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Class Cost of Service
Witness: James M. Russo
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: WR-2010-0131
Date Testimony Prepared: March 26, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

JAMES M. RUSSO

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2010-0131

**Jefferson City, Missouri
March 2010**

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JAMES M. RUSSO

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CASE NO. WR-2010-0131

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DIRECT TESTIMONY
OF
JAMES M. RUSSO
MISSOURI-AMERICAN WATER COMPANY
CASE NO. WR-2010-0131

Q. Please state your name and business address.

A. James M. Russo, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am the Rate and Tariff Examination Supervisor in the Water & Sewer Department with the Missouri Public Service Commission (Commission).

BACKGROUND OF WITNESS

Q. Please describe your educational background and other qualifications.

A. I graduated from California State University-Fresno, Fresno, California, and received a Bachelor of Science degree in Accounting. Prior to my employment with the Commission, local elected officials in county government employed me in various capacities. I was the Assistant Treasurer-Tax Collector for San Joaquin and El Dorado Counties in California. My responsibilities included all financial dealings of the counties and all accounting activities of the agency. In addition, I was the Supervising Accountant Auditor in El Dorado County for two years. My division was responsible for internal audits of all county agencies, special districts, and franchise/lease agreements.

Q. What has been the nature of your duties with the Commission?

A. From April 1997 to December 2001, I worked in the Accounting Department of the Commission, where my duties consisted of directing and assisting with various audits

Direct Testimony of
James M. Russo

1 and examinations of the books and records of public utilities operating within the State of
2 Missouri under the jurisdiction of the Commission. From December 16, 2001 to August
3 2003, I was a Regulatory Auditor IV in the Energy Tariffs/Rate Design Department, where
4 my duties consisted of analyzing applications, reviewing tariffs, and making
5 recommendations based upon these evaluations. On August 16, 2003, I assumed the position
6 of Rate and Tariff Examination Supervisor in the Water & Sewer Department where my
7 duties consist of reviewing tariffs, preparing and analyzing cost of service and rate design,
8 and performing accounting functions.

9 Q. Have you previously filed testimony before this Commission?

10 A. Yes. A list of cases in which I have filed testimony before this Commission is
11 attached as Schedule 1 to my direct testimony.

12 Q. With reference to Case No. WR-2010-0131, have you participated in the
13 Commission Staff's (Staff) audit of Missouri-American Water Company (MAWC)
14 concerning its request for a rate increase in this proceeding?

15 A. Yes, I have, with the assistance of other members of the Staff.

16 **EXECUTIVE SUMMARY**

17 Q. What is the purpose of your direct testimony?

18 A. The purpose of my direct testimony is to provide an overview of the Staff
19 position relating to class cost-of-service (CCOS), rate design and tariff issues. I am
20 sponsoring Staff's CCOS and Rate Design Report in this proceeding which describes in
21 greater detail Staff's position relating to these issues, and is being filed concurrently with this
22 testimony.

1 **CLASS COST OF SERVICE**

2 Q. What is the purpose of Staff's CCOS?

3 A. The purpose of Staff's CCOS is to provide the Commission with a measure of
4 relative class cost responsibility for the overall revenue requirements of MAWC. For
5 individual items of cost, the responsibility of a certain class of customers to pay that cost can
6 be either directly assigned or allocated to customer classes using reasonable methods for
7 determining the class responsibility for that item of cost. The results are then summarized so
8 that they can be compared to revenues being collected from each class on current rates.

9 Q. What method of cost allocation did Staff use in its CCOS study?

10 A. Staff used the base-extra capacity method as described in American Water
11 Works Association manual of water supply practices titled, *Principles of Water Rates, Fees,*
12 *and Charges*. This is the method used by Staff in previous MAWC cases.

13 Q. What is Staff's recommendation on CCOS?

14 A. Staff is recommending that the Commission adopt Staff's CCOS study. Staff
15 also recommends moving all districts to their appropriate cost-of-service, with the exception
16 of Brunswick and Warren County. Staff is proposing that these two districts continue to
17 receive relief from the St. Louis Metro district.

18 **RATE DESIGN**

19 Q. What is Staff's position relating to rate design?

20 A. Staff is proposing the elimination of the declining block rate structure and
21 replacing it with single commodity rate structure for each customer classification within each
22 district based on the results of the CCOS.

1 **TARIFF ISSUES**

2 Q. What is Staff's position concerning the consolidation of MAWC's water
3 tariffs?

4 A. Staff is not opposed to the concept of MAWC consolidating the Company's
5 water tariffs. However, Staff has not finished its review of these proposed changes and
6 discussions with the Company are ongoing. Staff may propose other changes in Rebuttal
7 Testimony.

8 Q. What is Staff's position on MAWC's proposed miscellaneous fee
9 consolidation for water customers?

10 A. Staff has not taken a position on MAWC's proposed miscellaneous fee
11 consolidation for water customers. Staff may propose changes in Rebuttal Testimony.

12 Q. What is Staff's position on MAWC's proposed low income customer charge
13 for water customers?

14 A. Staff has not taken a position on MAWC's proposed low income customer
15 charge for water customers. Staff will provide its position in Rebuttal Testimony.

16 Q. Does this conclude your direct testimony?

17 A. Yes it does.

RATE CASE PROCEEDING PARTICIPATION

JAMES M. RUSSO

<u>COMPANY</u>	<u>CASE NO.</u>
Union Electric Company	GR-97-393
Gascony Water Company	WA-97-510
St. Joseph Light and Power Company	EC-98-573
St. Joseph Light and Power Company	HR-99-245
St. Joseph Light and Power Company	GR-99-246
St. Joseph Light and Power Company	ER-99-247
UtiliCorp United Inc./St. Joseph Light and Power Company	EM-2000-292
UtiliCorp United Inc./Empire District Electric Company	EM-2000-369
Osage Water Company	WR-2000-557
Osage Water Company	SR-2000-556
Missouri Gas Energy	GR-2001-292
Southern Missouri Gas Company, L.P.	GR-2001-0388
Environmental Utilities	WA-2002-65
Laclede Gas Company	GR-2002-356
Laclede Gas Company	GA-2002-429
Missouri Gas Energy	GT-2003-0033
Aquila Networks L & P	GT-2003-0038
Southern Missouri Gas Company, L.P.	GT-2003-0031
Atmos Energy Corporation	GT-2003-0037
Fidelity Natural Gas, Inc.	GT-2003-0036
Laclede Gas Company	GT-2003-0032
Union Electric Company	GT-2003-0034
Union Electric Company	GR-2003-0517
Missouri Gas Energy	GT-2004-0049
Aquila Inc.	GR-2004-0072
Missouri Gas Energy	GC-2004-0216
Missouri Gas Energy	GC-2004-0305
Algonquin Water Resources of Missouri, LLC	WR-2006-0425

Missouri-American Water Company	WR-2007-0216
Missouri-American Water Company	SR-2007-0217
Timber Creek Sewer Company	SR-2008-0080
Missouri-American Water Company	WR-2008-0311
Missouri-American Water Company	SR-2008-0312