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Stabilization Mechanism
Witness: James A. Busch
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF

WATER AND SEWER DEPARTMENT

REBUTTAL TESTIMONY

OF

JAMES A. BUSCH

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

*Jefferson City, Missouri
January 2018*

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OF
JAMES A. BUSCH
MISSOURI-AMERICAN WATER COMPANY
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REBUTTAL TESTIMONY
OF
JAMES A. BUSCH
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2017-0285

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 Unit, Regulatory Review Division of the Missouri Public Service Commission (Commission).

Q. Are you the same James A. Busch that has sponsored portions of the Staff Cost of Service and Class Cost of Service Reports in this proceeding?

A. Yes I am.

Q. What is the purpose of your rate design rebuttal testimony?

A. The purpose of my rate design rebuttal testimony is to respond to the testimony of Missouri-American Water Company (“MAWC” or “Company”) witnesses John M. Watkins and James M. Jenkins regarding MAWC’s proposed Revenue Stabilization Mechanism and to various parties different proposed rate design proposals commonly referred to as single-tariff pricing versus district specific pricing. Also, I will respond to the testimony of Mr. Jenkins, and MAWC witnesses Constance E. Heppenstall and Brian W. LaGrand regarding the Company’s consolidated tariff pricing proposal.

1 **REVENUE STABILIZATION MECHANISM**

2 Q. Is MAWC proposing a Revenue Stabilization Mechanism (“RSM”) in this
3 proceeding?

4 A. Yes.

5 Q. Briefly describe the RSM that MAWC is proposing.

6 A. MAWC witness John M. Watkins describes the proposed mechanism in
7 detail in his direct testimony. But briefly, the proposed RSM would work in the
8 following manner.

9 First, it will only impact the residential, commercial, other public authorities
10 (“OPA”), and sale for resale (“SFR”) classes. The industrial class would be exempt.

11 Second, the Commission-approved revenue requirement would be set for each
12 class, as well as production costs (consisting of power, chemicals, purchased water, and
13 waste disposal).

14 Third, these “authorized” revenues and costs for each above mentioned class
15 would be compared to actual revenues and costs for those same classes on a monthly
16 basis.

17 Fourth, each month, either a regulatory asset (if actuals are less than “authorized”)
18 or a regulatory liability (if actuals are greater than “authorized”) will be booked by the
19 Company.

20 Fifth, at the end of fiscal year (defined as the year ended December 31), a
21 reconciliation will occur to determine if there is a net asset to be recovered from the
22 consumers or a net liability to be given back to the customers. If there will be a recovery
23 from the consumers, a per unit surcharge will be calculated that will be included on the

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1 consumers' bills for the months April – December. If the company owes money to the
2 customers, a one-time bill credit is the proposed mechanism to give that money back.

3 Q. What does all of that mean?

4 A. It means that once the Commission sets the appropriate revenue
5 requirement for the Company, the Company will be assured of a guaranteed amount of
6 revenue.

7 Q. Does Staff agree with MAWC's proposed RSM?

8 A. No. Staff recommends that the Commission reject MAWC's proposal in
9 this proceeding.

10 Q. Throughout MAWC's testimony, Company witnesses state that the
11 Company is having problems collecting its "authorized" revenues. Is it the Commission's
12 role to guarantee that any utility collects its "authorized" revenue?

13 A. No. The Commission does not guarantee the utility will earn its
14 authorized revenue. The Commission does give the utility an opportunity to earn its
15 authorized revenue.

16 Q. What is the Commission's role in a general rate case?

17 A. The Commission's role is to approve a revenue requirement during the
18 course of the rate case. This revenue requirement is equivalent to the utilities cost of
19 providing service. Rates are then developed that will allow the utility to charge its
20 customers in order to collect revenues. In a perfect world, the utility would collect those
21 revenues and the utilities actual cost will not change, such that revenues will equal cost
22 and a fair return will be earned by shareholders. However, in the real world, usage will
23 be greater or lesser than the level used in the rate case to create rates; costs will be lower

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1 or higher than the normalized costs amounts used to develop the revenue requirement; or
2 any combination of those and many other factors will occur causing revenues to be higher
3 or lower. This is why the shareholders are allowed to earn a return on their investment -
4 to compensate them for the risk that costs and revenues will be higher or lower after rates
5 are established. There is no guarantee that the revenues will be consistent nor any
6 guarantee that costs will be consistent.

7 Q. On page 16, MAWC witness James M. Jenkins states, the mechanism
8 effectively removes the errors that are inherent in the process of forecasting test year
9 level of sales. Does Staff agree with that statement?

10 A. No. Staff does not agree that there are errors inherent in determining test
11 year sales. Sales, like most expenses, fluctuate from year to year based on many different
12 factors. The regulatory process smooths out these fluctuations through the process of
13 normalization. Regarding sales, which is being discussed in Staff witness Robertson's
14 testimony, there are various methods that can be used to determine a reasonable level of
15 sales. There is no one method that can ensure that a company's test year sales will equal
16 sales in the future; however, just because that is true, it does not mean that the method is
17 filled with errors. Actual sales will be above or below the level used in setting rates, no
18 matter the methodology used.

19 Q. One point discussed by Mr. Jenkins in his testimony is the concept of a
20 throughput disincentive. What is a "throughput disincentive?"

21 A. The throughput disincentive is a concept that states that utilities are
22 disincentivized to promote the efficient use of their product (water, electricity, gas)
23 because they make more money when they sell more units.

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1 Q. Is MAWC encouraging conservation?

2 A. Yes. In fact, the Company has several examples of promoting
3 conservation and efficiency - without the use of an RSM. See attached Schedule JAB-r1.

4 Q. Shouldn't the fact that the Company is already encouraging efficiency and
5 conservation *support* its need for an RSM?

6 A. No. There is no data to suggest that the declining customer use is related
7 to MAWC's encouraging conservation. One argument used by utilities seeking an RSM
8 is that an RSM mitigates the throughput distinctive, and thus allows the utility to promote
9 conservation efforts, which in turn will reduce the need for future investment in high cost
10 generation facilities. MAWC is already encouraging conservation without the need of an
11 RSM. Moreover, the RSM proposed will not prevent future capital expenditures.

12 Q. Another point Mr. Jenkins tries to make is that MAWC's costs are
13 generally fixed while a majority of its revenues are variable. How does Staff respond to
14 that argument?

15 A. Staff would like to point out a couple of items about Mr. Jenkins
16 statements.

17 First, Mr. Jenkins claims that only 24.3% of revenues are fixed while the
18 remaining 75.7% are variable due to the volumetric rate. This is not quite an accurate
19 picture. Included in that nearly 76% amount of variable revenue is all the revenue from
20 the industrial class' volumetric rate. Although this amount comes from a "variable" rate,
21 these dollars are practically fixed. It is one of the reasons why the industrial class is
22 exempt from the RSM because the revenues that the Company collects from that class are
23 already stable.

1 Second, as the Company states in its declining usage testimony, there is a certain
2 level of base or non-discretionary usage within the residential class. MAWC's
3 workpapers show that the average customer usages at least 4,000 gallons per month,
4 regardless of the month. This means that although this amount is charged a variable
5 usage rate, for all intents and purposes, this is a fixed revenue for the Company. The
6 same will be true for the commercial, OPA, and especially the high level of usage of the
7 SFR class.

8 When these considerations are taken into account, the 24.3% amount of fixed
9 revenues jumps to approximately to 60%.

10 Q. Mr. Jenkins claims, on page 21, lines 14-16, that MAWC has not
11 recovered its "authorized" revenues in eight of the last ten calendar years. What is Staff's
12 response to that?

13 A. Staff has reviewed MAWC's Annual Reports since 2011. Below are the
14 yearly total revenues as collected by MAWC:

Calendar Year	Total Revenues
2016	\$287,591,366
2015	\$268,845,673
2014	\$270,159,537
2013	\$264,778,071
2012	\$279,469,683
2011	\$243,061,385

16

1 As can be seen, revenues have trended up over the past five years. Furthermore,
2 Staff witness Mark Oligschlaeger in his rebuttal testimony shows that MAWC has
3 maintained a consistent level of expense over the past five years. This is confirmed by
4 MAWC witness Andrew Clarkson, who also points out that MAWC has held expenses in
5 check over the past few years. Thus, the Company has experienced growing revenues
6 while its expenses have remained consistent. With increasing revenues and stable
7 expenses, there is no pressing need to justify a new regulatory mechanism at this time.

8 Q. On page 25, lines 7-14, Mr. Jenkins mentions that three other American
9 Water affiliates operate with some sort of RSM. Are there other American Water
10 affiliates that have a proposed RSM rejected?

11 A. Yes. Iowa-American Water Company proposed a RSM in Docket No.
12 RPU-2016-0002. In the Iowa Utilities Board's ("IUB") Final Decision and Order, issued
13 February 27, 2017, the IUB rejected the RSM as proposed by Iowa-American stating that
14 "while there may be concerns over the impact on revenues due to declining residential
15 base usage and weather variability, the RSM proposal offers no measurable goals on
16 which the Board may evaluate the effectiveness of the mechanism and the proposed
17 mechanics have the potential to result in interclass and intra-class subsidization."¹ Staff
18 has similar concerns with MAWC's proposed RSM in this proceeding.

19 Q. Mr. Jenkins and Mr. Watkins state that the RSM will be beneficial to the
20 customers. Does Staff agree?

21 A. No. On page 26, of Mr. Jenkins testimony, he outlines some theoretical
22 benefits.

¹ Final Decision and Order, Docket No. RPU-2016-0002, State of Iowa, Department of Commerce, Utilities Board, page 31

1 First, RSM should reduce rate case frequency. Staff disagrees. As long as
2 MAWC is utilizing its ISRS (Infrastructure System Repair Surcharge), it will file rate
3 cases no longer than every three years, much like the amount of time between its 2011
4 and 2015 rate cases. During that timeframe, MAWC also claimed that declining usage
5 was impacting its revenue stream. However, since the ISRS allowed for the Company to
6 collect certain capital expenditures without the need of a rate proceeding, it appears
7 MAWC was able to hold off filing a rate case, until it was statutorily mandated to do so.

8 Second, RSM would result in more gradual rate increases, when necessary. Staff
9 disagrees. Because an RSM does not affect capital investment or overall cost increases,
10 RSM will not alleviate those factors. And, unlike the ISRS where the ISRS dollars get
11 included into base rates during the subsequent general rate proceeding, the surcharges
12 faced due to the RSM will not be absorbed into the new rates.

13 Third, RSM would credit back to customers higher revenues caused by hot and
14 dry weather. Staff disagrees. Under the RSM, any credit will only occur if total revenues
15 exceed those “authorized” in a rate case. Thus, if some customers lower usage while
16 others do not during a hot, dry summer, those customers who used more, may not receive
17 any credit due to their usage. And in fact, may see further surcharges in the future.

18 Q. Can the RSM also cause intra-class subsidization?

19 A. Yes. If a customer has already undertaken conservation efforts, it has
20 already reduced its usage. If other users then lower their usage, the Company will not
21 meet its “authorized” revenues and a surcharge will be place on all customers’ bills.
22 Thus the first customer who has undertaken conservation efforts or who cannot lower
23 usage for other reasons, will pay a surcharge to help offset the lower revenue amount

1 caused by the second consumer who finally undertook some conservation methods. The
2 same argument holds for low volume residential users versus high volume residential
3 users. Basically, the RSM will cause intra-class shifts of responsibility, while the
4 Company is made whole.

5 Q. Please explain why an RSM shifts all of the risk onto the customers.

6 A. In general, if consumers take action to lower their usage, in order to
7 conserve water, or lower their bills, the RSM will place a surcharge on future bills, which
8 means that consumers' conservation efforts will not benefit them. Consumers understand
9 that if they use more, they will pay more. Because consumers can control their usage to
10 control their bill, this leads to one of the biggest detriments to consumers under MAWC's
11 proposed RSM—all of the risk to the company is shifted onto the customers.

12 Q. The Company will have the benefit of stability in its revenues and has
13 shifted the risk to its customers. Has the Company thus included any type of reduction in
14 ROE as part of its proposal?

15 A. No. Although the business risk of the company will be lower since
16 revenues will no longer be variable, the Company has not included any type of reduction
17 in ROE or cost of debt in its proposal. In fact, the Company's ROE witness is
18 recommending the Commission approve the high end of her ROE range.

19 Q. Do you have evidence that the Company's business risk will be lower if its
20 RSM proposal is adopted?

21 A. First, it just makes sense. Any company's ability to earn profit is
22 dependent on two basic factors, dollars in and dollars out. All businesses face risk the
23 revenues will not be as robust as is forecasted, and thus investors require a risk reward for

1 that uncertainty. If revenues are all but guaranteed, uncertainty fades and risk is reduced.
2 Second, RAP, the Regulatory Assistance Program, acknowledges that decoupling
3 (another name for an RSM), tends to reduce utility risk by providing revenue stability.²

4 Q. Should MAWC have included a reduced level of business risk in its ROE
5 as a part of its proposed RSM?

6 A. Yes.

7 Q. On page 29, lines 15-16, Mr. Jenkins states that with little or no customer
8 growth, to make up the difference in declining usage, rates must be raised to provide the
9 lost revenues. What is Staff's response to that statement?

10 A. Staff would point out that the Company continues to increase revenues
11 through its robust acquisition strategies, including the Arnold wastewater system as
12 discussed in the last rate case and the Wardsville water and wastewater systems included
13 in this case as an example of the Company's growth. As the above table shows, revenues
14 continue to increase from a low of \$240 million in 2011 to over \$287 million in 2016.

15 Q. On page 33, lines 4-10, Mr. Jenkins argues that RSM decreases volatility.
16 What is Staff's response to that statement?

17 A. It is not entirely clear what Mr. Jenkins means by decreasing volatility.
18 Currently, rates are set and remain stable until the next rate case (except for St. Louis
19 County residents who have to pay the ISRS surcharge). Thus, there is no volatility
20 between rate cases. With the RSM, rates will go up or down, as actuals will not meet

² Migden-Ostrander, Janine, & Sedano, Rich (2016) *Decoupling Design: Customizing Revenue Regulation to Your State's Priorities*, Montpelier, VT: The Regulatory Assistance Project, available at <http://www.raponline.org/knowledge-center/decoupling-design-customizing-revenue-regulation-state-priorities>.

1 “authorized” revenues between rate cases. This is the very definition of volatility. Staff
2 disagrees that the RSM decreases volatility.

3 Q. Does Staff have any recommendations to the Commission if the
4 Commission decides to implement an RSM?

5 A. If the Commission does decide to approve an RSM, Staff recommends that
6 the Commission acknowledge the reduce business risk that the Company will face with
7 an RSM in place. There are two ways that the Commission can make this
8 acknowledgement.

9 First, the Commission, after making its ROE findings, can then lower that ROE
10 by a certain amount that reflects the reduction in business risk.

11 Second, if the Commission is wary of lowering ROE, the Commission can adjust
12 the capital structure that it found reasonable to be weighted more heavily on the debt side
13 due to the lower cost of debt. Either method can be used to achieve a similar result and is
14 discussed in the RAP paper described earlier in this testimony.

15 Staff further recommends that if the Commission does approve an RSM with one
16 of the above mentioned modifications that it should reject MAWC’s proposed future test
17 year as spelled out in Staff witness Mark Oligschlaeger’s rebuttal testimony starting on
18 page 24, line 11 through page 26, line 2.

19 Q. In MAWC’s testimony, the Company proposes to include both water and
20 sewer in its RSM. Your testimony to this point only seems to address the water RSM.
21 What is Staff’s position regarding an RSM for sewer customers?

22 A. Staff opposes the RSM for the sewer system as well. As Mr. Jenkins
23 points out in his testimony, many of the sewer customers either have a fixed rate or have

1 a rate based on the customers' base usage. Either way, sewer revenues in effect have
2 already been decoupled and thus a further RSM mechanism is not warranted at all for
3 sewer customers.

4 **RATE DESIGN**

5 Q. What is the Company's rate design proposal for water?

6 A. According to the testimony of MAWC witness LaGrand, the Company
7 proposes to further consolidate its water rates as well as to separate rate class "A" to a
8 residential and non-residential rate. Further, MAWC is proposing to lower the monthly
9 customer charge for a 5/8" meter (the basic meter size for a residential consumer) to
10 \$10 per month and the quarterly customer charge for a 5/8" meter to \$30. The quarterly
11 customer charge is only in effect for customers in the St. Louis county service area.

12 Q. Regarding consolidated water tariff rates, didn't the Commission just
13 consolidate rates from more than eight districts to the current three district format in
14 MAWC's last rate case?

15 A. Yes. In MAWC's last rate case, WR-2015-0301, the Commission agreed
16 with Staff's approach to consolidate into three water rate districts as outlined in Staff's
17 Class Cost of Service Report filed on December 13, 2017.

18 Q. Both MAWC witnesses Jenkins and Heppenstall mention that the
19 Commission indicated that the Commission would examine single-tariff pricing in
20 MAWC's next rate case. Would this be MAWC's next rate case?

21 A. Yes.

22 Q. Does Staff agree that further consolidation should be considered at
23 this time?

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1 A. No.

2 Q. Please explain why Staff does not believe further consolidation should be
3 considered at this time.

4 A. A major reason why Staff does not believe further consolidation should be
5 considered at this time is that the Commission just approved consolidation in the previous
6 rate case. Those rates have not even been in effect for two years. With a major change in
7 rate design, it makes sense to allow time for the effects of that change to flow through
8 and allow for customers to become accustomed to the new structure. One of the basic
9 principles of rate design is stability. Constantly changing rate design does not allow for
10 stability and could lead to greater customer confusion and dissatisfaction.

11 Q. In the previous proceeding, the Commission agreed with Staff that one of
12 the concerns of consolidated pricing was the potential for the Company to increase
13 capital expenditures due to the ability to spread those costs over a larger customer base.³
14 To try and avoid that problem, the Commission adopted Staff's proposal that MAWC
15 provide its five-year capital planning reports. Is the concern of over-investment
16 still valid?

17 A. Yes. MAWC submitted its first five-year plan in early 2017 as required
18 by the Commission Report and Order and Staff, Office of the Public Counsel and
19 MAWC personnel reviewed the plan. However, that has only occurred the one time and
20 no conclusions can be drawn that Staff's initial concerns are not still valid. In fact, with
21 MAWC proposing a future test year, it is even more imperative that these budget plans
22 continue to be submitted and reviewed and more time needs to transpire before further

³ Report and Order, File No. WR-2015-0301, pgs 27-28.

1 consolidation occurs to ensure that MAWC continues to invest in the most reasonable
2 and practical manner.

3 Q. On page 15, lines 7-18, Ms. Heppenstall testifies that the manner of
4 operating characteristics supports further consolidation. Does Staff agree with her
5 arguments?

6 A. No. Staff made a similar but distinct argument for supporting the three
7 district approach. Staff agrees that there are certain similarities in operating
8 characteristics that support the current consolidation. This means that the current district
9 alignment aligns with how MAWC sets up its operational activities. Ms. Heppenstall
10 makes the further leap that since all systems have transmission and distribution systems
11 with mains and booster pumps and storage facilities that all customers face similar costs
12 of service. However, providing service in the St. Joseph/Parkville area is different than
13 providing service in the Joplin/Branson district based on the physical characteristics of
14 those geographic areas. Plus, the source of supplies for the three areas are generally
15 similar within each district, but different among the districts. Thus, Staff disagrees that
16 the overall operating characteristics are similar.

17 However, Staff does recognize that there is similarity in certain overall
18 characteristics such as billing and customer service. Thus, Staff is not proposing to
19 change the system-wide customer charge.

20 Q. On pages 40 - 41 of his rebuttal testimony, Mr. Jenkins lists some of the
21 reasons why the Company thinks further consolidation is beneficial. Does Staff support
22 these concepts?

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1 A. No.

2 First, Mr. Jenkins states that consolidated tariff pricing (“CTP”) provides better
3 incentives for standard water quality. Staff disagrees that MAWC needs further
4 consolidation to meet standard water quality. Staff is unaware that MAWC has not met
5 standard water quality in all of its systems and would be shocked to find out MAWC’s
6 standards would deteriorate without further consolidation.

7 Second, Mr. Jenkins states that CTP provides better incentives to purchase small
8 under-performing utilities. Staff agrees that spreading the costs of necessary upgrades to
9 a larger customer base is beneficial. And with the consolidation that has already been
10 approved, this has been accomplished. MAWC has been an active participant in growing
11 its footprint in the state and further consolidation should not alter this business model.

12 Third, CTP promotes state economic development goals. Without CTP,
13 economic development riders have been utilized to help entice certain large customers to
14 MAWC’s service territories. These mechanisms work and will continue to work.

15 Fourth, improves affordability to all customers. Staff agrees that spreading out
16 costs over a larger customer base will tend to lower rates.

17 Fifth, CTP lowers administrative and regulatory costs. Staff has not seen
18 definitive data that shows CTP lowers these types of costs, especially to the extent that
19 lower costs can be passed along to the consumers.

20 Q. On page 42 of his direct testimony, Mr. Jenkins claims that there are
21 advantages for further consolidation. What is Staff’s response?

22 A. Mr. Jenkins makes a good point that complying with regulations is
23 expensive and spreading those costs over a larger customer base allows for the benefit of

1 economies of scale to lower costs to the customers. However, those benefits exist
2 regardless of the pricing structure. Since MAWC is and has been a large utility with
3 hundreds of thousands of customers, many of those costs are lowered due to the sheer
4 size of MAWC and those lower costs are then allocated to the customers appropriately.
5 Further consolidation will not inherently make these costs lower. Mr. Jenkins then
6 continues that smaller systems cannot keep up with ever increasing expenditures to
7 maintain system reliability. Again, MAWC is not a small system and is not subject to
8 these concerns.

9 Q. Next, Mr. Jenkins uses the example that rates have gone up dramatically
10 for two small systems, Hillcrest and Raccoon Creek. Do these two systems have
11 anything to do with CTP?

12 A. No. The argument that is really central to Mr. Jenkins point is having
13 small systems purchased by larger companies. Due to MAWC's size, if it had purchased
14 those systems, the rate increase to those systems would not have been as dramatic.

15 Q. On page 19, lines 9-13 of his direct testimony, Mr. LaGrand states that
16 MAWC is proposing a \$10 monthly customer charge and a \$30 quarterly customer
17 charge. What is Staff's position?

18 A. Staff has proposed to maintain all current customer charges for all
19 customers. However, Staff understands that the reason behind MAWC's request is due to
20 the Company's desire to move quarterly customers to monthly billing as AMI meters are
21 placed in service for current quarterly customers.

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1 Q. Please explain.

2 A. AMI stands for Advanced (or Automated) Metering Infrastructure. To
3 take advantage of this technology, monthly billing makes more sense than quarterly
4 billing. Thus, to ensure that the Company does not experience a windfall of revenues due
5 to switching billing cycles, MAWC's proposal makes sense. At this time, Staff has not
6 ruled out the Company's proposal and will continue to work with the Company and all
7 parties for a reasonable approach.

8 Q. What is the Company's approach to the sewer rates?

9 A. The Company proposes to leave the city of Arnold as its own rate class.
10 Then it divides the rest of the sewer residential customers into two groups. The first
11 group includes Maplewood, Fenton, Hickory Hills, Anna Meadows, and Jaxon Estates.
12 The second group includes all others. All non-residential customers would be included
13 in one rate which would include a fixed charge with a volumetric rate for usage over
14 6,000 gallons.

15 Q. Does Staff agree with this approach?

16 A. Not necessarily. Staff also leaves the Arnold rate design as its own
17 separate area. However, Staff proposes to spread any sewer increase to those customers
18 that are not paying the highest sewer rates. Right now, the highest rate paid by sewer
19 customers is a flat \$66.93 per month. These customers reside in Benton County, Platte
20 County, Cedar Hill, Jefferson City, Ozark Meadows, Stonebridge, and Warrant County.
21 Staff's plan is to leave these rates as is and to spread any increase to the remaining sewer
22 service areas. In Staff's opinion, this method is keeping with the Commission's directive
23 in the last rate case to move rates for sewer customers closer together.

1 **SUMMARY**

2 Q. Please summarize your rebuttal testimony.

3 A. In summary, Staff does not agree that an RSM should be approved for
4 MAWC in this proceeding. MAWC's proposed RSM is a guarantee of revenues without
5 a corresponding reduction in ROE. RSMs shift risk from the utility to the customer and
6 removes the customer's ability to control their own bill. MAWC is already encouraging
7 conservation without the need of an RSM. However, if the Commission does approve an
8 RSM for the water system, an acknowledgement of the lower business risk to the
9 Company must be included. Also, Staff recommends maintaining the current three
10 district approach that this Commission approved in MAWC's last rate case.

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF JAMES A. BUSCH

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JAMES A. BUSCH and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

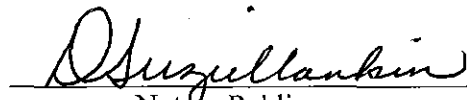


JAMES A. BUSCH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 23rd day of January, 2018.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2020 Commission Number: 12412070
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Notary Public



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We are constantly looking for ways to ensure water is available for future generations. Part of that commitment includes helping our customers understand what they can do to help. We do that in a variety of ways: in customer bills, in our newsletters, and here on our website.

< Water Information (https://amwater.com/moaw/water-information)

By using the tips below, you can make water conservation a part of your daily routine and also save water and money. With some small changes, you can be a part of this commitment while at the same time, help lower the cost of your water bill.

Wise Water Use (https://amwater.com/moaw/water-information/wise-water-use)

Detecting Leaks (https://amwater.com/moaw/water-information/detecting-leaks)

Watershed Protection (https://amwater.com/moaw/water-information/watershed-protection)

Water Learning Center (https://amwater.com/moaw/water-information/water-learning-center)

Outside your home

- Lawn watering uses a lot of water. Water your lawn only when it needs it. An easy way to tell if your lawn needs water is to simply walk across the grass. If you leave footprints, your lawn may be thirsty! Generally, lawns only need an inch or so of water per week during the summer months. Water your lawn wisely by:
 - o Making the most of your watering by watering in the early morning. As much as 30 percent of water can be lost to evaporation by watering during midday.
 - o Planning for fewer, deep-soaking waterings to encourage deep root growth and stronger turf.
- Set your lawn mower one notch higher to make your lawn more drought-tolerant.
- Use drip irrigation hoses to water plants, and water in the early morning or evening.
- Consider using porous pavement (gravel is a good example) instead of asphalt for driveways and walkways, the rain will soak into the soil instead of running off and contributing to erosion.
- Use a broom instead of a hose to clean your sidewalk, driveway, or patio.
- Plant appropriately for your local climate. Check with local nurseries for non-invasive, drought-tolerant plants.

Inside your home

- Run dishwashers and clothes washers only when they are full. If you have a water-saver cycle, use it.
- Adjust the water level of your clothes washer so it matches your load size.
- Regularly check your toilet, faucets, and pipes for leaks with our free [leak detection kits](https://dnnh3qht4.blob.core.windows.net/portals/10/PDFs/AMER0231_LeakDetectionKitWeb_Layoutopt.pdf) (https://dnnh3qht4.blob.core.windows.net/portals/10/PDFs/AMER0231_LeakDetectionKitWeb_Layoutopt.pdf [sr=b&si=DNNFileManagerPolicy&sig=FjIGQOKht8zs4TsxHHLQBm6ypTa9sskBoKEgS4TL4Q%3D](https://dnnh3qht4.blob.core.windows.net/portals/10/PDFs/AMER0231_LeakDetectionKitSpanish.pdf)) (in English and Spanish <https://dnnh3qht4.blob.core.windows.net/portals/10/PDFs/LeakDetectionKitSpanish.pdf> [sr=b&si=DNNFileManagerPolicy&sig=KE9tHu4ut4pkg2F9h%2BmMUUIKEDrAdkLk9WAagd14KyA%3D](https://dnnh3qht4.blob.core.windows.net/portals/10/PDFs/LeakDetectionKitSpanish.pdf))). If you find a leak, have it fixed as soon as possible.
- Check your water meter before and after a one-hour period when no water is being used. If the meter changes at all, you probably have a leak.
- Consider water and energy-efficient appliances. Products and services that have earned the WaterSense label have been certified to be at least 20 percent more efficient without sacrificing performance. The USEPA reports that EPA-certified Energy Star washing machines may use 35% less water per load. Water-saving showerheads, toilets and faucet aerators can also help cut your water usage.
- Insulate exposed water pipes with pre-slit foam insulation. You'll enjoy hot water faster and avoid wasting water while it heats up.
- Turn off the tap while brushing your teeth or washing dishes in the sink.

Seasonal Tips to Save Water and Money

WINTER WEATHER WATER GUIDE HANDY TIPS TO KEEP YOUR PIPES FROM FREEZING

It's all about prevention
Freezing pipes can leave you with dead water in the worst of weather. And cost a lot to repair.
So do it before the pipes freeze, you can easily prevent both your budget and the joy of pipe of yours.



BEFORE COLD WEATHER SETS IN:

**Check sprinkler or
irrigation systems**
Make sure you've turned everything off
and fully drained the system.

**Identify your home's
freezing points**
Check your home for pipes in areas that might be
prone to freezing, such as crawl spaces, unheated
rooms, basements, porches, and attics.

**Know how to
shut off your water**
Know how to shut off your water
before an emergency and make sure
you may want to do it so you don't
have to call for help in an emergency.

Strengthen your defenses
Block drafts around doors and windows
by closing off draft stoppers, caulking
windows, caulking doors and walls, and plugging
drafts around pipes.

Protect your pipes
Where pipes are exposed to cold, wrap them
with an insulator or electrical pipe heater (even
table or refrigerator heat).

WHEN TEMPERATURES STAY BELOW FREEZING:

BUT IF YOUR PIPES DO FREEZE:

Keep water working
If you water is not flowing through the pipes by
allowing a small trickle of water to run.

Give pipes a helping hand
If you can't reach the pipes or vents, open the doors
to let the room's temperature rise.

**Thaw pipes
with warm air**
You can melt frozen water in the pipe by
warming the air around it with a hair dryer or
space heater. Be sure not to burn your clothes
unintentionally and be sure to keep the
heaters or space heaters.


**Shut off the
water immediately**
Don't attempt to thaw pipes without
turning off the main shut-off valve.


Be careful turning water back on
Once pipes are thawed, slowly turn the water back on and check pipes and joints
for any cracks or leaks that might have been caused by freezing.

12 HANDY OUTDOOR WATER & MONEY-SAVING TIPS FOR SUMMER

Every summer, every drop counts


It's estimated that up to 50% of the water we use for outdoor needs is not necessary to maintain a healthy landscape. But how can you know when and where to use your water wisely? It's easier than you might think, and this handy guide can help you get started. As you enjoy your summer, it's time you take conservation in hand. Not only is saving water good for the environment, it's good for your wallet. For even more water-saving tips, please visit www.amwater.com.






Water early in the morning or later in the day

Water when the sun is low to minimize evaporation.




Only water when needed

Depending on the weather or type of plants, you may find you only need to water once or twice per week.




Set your mower higher

That close-cropped cut may look good for a day or two, but anything shorter than 1 1/2 inches high is much more vulnerable to drought stress, disease and insects. Best lawn mowing height is 2 1/2 to 3 inches, depending on the grass type.




Keep an eye on weather

If rain is in the forecast, turn your sprinkler system off ahead of time. Even better, install a rain sensor that will do it automatically.




Watch what you're watering

Check your plants to be sure they're not wasting water on grass or unneeded plants. Reduce watering for shaded areas that they not need as much water.




Check for leaks and breaks

Do a regular walk-through of your landscape to make sure your system pipes are in good condition.




Make use of rainwater

Water collected in rain barrels can be later used to water plants, plants that may have a hard time getting rain water, or for other uses.




Sweep, don't spray

Use a brush instead of a hose to sweep patios, decks and driveways.




Mulch

Mulching helps retain moisture in the ground, keeps roots cool, and suppresses weeds, which can stress plants. Use 2 to 3 inches of mulch.




Use drought-resistant species

Plants that are native to the region will have the best chance of surviving local conditions and are bred to thrive in drought. Also, water-wise plants will often need less maintenance and watering.




Let water do double duty

Some pets need lots of water and need water.




Car wash wisely

Washing your car with a hose or bucket uses less water than a car wash. Wash your car in a bucket and use a hose to rinse. Wash your car in a bucket and use a hose to rinse.




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(/moaw/contact-us)

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Schedule JAB-r1 Page 3 of 4

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