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Customer Charge
Witness: James A. Busch
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2010-0131
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JAMES A. BUSCH

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2010-0131

**Jefferson City, Missouri
April 2010**

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

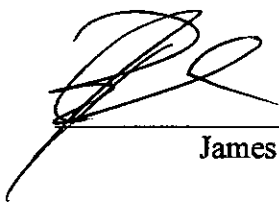
In the Matter of Missouri-American Water)
Company's Request for Authority to)
Implement a General Rate Increase for)
Water and Sewer Services Provided in)
Missouri Service Areas)

Case No. WR-2010-0131

AFFIDAVIT OF JAMES A. BUSCH

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Busch, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 7 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.




James A. Busch

Subscribed and sworn to before me this 15th day of April, 2010.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public

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MISSOURI-AMERICAN WATER COMPANY

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REBUTTAL TESTIMONY

OF

JAMES A. BUSCH

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2010-0131

Q. Please state your name and business address.

A. My name is James A. Busch and my business address is P. O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am the Regulatory Manager of the Water and Sewer Department, Utility Operations Division of the Missouri Public Service Commission.

Q. Please describe your educational and professional background.

A. I hold Bachelor of Science and Master of Science degrees in Economics from Southern Illinois University at Edwardsville. From April 2005 through January 2008, I worked as a Regulatory Economist III with the Energy Department of the Missouri Public Service Commission. Previously, I worked as a Public Utility Economist with the Office of the Public Counsel (Public Counsel) from 1999 to 2005. Prior to my employment with Public Counsel, I worked as a Regulatory Economist I with the Procurement Analysis Department of the Missouri Public Service Commission from 1997 to 1999. I have been employed as the Regulatory Manager of the Water and Sewer Department with the Staff of the Public Service Commission (Staff) since February 2008. Also, I am a member of the Adjunct Faculty of Columbia College. I teach both graduate and undergraduate classes in economics.

Q. Have you previously filed testimony before the Commission?

1 A. Yes. The cases in which I have filed testimony before the Commission are
2 listed on Schedule 1.

3 Q. What is the purpose of your rebuttal testimony?

4 A. The purpose of my rebuttal testimony is to respond to the direct testimony of
5 Missouri-American Water Company (MAWC or Company) witness Paul Herbert's discussion
6 of a low-income customer charge for MAWC customers.

7 **I. Executive Summary**

8 Q. Please summarize your rebuttal testimony.

9 A. In its prepared direct testimony, MAWC is proposing a low-income customer
10 charge. Staff has substantive concerns with the Company's proposal as discussed below.
11 Due to these concerns, Staff is recommending that the Commission not approve the
12 Company's proposal.

13 **II. Background**

14 Q. Is MAWC proposing a new low-income customer charge in this proceeding?

15 A. Yes.

16 Q. Please describe MAWC's proposal.

17 A. In the prepared direct testimony of MAWC witness Paul Herbert, page 13,
18 lines 14 – 17, Mr. Herbert explains that the Company requested the implementation of a low-
19 income customer charge for its residential customers. It would be limited to those customers
20 who take service on a 5/8" meter and who meet certain other eligibility requirements. The
21 customer charge would be set at 65% of the full customer charge for residential customers.

22 Q. Who would be eligible for this rate?

1 A. According to data request responses from the Company, customers who have
2 already qualified for eligibility in the Low-Income Heating and Energy Assistance Program
3 (LIHEAP) would be eligible. This information was in response to Staff Data Request (DR)
4 0128. In response to Staff DR 0127, the Company's provided a worksheet showing the
5 percentage of customers in each district that are below the poverty level to support the
6 Company's proposed eligibility standard. Thus, it is Staff's belief at this time that customers
7 who are at or below the poverty level would be eligible for this program.

8 Q. How would the Company's proposal work?

9 A. In response to Staff DR 0128, the Company indicates that it will cooperate
10 with various Community Action Agencies (CAAs) within its districts to help administer this
11 program, verify income eligibility, and promote the program. The CAAs are generally
12 familiar with utility-based low-income programs and they also currently administer MAWC's
13 H2O Help Program, which is another program to assist low-income customers.

14 With regard to the mechanics of the proposal, the Company is anticipating that it will
15 have a tariff on file that sets out the low-income customer charge. In its original filing, this
16 tariff is specified as FORM NO. 13, P.S.C. No. 9, Original Sheet No. RT64.

17 Q. How many customers that meet the eligibility criteria does the Company
18 project would participate in this program?

19 A. According to the response to Staff DR 0127, the Company anticipates a 30%
20 participation rate. In total, this would be approximately 12,000 customers.

21 Q. If an eligible customer participates in this program, what would happen to that
22 customers' bill?

1 A. This proposal would simply lower each eligible customer's customer charge by
2 35%. It would not impact the customer's commodity rate, which is based on usage.
3 According to the testimony of Mr. Herbert, the Company is also proposing a uniform
4 customer charge of \$15.00 per month for each non-St. Louis Metro District. For the St. Louis
5 Metro District, the Company proposes a monthly charge of \$11.40, and a quarterly charge of
6 \$16.70. All of these charges apply to residential customers with a 5/8" meter. Thus, the low-
7 income customer charge for the various non-St. Louis Metro districts would be \$9.75 per
8 month ($\$15 * .65$), and for the St. Louis Metro district would be \$7.41 per month ($\$11.40 *$
9 $.65$), and \$10.85 ($\$16.70 * .65$) per quarter. This represents monthly savings of \$5.25 in the
10 non-St. Louis Metro districts, and savings within the St. Louis Metro District of \$3.99 for
11 monthly billed customers and \$5.85 for quarterly billed customers.

12 Q. If customers participate in this proposal, is it correct to state that the Company
13 would collect fewer dollars?

14 A. All else equal, that would seem to be correct. However, according to the
15 Company's response to Staff DR 0017, the Company is simply allocating those lower
16 revenues to the rest of the district. In other words, every customer who is not participating in
17 this program would pay a slightly higher bill to offset the lower revenues being collected from
18 the customers who are participating in this program.

19 Q. Does Staff agree with this proposal?

20 A. No.

21 Q. Why?

22 A. There are several reasons. First, the Company has provided very little
23 information regarding this concept. It provides no support for why it is needed, nor does it

1 provide a rationale for choosing to charge only 65% of the customer charge as an appropriate
2 plan. Second, as has been discussed ad nauseum over the last couple of years, the economy
3 has been down. Thus, Staff does not believe that this is the time to ask non-participating
4 customers to pay higher bills to support low-income customers. Many people are struggling
5 to make ends meet and this added burden, no matter how small, is not reasonable.

6 Third, the Company has proposed a uniform customer charge. Taken in context with
7 this low-income proposal, this seems counter to the Company's goal. According to page 12,
8 lines 22 – 24 in Mr. Herbert's testimony, the Company's pro forma monthly customer charges
9 for the non-St. Louis Metro districts range from \$11.61 to \$20.43. However, the Company is
10 proposing to charge a uniform customer charge of \$15.00 (Staff's opposition to this proposal
11 is contained in the rebuttal testimony of Staff expert James Russo). What this means is that in
12 the district with the pro forma customer charge of \$11.61, the charge is being artificially
13 increased to \$15; but for the low-income customer, it would then be reduced to \$9.75. If the
14 Company was to truly establish a meaningful low-income program, it would not first
15 artificially increase the customer charge in certain districts and then lower them. Granted, this
16 means that certain districts would be paying much less than 65% of its pro-forma customer
17 charge, but obviously, others would not.

18 Fourth, at this time, Staff does not believe that a low-income proposal is necessary for
19 water customers. Staff reviewed what an average consumer is spending for electric, gas, and
20 water service. Since MAWC provides service to many areas, Staff used average electric and
21 gas rates from AmerenUE for electricity and Laclede Gas Company for gas as proxies.
22 Further, Staff used the average St. Louis Metro District customer to represent the average
23 consumer throughout MAWC's districts. Staff did this due to the fact that a majority of the

1 Company's customers are in the St. Louis area. On a monthly basis, a typical customer pays
2 approximately \$75 per month to AmerenUE, \$89 per month to Laclede, and \$25 per month to
3 MAWC (MAWC's monthly rate was determined using its quarterly bill and dividing by
4 three). The total monthly charge for these services is about \$189. This does not include
5 sewer, telephone/cell phone, or cable/internet. As you can see, the water bill is a very small
6 percentage of a customer's monthly utility bills. And the reduction of about \$2 (calculated
7 from the \$5.85 quarterly savings for a St. Louis metro customer as calculated above) is not
8 significant.

9 Q. Is Staff indicating that low-income customers should not be assisted?

10 A. No. Staff believes that the Company is providing assistance to its low-income
11 customers through its H2O program. Staff believes it is this type of program that would
12 provide the most benefit to its customers.

13 Q. Does Staff have any suggestions to the Company's proposal?

14 A. Yes. Staff believes that if the Company is still interested in pursuing this
15 proposal, a viable option is for the Company's shareholders to assume the reduced revenues
16 that would not be collected due to those participating in the program. In other words, instead
17 of spreading those costs to the other consumers, the revenues could be imputed to the
18 Company whereby the shareholders pick up the reduction. This would indicate to the
19 consumers that the Company is aware of the difficulties experienced by its customers and it is
20 willing to do what it can to help.

21 Another suggestion would be for the Company to increase the education regarding the
22 H2O program. This program would help those who are in need and it allows those customers

1 | who are able and willing to help those less fortunate to do so voluntarily, rather than forcing
2 | customers to do so.

3 | A third suggestion would be for the Company to look into the concept of budget
4 | billing. It is probably true that most residential customers do not see a spike in their water
5 | bill, like an electric or gas customer sees, but there may be some increased periods of usage
6 | and costs throughout the year and budget billing may help this.

7 | Finally, the Company could lower customer charges for all consumers.

8 | Staff is not necessarily endorsing these possibilities, but merely making suggestions
9 | for the Company to pursue in the attempt to help low-income customers.

10 | **III. Recommendation**

11 | Q. What is your recommendation to the Commission?

12 | A. I recommend that the Commission reject MAWC's low-income customer
13 | charge proposal at this time.

14 | Q. Does this conclude your rebuttal testimony?

15 | A. Yes.