

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	)	Case No. WR- 2010-0131
for Water and Sewer Service Provided in	)	SR- 2010-0135
Missouri Service Areas.	)	

**MISSOURI INDUSTRIAL ENERGY CONSUMERS'  
STATEMENT OF POSITION**

**COMES NOW** the Missouri Industrial Energy Consumers ("MIEC"), and pursuant to the Commission's January 13, 2010 *Order Adopting Procedural Schedule* provides the following Statement of Position, with issues numbered according to the Commission's *Order Regarding Issues* dated May 13, 2010. The MIEC reserves the right to modify its positions or to assert additional positions as this case proceeds.

**Revenue Issues**

*Customer Water Usage Normalization (Usage per Customer per Day):*

**15. What is the appropriate method to use to normalize customer water usage?**

A comparison of its proposed daily utilizations resulting from the model with the Company's actual daily utilizations over the period 2001 through 2007 reveals that its proposed daily utilization for the St. Louis Metro District is low. MIEC recommends a six-year average (2001-2007) of the actual daily utilizations to calculate normalized residential revenues for the test year. MIEC's proposed daily utilizations are 261.23 gallons per residential customer per day for St. Louis County and 275.74 gallons per residential customer per day in St. Charles. MIEC's recommendation increases the Company's residential revenues by \$5,139,069 at current rates for the St. Louis Metro District. MIEC's

recommendation reduces the Company's claimed revenue deficiency by \$4,697,645. MIEC's recommendation reflects an estimate of the additional chemical and purchased power expense associated with the increased sales volumes.

*Revenue Normalization (Weather):*

**16. What is the appropriate test year, weather-normalized revenue to be used for purposes of this case?**

The Company has understated its adjustment to commercial revenues for weather. The Company's proposed commercial daily utilizations for St. Louis County and St. Charles understate its adjustment to revenues at current rates for the St. Louis Metro District. As with its residential daily utilizations, a comparison of its proposed daily utilizations with the actual daily utilizations over the period 2001 to 2007 reveals that its proposed daily utilization is low. MIEC recommends a six year average (2001-2007) of the actual daily utilizations to calculate normalized commercial revenues for the test year. MIEC's proposed daily utilizations are 1,126.21 gallons per commercial customer per day for St. Louis County and 1,264.74 gallons per commercial customer per day for St. Charles. MIEC's recommendation increases the Company's commercial revenues by \$1,241,081 at current rates for the St. Louis Metro District. MIEC's recommendation reduces the Company's claimed revenue deficiency by \$1,133,087. MIEC's recommendation reflects an estimate of the additional chemical and purchased power expense associated with the increased volumes.

## RATE DESIGN/COST OF SERVICE/OTHER ISSUES

### *Class Cost of Service Studies:*

#### **35. Should there be a small mains adjustment?**

Staff's allocation factors for mains (Factor 4 and Factor 7) fail to properly limit the allocation of small mains cost to Rate J customers, to the amount of the small mains serving these customers. As a result, Staff has substantially over-allocated small main costs to Rate J customers in its class cost of service study.

#### **36. What is the appropriate basis upon which to allocate purchase power expense?**

MIEC proposes a different allocation factor for purchased power costs than that used by the Company. The Company has not properly differentiated between the costs it incurs for these items based on the average daily usage on the one hand, and its peaking requirements on the other. These costs vary in part based on the Company's customer peak demands, and they should be allocated on a corresponding basis. The MIEC recommends that Factor 6 be used to allocate power costs because Factor 6 is tied primarily to average flow, and peak day and peak hour demand requirements. This is the more appropriate allocation factor to reflect the season pricing differential of power, as well as the increased cost for peak periods that normally coincide with peak demands on the water utility system. The MIEC's modification results in a system average increase for Rate A residential and commercial customers. In contrast, Rate B and Rate J should get a below system average increase, and Rate E should get an above system average increase.

*Inter-District Support or Revenue Contribution:*

**40. Should any district provide a revenue support or a subsidy so that another district may be provided service that is priced below that district's cost of service? If so, which district(s) should receive support and which district should be required to provide that support?**

The Company's proposed rate adjustment for the St. Louis Metro District to provide a revenue subsidy for certain operating districts of the Company is inappropriate. The Company's proposed adjustment would create an unnecessary and unjustified cost burden on the St. Louis Metro District in order to reduce the rate necessary to price other districts at the Company's cost of providing service to those districts. This proposal is discriminatory to the St. Louis Metro District and is inconsistent with the district-specific pricing objective reflected in the Company's prior rate cases. Eliminating the revenue subsidy provided by the St. Louis Metro District's claimed revenue deficiency by \$2,187,331.

*Commodity Charge*

**45. Should the commodity charge be set as a declining block rate or should the commodity charge be uniform for all levels of usage?**

Yes, a declining block rate structure is appropriate for the St. Louis Metro District Rate J customers because a single volumetric rate will not accurately recover the cost of service from customers with the Rate J class, because the customers have varying load factors and consumption characteristics.

**49. How should any rate increases or decreases resulting from this case be spread or allocated?**

Any rate increases or decreases resulting from this case should be spread or allocated pursuant to the Direct Testimony of Michael Gorman.

Respectfully submitted,

/s/ Diana Vuylsteke  
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Attorney for the MIEC

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing document was sent by electronic mail this 13<sup>th</sup> day of May, 2010, to the parties on the Commission's service list in this case.

/s/ Diana Vuylsteke