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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

WATER AND SEWER DEPARTMENT

REBUTTAL TESTIMONY

OF

MATTHEW J. BARNES

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

Jefferson City, Missouri
January 2021

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OF
MATTHEW J. BARNES
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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MATTHEW J. BARNES**

4 **MISSOURI-AMERICAN WATER COMPANY**

5 **CASE NO. WR-2020-0344**

6 Q. Please state your name and business address.

7 A. My name is Matthew J. Barnes and my business address is P. O. Box 360,
8 Jefferson City, Missouri 65102.

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

10 A. I am a Senior Regulatory Auditor in the Water and Sewer Department,
11 Industry Analysis Division of the Missouri Public Service Commission (“Commission”).

12 Q. Are you the same Matthew J. Barnes that sponsored portions of the Staff
13 Class Cost of Service and Rate Design Report in this proceeding?

14 A. Yes I am.

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

16 A. The purpose of my rate design rebuttal testimony is as follows:

- 17 1. Provide the Commission updates and corrections to Staff’s Class Cost
18 of Service (“CCOS”) and Rate Design filed on December 9, 2020;
- 19 2. Respond to the testimony of Missouri-American Water Company
20 (“MAWC”) witnesses Brian W. Lagrand and Charles B. Rea’s
21 testimonies regarding MAWC’s proposed consolidated tariff pricing,
22 also known as Single-Tariff Pricing (“STP”);
- 23 3. Respond to the testimony of MAWC’s witness Charles B. Rea
24 regarding MAWC’s proposal to create a new large customer class
25 referred to as Rate L and to move current Rate J customers to the
26 Rate A customer class;

- 1 4. Provide the Commission Staff's recommendation whether or not
- 2 MAWC should be charging Private Fire Customers the same rate as
- 3 Rate A customers;
- 4 5. Provide the Commission Staff's recommendation to continue the
- 5 Low-Income Pilot Program for the St. Joseph service area;
- 6 6. Recommend to the Commission that the Inclining Block Program
- 7 approved in MAWC's last rate case, WR-2017-0285, be continued; and
- 8 7. Clarify to the Commission Staff's position with regard to
- 9 Special Contracts.

10 **STAFF UPDATES AND CORRECTIONS TO ITS CCOS AND RATE DESIGN**

11 Q. Do you have any corrections and updates to Staff's CCOS and Rate
12 Design proposal?

13 A. Yes. First, Staff's CCOS erroneously excluded St. Louis County's
14 Quarterly customers in the Proposed Rate Schedules that Staff relied upon to calculate the
15 St. Louis County service area rate design.

16 Second, Staff's CCOS also erroneously excluded the All Other MO service area
17 Flat Rate customers in the Proposed Rate Schedules that Staff relied upon to calculate the
18 All Other MO service area rate design. With these customers not included in the proposed
19 customer and commodity revenues, rates appeared to be much lower than they otherwise
20 should be.

21 Finally, Staff's CCOS erroneously calculated its proposed St. Louis County
22 customer's quarterly customer charge. The quarterly customer charge should have been
23 calculated at three (3) times the rate of the monthly customer charge.

24 As of June 30, 2020, approximately 48,000 St. Louis County customers remain on
25 quarterly billing and MAWC is still in the process of installing AMI technology for those

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1 remaining customers. Staff recommends that the Commission continue to approve MAWC
2 to install AMI technology on a customer's meter so quarterly customers can be moved to
3 monthly billing.

4 Q. When did Staff discover these errors and what steps did it take to correct it?

5 A. Staff discovered these errors as it was preparing its response to MAWC
6 Data Request 0339. In response to this discovery, Staff has updated its CCOS and Rate
7 Design Study that was filed on December 9, 2020.

8 Q. Did Staff provide MAWC with the requested schedule?

9 A. Yes. Below is the schedule for St. Louis County service area and All Other
10 MO service area that was provided to MAWC. These tables have been updated to reflect
11 Staff's Cost of Service update in its rebuttal testimony, filed January 15, 2021.

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COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES								
FOR THE TEST YEAR ENDED December 19, 2019 UPDATED TO June 30, 2020								
Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	\$ 151,585,083	68.6%	\$ 156,454,141	72.0%	\$ (4,869,058)	51.6%	\$ 151,585,083	-3.1%
Commercial	\$ 38,795,279	17.6%	\$ 42,736,544	19.7%	\$ (3,941,265)	41.7%	\$ 38,795,279	-9.2%
Industrial	\$ 5,874,408	2.7%	\$ 5,639,252	2.6%	\$ 235,156	-2.5%	\$ 5,874,408	4.2%
Other Public Authority	\$ 2,872,096	1.3%	\$ 2,351,206	1.1%	\$ 520,890	-5.5%	\$ 2,872,096	22.2%
Sales for Resale	\$ 5,804,548	2.6%	\$ 6,505,742	3.0%	\$ (701,194)	7.4%	\$ 5,804,548	-10.8%
Private Fire Service	\$ 3,025,770	1.4%	\$ 3,715,141	1.7%	\$ (689,371)	7.3%	\$ 3,025,770	-18.6%
Public Fire Service	\$ 12,883,418	5.8%	-	0.0%	\$ -	0.0%	-	
Total Sales	\$ 220,840,602	99.9%	\$ 217,402,026	100.1%	\$ (9,444,842)	100.1%	\$ 207,957,184	-4.3%
Other Revenues	\$ 4,015,875		\$ 4,015,875		\$ 4,015,875		\$ -	0.0%
Total	\$ 224,856,477		\$ 221,417,901		\$ (5,428,967)		\$ 215,988,934	-2.5%

13 Note: Revenues, Present Rates Amount from Staff's EMS Run.

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Customer Classification	Cost of Service		Present Revenues		Proposed Revenues		Proposed Increase/Decrease	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	\$ 47,308,927	51.1%	\$ 54,644,371	59.8%	\$ (7,335,444)	45.5%	\$ 47,308,927	-13.4%
Commercial	10,749,268	11.6%	\$ 18,524,180	20.3%	\$ (7,774,912)	48.2%	\$ 10,749,268	-42.0%
Industrial	7,238,545	7.8%	\$ 9,516,890	10.4%	\$ (2,278,345)	14.1%	\$ 7,238,545	-23.9%
Other Public Authority	2,382,447	2.6%	\$ 3,886,568	4.3%	\$ (1,504,121)	9.3%	\$ 2,382,447	-38.7%
Sales for Resale	2,687,607	2.9%	\$ 3,345,164	3.7%	\$ (657,557)	4.1%	\$ 2,687,607	-19.7%
Private Fire Service	4,847,758	5.2%	\$ 1,420,487	1.6%	\$ 3,427,271	-21.3%	\$ 4,847,758	241.3%
Public Fire Service	17,369,655	18.8%	-	0.0%	\$ -	0.0%	-	
Total Sales	92,584,206	99.9%	91,337,660	100.1%	(16,123,109)	100.0%	75,214,551	-17.7%
Other Revenues	2,015,733		2,015,733		2,015,733		-	0.0%
Total	\$ 94,599,939		\$ 93,353,393		\$ (14,107,376)		\$ 79,246,017	-15.1%

Note: Present Revenues and Proposed Revenues from Staff's EMS Run.

1

Q. Does Staff have an updated table of its proposed rates?

2

A. Yes. Below is an updated table of the current rates and Staff proposed rates for each district and the dollar amount for a customer that uses 3,000, 5,000 and 7,000 gallons of water per month for a residential customer using a 5/8" meter.

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Water District 1 - St. Louis County Service Area	Usage in Gallons	Present Rates			Proposed Rates			Dollar Change	Percent Change	
		Customer Charge	Volumetric	Total	Customer Charge	Volumetric	Total			
Metered Monthly Customers	3,000	\$ 9.00	\$ 4.7814	\$ 23.34	\$ 7.74	\$ 4.9727	\$ 22.65	\$ (0.69)	-2.96%	
	5,000	\$ 9.00	\$ 4.7814	\$ 32.91	\$ 7.74	\$ 4.9727	\$ 32.60	\$ (0.31)	-0.94%	
	7,000	\$ 9.00	\$ 4.7814	\$ 42.47	\$ 7.74	\$ 4.9727	\$ 42.54	\$ 0.07	0.18%	
Metered Quarterly Customers	9,000	\$ 27.00	\$ 4.7814	\$ 70.03	\$ 23.21	\$ 4.9727	\$ 67.96	\$ (2.07)	-2.96%	
	15,000	\$ 27.00	\$ 4.7814	\$ 98.72	\$ 23.21	\$ 4.9727	\$ 97.80	\$ (0.92)	-0.94%	
	21,000	\$ 27.00	\$ 4.7814	\$ 127.41	\$ 23.21	\$ 4.9727	\$ 127.63	\$ 0.22	0.18%	
Water District 2 - All Other Missouri Service Area	Usage in Gallons	Present Rates			Proposed Rates			Dollar Change	Percent Change	
		Customer Charge	Volumetric	Total	Customer Charge	Volumetric	Total			
Metered Monthly Customers	3,000	\$ 9.00	\$ 6.2469	\$ 27.74	\$ 13.39	\$ 5.4308	\$ 29.68	\$ 1.94	7.00%	
	5,000	\$ 9.00	\$ 6.2469	\$ 40.23	\$ 13.39	\$ 5.4308	\$ 40.54	\$ 0.31	0.77%	
	7,000	\$ 9.00	\$ 6.2469	\$ 52.73	\$ 13.39	\$ 5.4308	\$ 51.41	\$ (1.32)	-2.51%	
Flat Rate Monthly Customers	Anna Meadows, Jaxson Estates, Rankin Acres and White Branch	Flat	\$ 48.40	\$ -	\$ 48.40	\$ 42.08	\$ -	\$ 42.08	\$ (6.32)	-13.06%

7

RATE DESIGN

8

Q. What is the Company proposing for its water rate design?

9

A. According to the testimony of MAWC witnesses LaGrand and Rea, the Company is proposing to consolidate its water tariffs into a single statewide water tariff, also known as Single Tariff Pricing (STP). The Company is also proposing a new large

10

11

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1 user tariff for water customers (named Rate L) that use an average of 3,000,000 gallons of
2 water or more per month.

3 Q. Does Staff agree with MAWC's proposed move towards STP?

4 A. No it does not. Staff recommends that the Commission maintain the
5 current two (2) district approach that it approved in MAWC's last rate case, Case No.
6 WR-2017-0285. The two districts are the St. Louis County service area and the All Other
7 MO service area.

8 Q. What benefits does MAWC identify concerning STP?

9 A. MAWC witness Rea lists the following benefits of moving to consolidated
10 tariff pricing:

- 11 1. Better ability to recover investments in water and service
- 12 quality...;
- 13 2. Improved affordability for all customers...;
- 14 3. Lower administrative and regulatory costs...;
- 15 4. A consistent regulatory approach for all public utilities...;
- 16 5. Encouragement of larger water companies to purchase small,
- 17 under- performing water companies...; and
- 18 6. Promotion of state economic development goals...¹

19 Q. Does Staff agree with Mr. Rea's assertions?

20 A. Not entirely. I will address each of MAWC witness Rea's statements in
21 order below:

- 22 1. "Better ability to recover investments in water and service quality:"

23 Staff questions what effect moving towards full consolidation would provide

24 MAWC in regard to its ability to recover its investments to meet standard water

¹ All six statements are from Company witness Charles B. Rea, Direct Testimony, Page 23, line 15, through page 25, line 22.

1 quality. MAWC is currently able to recover its investments through the rates that
2 are currently effective. When MAWC feels that rates are no longer sufficient,
3 MAWC files another rate case. Moving to STP would not alter this behavior.
4 Further, Staff is unaware that MAWC has not met standard water quality in all of
5 its systems and would be shocked to find out MAWC's standards would
6 deteriorate without further consolidation.

7 2. "Improved affordability for all customers..."

8 Based on the current rate structure, St. Louis County rates are lower than the
9 rates for the rest of the state. Even with the large number of customers in the St.
10 Louis area, if consolidation were to occur, the rates in St. Louis County would
11 necessarily increase to absorb the costs of service for the other areas. Thus, the
12 St. Louis County customers, the majority of MAWC's customers, would actually
13 see less affordable rates.

14 3. "Lower administrative and regulatory costs..."

15 Staff does not agree that moving towards further consolidation would lower
16 the administrative or regulatory costs, such as the costs associated with filing
17 multiple CCOS studies. MAWC has not provided any evidence to show how these
18 costs would be impacted by combining the two districts into one and Staff does
19 not see how further consolidation would cause any significant cost savings.

20 4. "A consistent regulatory approach for all public utilities..."

21 Today, there is not a consistent regulatory treatment for all utility types that are
22 regulated by the PSC. There are various reasons why each utility sector is treated

1 differently and consolidation of MAWC's various districts will not change those
2 differences.

3 For instance, most sewer customers are charged a flat fee for usage while most
4 water customers are subjected to a customer charge and volumetric charge. In
5 fact, there are MAWC sewer customers who have a flat fee and others that have
6 a volumetric based fee as well as certain MAWC water customers who are
7 charged a flat fee. MAWC's proposed consolidation would not change that fact
8 and is more of an inconsistent regulatory treatment than MAWC having two water
9 districts with separate rates.

10 5. "Encouragement of larger water companies to purchase small,
11 under--performing water companies..."

12 MAWC has been very active in acquiring small systems under the current rate
13 structure. When systems are purchased, it has been MAWC's practice to either
14 continue the rates currently charged on the systems, or to apply existing rates from
15 one of its rate districts; eventually, newly acquired systems are placed into the
16 already consolidated nature of most of MAWC's service areas. While,
17 establishing STP may limit any confusion regarding potential future rates applied
18 to new acquired systems, Staff sees no reason why further consolidation would
19 add additional incentive to MAWC to purchase more systems.

20 6. "Promotion of state economic development goals..."

21 Even without full consolidation, Missouri's Economic Development Riders
22 ("EDR") have been utilized to help entice certain large customers to MAWC's
23 service territories. The current large customers that have utilized Missouri's

1 EDR's in MAWC service area are Triumph Foods and Liberty Utilities (Missouri
2 Water) d/b/a Liberty Utilities or Liberty. STP is not necessary for these
3 mechanisms to work towards promoting state economic development goals. The
4 EDRs have worked with many different rate district structures in the past, and will
5 continue to work.

6 Q. Please provide a brief summary of the recent history of MAWC's
7 rate design.

8 A. In MAWC's rate case, WR-2011-0337, parties entered into a Stipulation
9 and Agreement that established eight (8) water districts: Brunswick, Jefferson City, Joplin,
10 Mexico, Platte County, St. Joseph, St. Louis Metro, and Warrensburg.² In MAWC's rate
11 case, WR-2015-0301, the Commission ordered that MAWC further consolidate from
12 eight (8) districts to three (3) districts; Joplin, St. Joseph and St. Louis Metro.³ Most
13 recently, in Case No. WR-2017-0285, the Commission ordered the consolidation of three
14 water rate districts into MAWC's current two water rate districts.

15 Q. Did the Commission consider a move to STP in MAWC's most recent
16 rate case?

17 A. Yes. In Case No. WR-2017-0285, MAWC proposed a move to STP. After
18 an evidentiary hearing on this issue, the Commission rejected MAWC's proposal, stating
19 the following in its Report and Order:

20 The Commission is tasked with setting just and reasonable rates.
21 This means the Commission must set rates that are "fair to both the

² *In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Case No. WR-2011-0337, *Non-Unanimous Stipulation and Agreement*, Page 2 (February 24, 2012).

³ *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Case No. WR-2015-0301, *Report and Order*, Page 28, Issued May 26, 2016 and Effective June 25, 2016.

1 utility and its customers.” The Commission’s authority extends to
2 allocating an expense between certain classes or groups of
3 ratepayers.

4 In MAWC’s last rate case, the Commission approved a
5 consolidation of its eight service territories into three. The
6 Commission stated that the needs of the customer must be met no
7 matter where they happen to live, or how recently the Company’s
8 infrastructure in their area was installed or replaced. That principle
9 still applies in this rate case.

10 Consolidation of the various districts benefits customers since a
11 majority of MAWC’s costs, such as operations and management, are
12 fixed. Consolidation helps customers by avoiding the rate shock that
13 would occur when a system must undergo major system
14 improvements. Although the water industry is moving towards
15 STP, St. Louis County’s unique circumstance makes it inappropriate
16 to consolidate all three water districts at this time. St. Louis County
17 is subject to the ISRS [“Infrastructure System Replacement
18 Surcharge”], which is a surcharge not recovered from other
19 customers of MAWC, which can increase a customer’s bill by as
20 much as ten percent of the Company-wide revenues. By combing all
21 three districts, customers in St. Louis County would be
22 disadvantaged by being the only area paying the additional
23 surcharge until costs can be included in rate base, while still
24 contributing to improvements in other areas.

25 Moreover, while Districts 2 and 3 are comparable in the number of
26 customers served, the St. Louis area is disproportionately larger. Full
27 consolidation would increase the potential for imprudent spending
28 by MAWC, since the impact of increases will be shared by more
29 customers. By combining Districts 2 and 3, the Company can still
30 seek to acquire small struggling systems and make system
31 improvements while avoiding rate shock.

32 Therefore, the Commission finds it appropriate for MAWC to
33 consolidate Districts 2 and 3 Rate A and J customers while
34 maintaining a separate District for St. Louis County customers.
35 MAWC should remove those systems in District 1 that are not in St.
36 Louis County, including Warren County, St. Charles, Anna
37 Meadows, Redfield, Lake Carmel, Jaxon Estates, Wardsville,
38 Mexico, and Jefferson City, and place those systems into the
39 consolidated Districts 2 and 3.⁴

⁴ *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Case No. WR-2017-0285, *Report and Order*, issued May 2, 2018 and effective May 28, 2018, page 30 – 31.

1 Q. Briefly describe Staff's proposed rate design.

2 A. Staff proposes that the Commission maintain the current two district rate
3 design it approved in MAWC's last rate case, Case No. WR-2017-0285.⁵ One of the basic
4 goals of rate design is the stability of rates. Over the past few cases, rates have been
5 consolidated from eight districts to two. Each time rates are consolidated, this impacts the
6 rates that certain customers pay above and beyond the actual cost to provide service to any
7 particular area.

8 **MAWC's Rate L Proposal**

9 Q. Is MAWC proposing a new large customer class in this rate case?

10 A. Yes. MAWC is proposing to create a new large industrial class, Rate L that
11 will eventually replace the current Rate J class. It is Staff's understanding that current Rate
12 J customers that use more than an average of 3,000,000 gallons or more per month will
13 qualify for the Rate L rate. Mr. Rea testifies that approximately 140 customers currently
14 take service under Rate J.⁶ MAWC estimates approximately 47 Rate J customers would
15 qualify for the proposed Rate L based upon their current average monthly use.⁷ With
16 MAWC's proposal, any remaining Rate J customers would be gradually moved over to the
17 Rate A customer class (Residential, Commercial and Other Public Authority) with a credit
18 applied to the remaining Rate J customer bills to slowly reduce the rate shock over several
19 future general rate cases.

20 Mr. Rea testifies:

21 Approximately 80% of water sales for customers using 3,000,000
22 gallons per month is taken directly from transmission-sized mains
23 (10" mains and above). That percentage drops to 55% for customers

⁵ Staff Rebuttal EMS Runs, Revenue Feeder Sheets.

⁶ MAWC Company witness Charles B Rea Direct Testimony, Page 32, line 15.

⁷ *Id.*, Page 34, line 22-23 through Page 35, line 1 -2.

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1 between 450,000 and 3,000,000 gallons per month. Since most
2 users consuming 3,000,000 or more gallons per month do not utilize
3 distribution mains, assigning such users a lower rate is justified.⁸

4 Q. Does Staff support MAWC's request for a new large tariff user?

5 A. Not at this time. Staff does not agree that a new rate class should be
6 included in this proceeding.

7 Q. Why does Staff not think this proceeding is the appropriate time to create a
8 new rate class?

9 A It is Staff's position that, to sufficiently evaluate whether a new separate
10 large class should be created, MAWC, in its next general rate case, should file a class cost
11 of service study for the Company's proposed Rate L customers, and a separate cost of
12 service study for its Rate J customers that do not qualify for Rate L service under MAWC's
13 proposed qualifications.

14 Q. If the Commission approves MAWC's proposal to create a new large
15 customer class, Rate L, did MAWC state when the current Rate J customers that would not
16 qualify for the new Rate L would be fully transitioned to Rate A rates?

17 A. No. Mr. Rea does not specify a date when the current Rate J customers
18 would be fully transitioned to the Rate A rate. His testimony states that:

19 The intention is that this credit would be reduced over time (over a
20 number of future rate cases) to bring the rate eventually equal to
21 Rate A.⁹

22 Staff currently has a Data Request to MAWC asking when the Company expects
23 Rate J customers to fully be transitioned to Rate A. Staff will address MAWC's
24 response in its surrebuttal testimony.

⁸ *Id.*, Page 35, lines 8-12.

⁹ *Id.*, Page 37, line 11-13.

1 **Private Fire Rate**

2 Q. Mr. Rea states in his direct testimony:

3 Volumetric charges for water used for private fire service are charged at the
4 applicable rate for Rate Schedule A¹⁰. Please comment on this statement.

5 A. In a review of MAWC's tariff, there is not explicit statement in the Private
6 Fire Tariff regarding the treatment of usage under this tariff. To avoid any future
7 confusion, Staff recommends that MAWC's Fire Protection tariff rate be modified to
8 clearly state that MAWC may charge a Private Fire customer the Rate A volumetric rate if
9 water is used.

10 **Mexico Pilot Program**

11 Q. Please describe the current Mexico Pilot Program.

12 A. The Commission approved in MAWC's last rate case, Case No.
13 WR-2017-0285, the creation of a pilot program to investigate customer response to a rate
14 structure that charged a progressively increasing volumetric rate as the customer used more
15 water, known as an inclining-block rate. An intent of the pilot was also to determine if the
16 increasing volumetric rate would incentivize customers to limit their discretionary usage,
17 and cause them to conserve more water.

18 Q. Has the program reduced consumption in Mexico's customer's water
19 usage behavior?

20 A. Based upon the usage data provided by MAWC, Mexico's usage did decline
21 after inclining block rates were implemented. During the same time period MAWC's other
22 service areas also experienced a decline.

¹⁰ *Id* Page 19, line 6 – 7.

1 Q. Should the Commission approve continuation of MAWC’s Mexico
2 Inclining Block Program?

3 A. Yes. Staff recommends that the Commission approve continuation of
4 MAWC’s Mexico Inclining Block Program:

5 1. Staff suggests continuing the pilot program to determine if an
6 inclining block rate does impact consumer behavior. The Company’s data
7 suggests that Mexico’s usage has declined since rates were implemented,
8 which is a reason to continue the program, so MAWC, Staff and The
9 Office of the Public Council (“OPC) can reevaluate the effectiveness of
10 the pilot in MAWC’s next general rate case; and

11 2. Since the COVID-19 pandemic disrupted customer’s lives
12 beginning early spring 2020, more residential customers have been at
13 home more than in the past. While not an ideal situation for a pilot
14 program, continuing the pilot will provide MAWC more precise data by
15 its next rate case to determine if customers respond to inclining block rates
16 and if those inclining block rates changed those customers water usage.

17 3. To determine if an inclining block rate structure will actually
18 encourage customers to conserve water, Staff agrees with MAWC’s
19 proposal to reset blocks 2 and 3 which are a greater price differential for
20 higher usage that should hopefully provide better data to analyze in the
21 future. See the table below.

22

Mexico Inclining Block Calculation - Single Tariff									
Block Description	Usage (000 gallons)	Current Rate	Current Revenue	Proposed All Other MO Rate	Revenue at All Other MO Rate	Incline Usage	Incline Factor	Inclining Rates	Inclining Revenue
Block 1 - Up to 3,000 Gallons	164,845	\$5.8887	\$ 970,723	\$5.4308	\$ 895,240	164,845	1.00	\$4.8255	\$ 795,464
Block 2 - Next 7,000 Gallons	70,366	\$6.7720	\$ 476,519	\$5.4308	\$ 382,144	91,476	1.30	\$6.2732	\$ 441,419
Block 3 - Over 10,000 Gallons	12,442	\$8.4650	\$ 105,322	\$5.4308	\$ 67,570	22,396	1.80	\$8.6860	\$ 108,071
Totals	247,653		\$ 1,552,563		\$ 1,344,954	278,716			\$ 1,344,954

23 Note: Usage from Staff’s EMS Run.

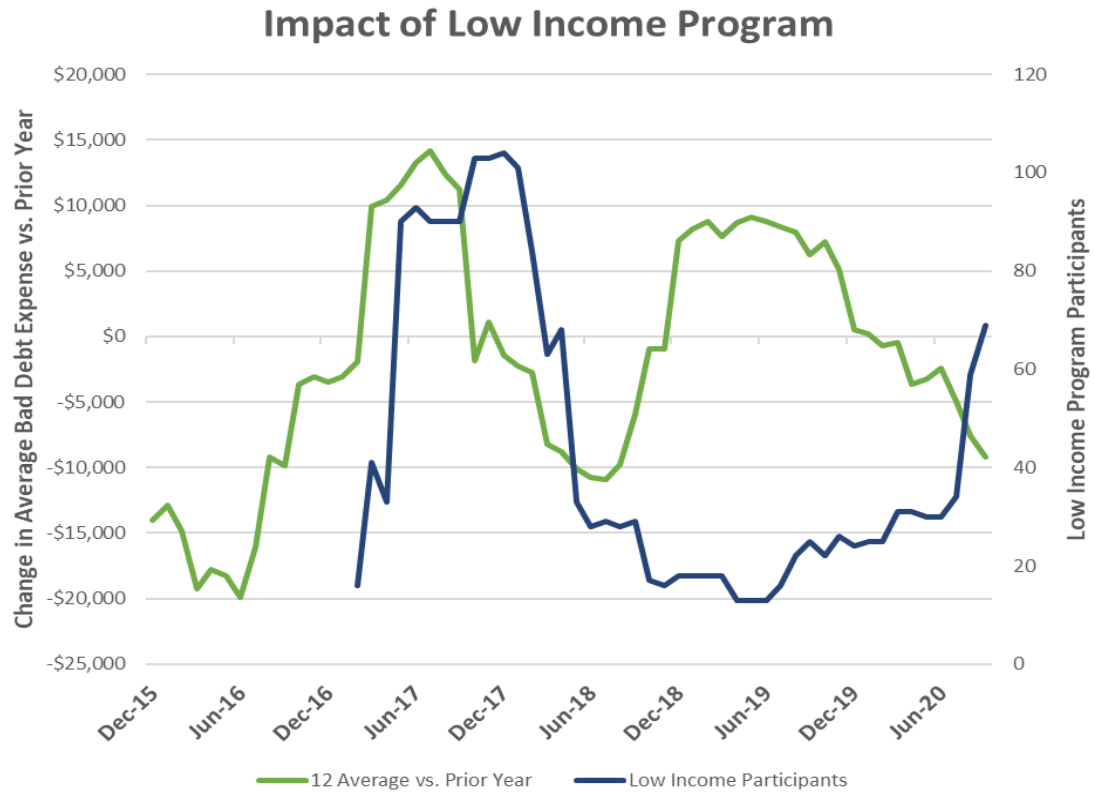
1 **Low-Income Pilot Program**

2 Q. Should the Commission approve continuation of MAWC’s Low-Income Pilot
3 Program?

4 A. Yes. The Low-Income Pilot program, approved by the Commission in
5 MAWC’s rate case, WR-2015-0301, offers eligible low-income customers an 80%
6 discount on the customer charge for a residential 5/8” meter. The graph below represents
7 the number of customers (shown on the right side of the graph) that have applied for the
8 program versus the amount of bad debt expense (shown on the left side of the graph) the
9 Company has incurred since the implementation of the program. The number of customers
10 has increased since the pandemic began early last spring. Staff recommends that the
11 Commission continue MAWC’s Low-Income Pilot Program as more customers have
12 applied since the pandemic started in the spring of 2020, and order MAWC, OPC and Staff
13 to reevaluate the effectiveness of the program in MAWC’s next general rate case.

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continued on next page



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2 Q. Was the low-income pilot program discussed in one of the local
3 public hearings?

4 A. Yes. During the LPH on Wednesday, January 20, the pilot program was
5 discussed in conjunction with the difficult time that many consumers have experienced
6 over the past year due to the economic impacts of the pandemic. The program was met
7 with enthusiasm from some customers. Due to the current economic circumstances
8 impacting the state, continuation of the pilot is in the public interest.

9 **SPECIAL CONTRACTS**

10 Q. Does MAWC have special contracts in place for any of its customers?

11 A. Yes. MAWC has five (5) special contracts: Triumph Foods, Liberty
12 Missouri, City of Kirkwood, Chariton County, and PWSD of Jefferson County. Each entity
13 has its own separate rate. Triumph Foods and Liberty Missouri's rates are calculated on

1 their cost of service and change with each rate case, while the City of Kirkwood, Chariton
2 County, and PWSB of Jefferson County's rates have a price change mechanism that
3 changes annually.

4 Q. Does Staff recommend the Commission approve continuation of MAWC's
5 special contracts?

6 A. Yes. Staff recommends that the Commission approve continuation of
7 MAWC's special contracts.

8 **SUMMARY**

9 Q. Please summarize your recommendations.

10 A. In summary, Staff recommends the Commission:

- 11 1. Approve Staff's updated CCOS and Rate Design;
- 12 2. Maintain the current two (2) district rate design the Commission
13 approved in MAWC's last rate case, Case No. WR-2017-0285;
- 14 3. Reject MAWC's proposal to create a new large industrial
15 customer class (Rate L) until the Company can provide parties and the
16 Commission its separate Rate L cost of service study;
- 17 4. Recommend MAWC articulate its Private Fire tariff language to
18 charge Private Fire customers the Rate A rate as water is used;
- 19 5. Continue MAWC's Low-Income Pilot Program in its St. Joseph
20 service area and reevaluate its effectiveness in MAWC's next general
21 rate case;
- 22 6. Continue MAWC's Inclining Block Pilot Program in the Mexico
23 service area and reevaluate its effectiveness in MAWC's next general
24 rate case; and
- 25 7. Approve continuation of MAWC's special contracts.

26 Q. Does this conclude your rebuttal testimony?

27 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)
Implement General Rate Increase for)
Water and Sewer Service Provided in)
Missouri Service Areas)

Case No. WR-2020-0344

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Matthew J. Barnes, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Matthew J. Barnes*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Matthew J. Barnes
MATTHEW J. BARNES