

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

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

**SECOND POSITION STATEMENT
OF THE CONSUMERS COUNCIL OF MISSOURI**

COMES NOW the Consumers Council of Missouri (“Consumers Council” or “CCM”), hereby submits the rest of its current position statements in this water rate case for Missouri-American Water Company (“Company” or “MAWC”):

Future Test Year

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

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?
Consumers Council supports the OPC/MIEC (witness Gorman) proposed return on common equity of 9.00% to determine the rate of return for MAWC.
- b. Capital Structure – What capital structure should be used to determine the rate of return?
Consumers Council supports using a capital structure of long-term debt weighted at 49.95%, preferred stock weighted at 0.05%, and common equity weighted at 50.00%.

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

Consumers Council: Yes.

Lead Service Line Replacement (LSLR)

Consumers Council supports the position of the Office of the Public Counsel (“OPC”) on this issue and all sub-issues, and supports the recommendations of OPC witness Geoff Marke.

Tax Cut and Job Act of 2017

Consumers Council urges the Commission to reduce the federal corporate income tax rate reflected in MAWC’s cost of service from 35% to 21%. The Commission should allow a reasonable estimated amount of overstated deferred tax to be flowed back through rates in this case and allow a tracker so that over/under collection of the tax can be corrected with the next general rate case. Consumers should be granted the full benefit of this adjustment as of January 1, 2018.

Lobbying – What is the appropriate amount of payroll tied to lobbying expense?

Consumers Council believe that the Commission should, at a minimum, remove Staff’s calculation of payroll tied to lobbying expense from the test year in the amount of \$230,192.

Rate Case Expense

Consumers Council supports a sharing of rate case expense because it benefits both ratepayers and shareholders. Specifically, Consumers Council supports the adjustment methodology of allocating rate case expense based on the ratio of the dollar requirement ordered by the Commission to the dollar of revenue requirement sought by the utility as used in the Commission’s Report and Order in Case No. ER-2014-0370.

Consumers Council supports a normalization period for rate case expense of 3 years.

Revenue Stabilization Mechanism (RSM)

Should the Commission adopt a Revenue Stabilization Mechanism?

Consumers Council: No.

Moreover, in order to be more descriptive, this proposal should be referred to as decoupling. Consumers Council urges the Commission to reject the Company’s request for a decoupling mechanism as it would destabilize consumer bills by needlessly shifting risk to ratepayers.

Moreover, any approval of such a decoupling mechanism should be accompanied by a large, explicit reduction in the Company’s approved ROE.

Water Rate Design

Customer Charge – What is the appropriate customer charge for each customer classification?

Consumers Council supports Staff's position to maintain the current customer charges at their respective amounts.

As for the residential customer charge, OPC opposes costs related to imprudent AMI deployment being included.

Raising the residential customer charge for St. Louis ratepayers and lowering it for the rest of MAWC's districts, is yet another example of unfair treatment of St. Louis region ratepayers in MAWC's proposal. MAWC is seeking to increase fixed costs where fixed costs are likely to be lower and decrease fixed costs where fixed costs are likely to be higher. Requiring lower cost districts to subsidize costs in other higher cost districts is unjust and unreasonable.

Consolidation/ Single Tariff Pricing

Should the Commission keep the current water district structure, adopt single tariff pricing for the water customers, or return to eight water districts?

Consumers Council strongly opposes single-tariff pricing ("STP"). MAWC's districts are isolated from each other and diverse in their cost structures. STP encourages overinvestment, or "gold-plating" of future capital, which in turn would harm all MAWC ratepayers.

The current MAWC proposal unreasonably penalizes St. Louis County, St. Charles County, St. Joseph and Joplin ratepayers for costs they have not caused. Consumers Council prefers district specific water rates, but can support the current zonal pricing as reasonable and appropriate compromise.

Low-Income Rate

Consumers Council believes that water rates are rising to the level that some low-income assistance should be provided and targeted towards the neediest cases. Consumers Council would prefer a more comprehensive approach than is being proposed in this case, and is taking a neutral position on MAWC's pilot program.

AMI Implementation

Should MAWC continue to replace AMR meters with AMI meters?
No. Consumers Council supports OPC's position on this issue.

Inclining Block Rates – a. Should the Commission authorize the implementation of inclining block rates?

Consumers Council does not generally support any residential inclining block rate in any form in this present case. Consumers Council agrees with OPC that the inclining block proposal in this case is: 1) likely not to accomplish the stated “conservation” signal hoped to be gained; 2) could produce economic inefficiencies in the form of deadweight loss; and 3) could be potentially regressive in nature depending on the ultimate design.

If the Commission is to adventure any farther towards inclining block rates, Consumers Council urges gradual sloping and only 2-3 rate blocks. A greater number of blocks can create unintended complexity and unintended consequences.

WHEREFORE, Consumers Council submits position statement for the Commission’s consideration. Consumers Council does not take a position on the remaining issues in this case at this time; however, it reserves the right to take any position on those other issues or to change its position on any issue, based on evidence revealed at the hearing or upon other future developments.

Respectfully submitted,

/s/ John B. Coffman

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all parties listed on the official service list on this 23rd day of February, 2018.

/s/ John B. Coffman
