impacted by customers’ peak monthly demands, seasonal demand, and energy purchased for base volume.¹

That higher cost of energy should have been considered in the allocation, which would then result in the adjustment that Collins proposed, an adjustment that was twelve times higher than Herbert conceded. While this energy price issue was clearly briefed, the Commission fails to

¹ Collins Direct, MIEC Ex. 5, p. 9, l. 16 – p. 11, l. 7 (emphasis added).

address it in its Order. The Commission's failure to consider all of the evidence and arguments on this issue is arbitrary and unreasonable and unsupported by competent evidence.

Conclusion

For the reasons set forth above, this Commission should redecide this issue and modify the Missouri-American cost of service study to reflect Collins' recommended adjustment and reflect that adjustment in the rate for the St. Louis Metro District Rate J class the Commission sets in this case.

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 24th day of June, 2016, to all parties on the Commission's service list in this case.

/s/ Edward F. Downey