

Exhibit No.:
Issues: Basis for Rate Relief, Affordability
and Value of Service, Improving
Water and Wastewater Efficiency,
Additional Ratemaking Proposals,
Community Involvement
Witness: Richard C. Svindland
Exhibit Type: Direct
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2024-0320
SR-2024-0321
Date: July 1, 2024

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2024-0320

CASE NO. SR-2024-0321

DIRECT TESTIMONY

OF


RICHARD C. SVINDLAND

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Richard C. Svindland, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am President for Missouri-American Water Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.


Richard C. Svindland

July 1, 2024
Dated

**DIRECT TESTIMONY
RICHARD C. SVINDLAND**

**MISSOURI AMERICAN WATER COMPANY
CASE NO.: WR-2024-0320
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DIRECT TESTIMONY

RICHARD C. SVINDLAND

I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Richard C. Svindland. My business address is 727 Craig Road, St. Louis, Missouri 63141.

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

A. I am employed by Missouri-American Water Company (“MAWC,” “Missouri-American” or the “Company”) as its President.

Q. Please summarize your educational background and business experience.

A. I received a Bachelor of Civil Engineering from the Georgia Institute of Technology in June of 1990. I received a Master of Science in Civil Engineering from the University of Kentucky in May 2005. I am a licensed Professional Engineer in Georgia and Kentucky. My entire 34-year working career has been in the water and wastewater utility space both as a consultant and as a utility employee. Upon graduation from Georgia Tech in June of 1990, I started my engineering career as an Associate Civil Engineer with Wiedeman and Singleton in Atlanta, GA. In October of 1999, I started working for Kentucky American Water as an Operations Engineer based in Lexington, KY. After several intervening roles and promotions among various companies and jurisdictions with American Water, in October of 2021, I relocated after being promoted to the President of Missouri-American and now reside in the St. Louis, Missouri area.

Q. What are your current employment responsibilities?

A. I am responsible for all aspects of the Company’s business, including operations

1 (production, distribution, customer service, engineering, and capital investment planning),
2 financial, employee relations, and environmental and regulatory affairs. As President, I am
3 also ultimately responsible for assuring that the Company is delivering high quality water
4 and wastewater services within its service territories in Missouri to its approximately
5 508,000 customers, or approximately 1.6 million people. This includes ensuring that all
6 MAWC activities comply with local, state, and federal laws and regulations and good
7 business practices. I am able to do so through an executive management team that oversees
8 the operations of systems throughout the state of Missouri, capital planning and
9 implementation, business and finance plan development and execution, financial
10 performance, staffing administration and management, regulatory and safety compliance,
11 and asset management.

12 **Q. Have you provided testimony and/or appeared before regulatory commissions?**

13 A. Yes. I provided written testimony in the Company's last general rate case (WR-2022-0303,
14 SR-2022-0304). I have also provided testimony, responded to numerous data requests, and
15 appeared before the Kentucky Public Service Commission as a part of a general rate case
16 and a Certificate of Public Convenience and Necessity ("CPCN") case for a new water
17 treatment plant. I have also prepared testimony and appeared before the California Public
18 Utilities Commission in multiple general rate cases, as a part of a CPCN proceeding for a
19 new water supply in Monterey, California and large asset retirement proceeding also in
20 Monterey, California.

21 **Q. What is the purpose of your Direct Testimony in this proceeding?**

22 A. The purpose of my Direct Testimony is to provide an overview of MAWC's filing and
23 demonstrate how our proposals in this case will continue to support the long-term best

1 interest of our customers, the communities we serve and our Company. First, I explain the
 2 major drivers of MAWC’s request for rate relief in this proceeding, the primary of which
 3 is the significant capital investments that the Company has made and that it plans to make
 4 through May 31, 2026. Next, I address the affordability of Missouri-American’s water and
 5 wastewater service notwithstanding that significant level of capital investment. Third, I
 6 explain Missouri-American’s ongoing efforts to improve water and wastewater efficiency,
 7 which efforts further contribute to the affordability of the services that the Company
 8 provides. Next, I provide an overview of Missouri-American’s key ratemaking proposals
 9 in this proceeding. Finally, I discuss the Company’s corporate citizenship and community
 10 outreach efforts, which are emblematic of Missouri-American.

11 **Q. Who will testify on behalf of the Company and what subjects will they address?**

12 A. In addition to my Direct Testimony, the following witnesses provide testimony in support
 13 of the Company’s filing:

Witness Name	Title	Subject of Testimony
Baryenbruch, Patrick L.	President, Baryenbruch & Company, LLC	Support Services
Bulkley, Ann E.	Principal, The Brattle Group	Return on Equity (ROE) and Capital Structure
Carlson, Jody L.	Vice President – Operations, MAWC	Operations and Facilities, Commitment to Water Quality and Safety, Operating and Maintenance Expense, Improving Water and Wastewater Efficiency, Employee Levels and Compensation, Paperless Billing, Meter Charge Consolidation, and Miscellaneous Customer Charges,
Cifuentes, Jr., Manuel	Senior Principal Regulatory Analyst, AWWSC	Production Costs, Labor and Labor Related Expenses, Pension and OPEB Expense, Service Company, Contract Services, Miscellaneous Expenses, Transportation, and Insurance Other Than Group

Furia, Nicholas	Assistant Treasurer, AWWSC	Capital Structure
Grisham, Jennifer M. B.	Senior Manager of Regulatory Services, AWWSC	Rate Base, Depreciation Expense, Amortization Expense, Customer Accounting, Building Maintenance and Services, Maintenance Supplies and Services, Telecommunications, Office Supply and Services, Employee Expense, Rents, Postage Printing and Stationary
LaGrand, Brian W.	Director of Rates and Regulatory Support, MAWC	Test Year, Regulatory Lag, Production Cost Tracker, Revenue Requirement, Company Accounting Schedules, Minimum Filing Requirements, Acquisitions, Rate Case Expense
Linam, Derek	Deputy Director of Engineering, MAWC	Capital Investment Program, Description of Plant Additions
Lueders, Matthew A.	Deputy Director of Engineering, MAWC	Water Storage Tank Rehabilitation, Risks of Providing Public Water and Wastewater Services
McClellan, Max W.	Principal Regulatory Analyst, AWWSC	Class Cost of Service Study, Rate Design, Total Sales and System Delivery, Declining Usage, and Total Revenues
Rea, Charles B.	Senior Director, Enterprise-Wide Regulatory Pricing & Affordability, AWWSC	Affordability, Universal Affordability Tariff and Revenue Stabilization Mechanism
Walker, Harold	Gannett Fleming	Working Capital

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II. BASIS FOR RELIEF REQUESTED

3

Q. When were Missouri-American’s current rates approved?

4

A. The Commission approved Missouri-American's current base rates by its *Report and Order* issued May 3, 2023 in Case No. WR-2022-0303. The rates were subsequently implemented by the Commission’s *Order Approving Tariffs*, issued May 15, 2023, which was effective May 28, 2023. Those rates were based on costs that reflected a June 30, 2022 historical test year with certain updates through December 31, 2022.

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1 **Q. What amount of rate relief is the Company seeking in this case?**

2 A. Missouri-American's proposed revenue requirement for water and wastewater service is
3 approximately \$651.6 million, which is a \$195.6 million increase over the \$437.5 million
4 revenue requirement authorized by the Commission in Case No. WR-2022-0303. This
5 request is based on a proposed rate of return of 7.74%, with a capital structure that includes
6 an equity component of 50.54% and a return on equity of 10.75%. The proposed increase
7 will provide the Company with the opportunity to recover its reasonable cost of service
8 and earn a reasonable return on the capital invested in its water and wastewater systems.
9 See also the Direct Testimony of Company witnesses Nicholas Furia and Ann Bulkley.
10 Missouri-American is fully committed to continued investment in MAWC's operations in
11 a manner and at a level that will allow the Company to continue to provide its customers
12 with safe and reliable service over the long term and is simply seeking the revenues to
13 support doing so.

14 **Q. Why is Missouri-American seeking to increase base rates at this time?**

15 A. Our customers rely on the Company to provide them with safe and reliable water and
16 wastewater service. We take very seriously our obligation to meet our customers' needs
17 and expectations, but water and wastewater service is not without cost. It requires us to
18 incur a substantial amount of O&M expense, as well as make ongoing, significant capital
19 investments, all while experiencing pervasive declining use by residential customers as
20 Company witness Max W. McClellan discusses in his direct testimony. This filing,
21 however, is primarily driven by the investments we are making to maintain and improve
22 our infrastructure, which, as Company witness Brian W. LaGrand explains, accounts for
23 approximately 83% of our total requested rate increase. As Company witness Derek Linam

1 explains, the Company's investments in water and wastewater utility plant and equipment
2 from January 1, 2023 through the end of the proposed future test year in this case, 12
3 months ending May 31, 2026, approximately \$1.5 billion.

4 **Q. The basis of this case, then, is fundamentally about investment in Missouri**
5 **infrastructure, is that correct?**

6 A. Yes. As with our previous rate filings and as explained above, the Company's proposed
7 revenue increase is driven by investment in Missouri's infrastructure. MAWC has
8 managed its operations responsibly and effectively and will continue to uphold its
9 commitment to make the investments needed to continue to provide safe and reliable water
10 and wastewater services to our customers at reasonable rates. The benefits of our
11 infrastructure investment are not only vital to the health and welfare of our customers and
12 the state, but they improve our economy and provide much needed jobs because every \$1
13 million we spend in capital is expected to create or sustain nearly 16 jobs in Missouri.¹
14 These investments include improving the resiliency of the Company's distribution system
15 and treatment plants, treatment changes to maintain regulatory compliance, technology
16 investments that will integrate with and enhance existing systems to enhance service to
17 customers, and management of source of supply and system demands. As noted, the
18 Company will have invested over \$1.5 billion in capital improvements since the end of the
19 historical test year in the last rate case. By doing so, the Company has created or sustained
20 over 23,000 jobs during that time period.

21 **Q. Are there other factors contributing to the requested rate relief in this case?**

¹ For every \$1 million spent, 15.5 jobs are created (6.1 direct jobs and 9.4 indirect jobs).
https://uswateralliance.org/wp-content/uploads/2023/09/Economic-Impact-of-Investing-in-Water-Infrastructure_VOW_FINAL_pages_0.pdf

1 A. Yes, there are, but none approaches the magnitude of our capital investment program as a
2 driver to file this case. In the area of O&M expense, the Company has been quite successful
3 in controlling our costs in the past. As explained by Company witness Jody Carlson, the
4 Company has been able to keep its O&M expense increases below the rate of inflation.
5 While the Company has effectively controlled its O&M expenses in the past and continues
6 to do so, the high inflation we've seen and supply chain disruptions recently experienced
7 have adversely affected all businesses and the Company is no exception. The Company
8 must seek its prudently incurred and reasonable O&M costs which reflect, among other
9 things, increases in production costs as supported by witness Cifuentes and the full
10 recognition in rates of the total market-based compensation the Company pays its
11 employees to attract and keep a highly-skilled and qualified work force. As Mr. Carlson
12 and Mr. Mustich demonstrate, the Company's total market-based employee compensation
13 is a reasonable, prudently incurred expense designed to keep the organization focused on
14 delivering safe, reliable, and affordable water and wastewater service while improving
15 performance at all levels of the organization.

16 In addition to pervasive declining use and moderately increasing O&M expenses discussed
17 above, the Company's cost of capital has increased due, as Ms. Bulkley explains, to the
18 rise in interest rates driven by the Federal Reserve Board's anti-inflation campaign which
19 has increased the cost of debt and equity.

20 As Company witnesses Carlson and Linam testify, our smart investments have helped to
21 contain costs and, as Company witness Rea explains, kept our services affordable. Without
22 appropriate rate relief in this proceeding, MAWC will not have a meaningful opportunity
23 to earn a reasonable return on its investments (like it has failed to do so for the last decade),

1 which will negatively impact MAWC's ability to attract capital at reasonable rates and in
2 turn, negatively impact~~ing~~ customers.

3 **Q. You mention that the Company has failed to earn a reasonable return on its**
4 **investments for the last decade. What do you mean?**

5 A. As Company witness LaGrand explains, the Company has earned well below the range of
6 returns deemed reasonable and contemplated in agreements approved by the Commission.
7 Mr. LaGrand goes on to explain that the Company's inability to earn its authorized return
8 has been largely driven by regulatory lag and will continue into the future if not
9 appropriately addressed in this proceeding.

10 **Q. Are there consequences of operating under these constraints?**

11 A. Missouri-American faces significant revenue recovery lag under its current ratemaking
12 structure, and as a result, has not received funding levels that best service the long-term
13 interests of its customers. Despite these constraints, Missouri-American has worked to
14 obtain funding for investments that support the safety and integrity of our systems for the
15 protection of customers, employees, and operations. We continue to maintain adequate
16 sources of supply, treatment, pumping, transmission and distribution facilities, as well as
17 comply with applicable laws and regulations. That is our public service obligation. But
18 the funding to maintain the safety and integrity of the systems is not the same as the funding
19 levels that best serve the long-term interests of our customers. From the perspective of
20 long-term sustainable customer service and pricing, the Company's goal is to continue
21 providing high quality water and wastewater service in the most cost-effective way through
22 the replacement, operation, maintenance, and rehabilitation of assets for present and future
23 customers.

1 **Q. Do Missouri-American’s ratemaking proposals in this case address the constraints**
2 **with the existing ratemaking structure?**

3 A. Yes, in part. As discussed further in the Direct Testimonies of Company witnesses
4 LaGrand and Rea, Missouri-American is requesting approval of a future test year, RSM,
5 and a Production Cost Tracker, as well as regulatory treatment to help reduce regulatory
6 lag on investments in utility plant between rate cases. These proposals mitigate the impacts
7 that a historical test year has on the Company’s opportunity to collect its revenues and earn
8 its authorized return, and properly recognize the plant and expense levels that will be
9 serving Missouri-American’s customers when the new rates take effect.

10 **VI. AFFORDABILITY AND VALUE OF SERVICE**

11 **Q. In general, why is MAWC’s proposed rate increase reasonable?**

12 A. MAWC’s proposed rate increase is reasonable because, as I discussed, it is driven primarily
13 by the need to make the investments to keep our water and wastewater service safe and
14 reliable. Such investments cannot be avoided and are in the long-term best interests of our
15 customers. If MAWC does not make such investments, our customers will be adversely
16 impacted in the long run as costs will increase even more. For example, when mains are
17 not replaced in a timely fashion, or maintenance of equipment is deferred for too long, our
18 costs rise, as unanticipated main breaks create water quality issues, unexpected expenses,
19 and disruption to our communities. Similarly, equipment in need of replacement makes
20 workers less efficient and can create safety issues.

21 **Q. Has Missouri-American evaluated the impact of the proposed rate increases on its**
22 **customers?**

23 A. Yes, we have. We know our water and wastewater service is critical, and we know how

1 important it is for that service to remain affordable. A residential customer using 180
2 gallons of water per day would pay approximately \$930 per year for water under our rate
3 proposal. Put another way, under the Company's proposed rates, an annual residential bill
4 of \$930 equates to approximately \$2.50 per day. Therefore, for about \$2.50 per day an
5 average residential customer has all the water they and their family need to drink, cook,
6 wash, and maintain their general health and well-being.

7 **Q. Has the Company performed an analysis of the affordability of its water and**
8 **wastewater service under the proposed rates?**

9 A. Yes. Company witness Rea has conducted a detailed analysis of the affordability of the
10 Company's historical and proposed rates and relates the median household income
11 ("MHI") for customers in our service territory to our utility bills over time. Mr. Rea's
12 analysis demonstrates that our water service, overall, has been, is, and is expected to
13 continue to be affordable for the majority of its residential customers, including under the
14 rates proposed in this case. As demonstrated in Mr. Rea's Direct Testimony, the bill-to-
15 income ("BTI") ratios for water service have held steady from 2012 to 2023 at
16 approximately 0.6%, meaning that on average MAWC's customers in total have steadily
17 paid around 0.6% of their household income over the last 12 years for water service for
18 Missouri-American. And even with the proposed rate using a future test year, the BTI
19 remains reasonable at 0.86%. As Mr. Rea explains, the results of the affordability study
20 for wastewater service shows that BTI ratios have held steady and declined slightly from
21 2015 to 2023, falling from 0.79% in 2015 to 0.70% in 2023. And here again, even with
22 the proposed rates using a future test year, the BTI remains reasonable at 0.76%. This is a
23 tangible demonstration that our customer bills have been consistently affordable and will

1 remain affordable even with MAWC's requested rate increase.

2 **Q. Is this trend in affordability reflective of the value of service that Missouri-**
3 **American's customers enjoy from the company?**

4 A. Yes. This trend in affordability is a result of the long-term investment and management
5 practices of the Company and is a positive reflection of the fact that the investment
6 strategies the Company has undertaken over time and the way that the Company has
7 proactively managed the system is in the long-term best interests of our customers. As
8 Company witness Linam explains, the Company has or will invest over \$1.5 billion since
9 its last rate case through the future test year. Nevertheless, the Company's service will
10 remain affordable, largely due to the Company's ability to manage its O&M expense and
11 its targeted and timely infrastructure investments. The combination of proactive
12 investment, steady O&M, and strong affordability demonstrates that the Company's
13 management of the business and investment in the business delivers a high-value service
14 to customers at affordable rates, which is in the long-term best interest of our customers.

15 **Q. How does MAWC maintain the affordability of its water service?**

16 A. An important way that we maintain affordability is by continuously seeking to improve our
17 business processes and make investments that improve operational efficiencies, and we
18 have been very successful in doing so. As Company witnesses Linam and Carlson explain,
19 we use targeted investments that permit us to work smarter and more efficiently, and we
20 leverage the power of our organization to purchase equipment and supplies at advantageous
21 terms. All help us better manage our cost structure and mitigate cost increases.

22 **Q. Notwithstanding the overall affordability of MAWC's rates, are there customers who**
23 **might face affordability issues?**

1 A. Yes, some of our customers face challenging economic circumstances. Company witness
2 Rea also examined the affordability of our rates for our more vulnerable customers. His
3 assessment compares annualized bills for “basic water service” (i.e., service that is
4 necessary and reasonable to meet basic household needs for drinking, cooking, sanitation,
5 and general health service that does not include seasonal discretionary water use) to
6 measures of household income for lower income groups. The Company estimates that there
7 are approximately 71,900 residential water customers and 4,300 wastewater customers that
8 will see bills for Basic Water Service above 2% of their household income,² which is
9 approximately 16% and 19% of the total customer population for water and wastewater
10 service, respectively. For these more vulnerable customers, the Company continues to
11 offer various assistance programs, which I describe below. In addition, as Company
12 witness Rea further discusses, the Company is proposing a Universal Affordability Tariff
13 for water service that includes multiple tiers of discounts based on different levels of
14 household income stated as multiples of the federal poverty level (“FPL”). The tariff offers
15 discounts on both the basic 5/8” meter charge and the volumetric charges for water service.
16 As explained by Mr. Rea, the Company’s proposed tiered discounts under this tariff will
17 provide customers at each interval of FPL the opportunity to have “basic water service”
18 under 2% of household income.

19 **Q. What customer assistance programs does MAWC currently offer its low-income**
20 **customers to maintain the affordability of its service?**

21 A. MAWC offers several customer assistance programs to help our low-income customers.

² As Mr. Rea explains, bills that are less than 2.0% or 2.5% of MHI for water and 4.0% to 4.5% of MHI for combined water/wastewater are considered “affordable” by some.

1 The Company supports low-income customers through MAWC's H2O Help to Others
2 Program™ ("H2O"). The H2O program offers direct financial assistance of up to \$250
3 per year to customers that are struggling to pay their water or wastewater bill and meet the
4 low-income guidelines established by the local community action agency.

5 In addition, the Company offers both residential and non-residential customers flexible
6 payment arrangements through enhanced installment plans if they are financially unable to
7 pay a water and/or wastewater service bill when due. The enhanced installment plan
8 spreads payments over a period of up to 12 months, in many cases with no up-front
9 payment required. The Company also offers residential customers the option of paying
10 bills under its budget billing plan. For customers electing budget-billing, the Company
11 estimates the customer's total billed amount for service during a succeeding twelve-month
12 period and, for that period, issues monthly bills based on one-twelfth of the twelve-month
13 estimate.

14 **III. IMPROVING WATER AND WASTEWATER EFFICIENCY**

15 **Q. Please explain the concept of water and wastewater efficiency?**

16 A. Water and wastewater efficiency means using improved practices and technologies to
17 deliver water and wastewater service more efficiently. The Company's water and
18 wastewater efficiency efforts include supply-side practices, such as more accurate meter
19 reading and leak detection, asset replacement and repair programs, as well as demand-side
20 strategies, such as rate design and public education programs to encourage the wise use of
21 water. Improving water efficiency reduces or helps mitigate increases to operating costs
22 (e.g., pumping and treatment) and reduces the need to spend capital developing new
23 supplies and expanding our infrastructure. It also reduces withdrawals from limited

1 freshwater supplies, leaving more water for future use and improving the ambient water
2 quality and aquatic habitat. Improving water and wastewater efficiency saves customers
3 money in the long run, protects the environment, supports integrated resource planning,
4 and enhances the economy.

5 **Q. How is the concept of water efficiency relevant to this case?**

6 A. Improving water and wastewater efficiency requires achieving a cost-effective mix of
7 prudent investments and improved operations and maintenance management capabilities
8 targeting safety, customer satisfaction, environmental compliance, sustainability, asset
9 performance and operational efficiency. Missouri-American continually strives to develop
10 and implement efficiency measures that deliver steady or improved levels of service to
11 consumers while mitigating cost increases. As discussed in the Direct Testimony of
12 Company witness Linam and Carlson, the investments we are making to better serve our
13 customers are primarily in non-revenue producing investments – replacing aging
14 infrastructure, maintaining compliance with environmental regulations and improving
15 efficiency. Mr. Linam, for example, discusses how replacing aging infrastructure can
16 improve efficiencies (e.g., installing a new high service pump station at the Joplin
17 Blendville water treatment plant, which allows for more efficient pumping and optimized
18 use of electricity and pumped water). Mr. Carlson notes how the Company’s use of GIS
19 technology and MapCall makes our employees more efficient, also helping to contain costs
20 and improve customer satisfaction. He also explains how we propose to optimize our
21 workforce by bringing in temporary employees and interns to not only help mitigate labor
22 costs but develop talent as we face the challenges associated with an aging and retiring
23 work force. As we plan our investments, however, we know how important it is to balance

1 the need for system improvements while maintaining affordable water and wastewater
2 service. Consequently, the Company continually strives to find more efficient and cost-
3 effective ways to operate and maintain its business. Our intense focus on controlling
4 expenses produces direct benefits to our customers.

5 **Q. Can regulation support Missouri-American's efforts to improve water and**
6 **wastewater efficiency?**

7 A. Yes, it can. Our ratemaking proposals are intended to support efforts to improve water and
8 wastewater efficiency. As mentioned above, MAWC is requesting approval of new rates
9 that reflect the Company's total market-based employee compensation costs and the
10 recognition of its capital investment through a future test year period. The Company is
11 also including ratemaking proposals to address challenges faced in between rate cases that
12 are largely out of the Company's control. The Company's ratemaking proposals support
13 the more efficient use of water, more effective maintenance of our system, and more
14 efficient investment in our system. Ultimately, it is our customers who will benefit because
15 these ratemaking tools will: allow Missouri-American to anticipate and plan for
16 consistency in regulatory oversight necessary to attract capital; properly match cost
17 incurrence with cost recovery; support the Company's continued efforts to use market-
18 based total compensation to drive efficiencies and improve our service to customers; and
19 support more consistent planning and deployment of the most efficient resources.
20 Removing barriers to improving efficiency and needed investment is also in our customers'
21 interests because, over time, it reduces the cost of providing water and wastewater service
22 to customers and promotes the sustainability of our natural resources.

23 **Q. What is the Company's ultimate goal in improving water efficiency?**

1 A. Our goal is to provide quality water and wastewater services as efficiently as possible today
2 and into the future, and by doing so, to increase the value of the services that we provide
3 to our customers.

4 **VII. ADDITIONAL RATEMAKING PROPOSALS**

5 **Q. Please briefly discuss the additional ratemaking proposals MAWC is requesting in**
6 **this case.**

7 A. There are four I would like to highlight. The Company is requesting the use of a future
8 test year, implementation of a revenue stabilization mechanism, adoption of a production
9 cost tracker and regulatory treatment to help reduce regulatory lag on investments in utility
10 plant between general rate cases.

11 **Q. Please provide an overview of the Company’s proposal to use a future test year in this**
12 **case.**

13 A. The Company is proposing to use a future test year reflecting the 12 months May 31, 2026.
14 As Company witness LaGrand explains, using a future test year better aligns rate recovery
15 with cost of service, meaning the revenues collected in the first year after new rates are in
16 effect better matched to the estimated cost of service the Company will incur during that
17 same time period. Mr. LaGrand goes on to explain that utilization of a future test year is
18 not only common in the utility industry, but it is also considered a best practice.

19 **Q. Please provide an overview of the Revenue Stabilization Mechanism proposed in this**
20 **case.**

21 A. A Revenue Stabilization Mechanism (“RSM”) is an accounting and ratemaking tool that is
22 designed to align the Company’s revenues going forward (i.e., beyond the conclusion of
23 this proceeding) with the level of authorized revenue ultimately approved by the

1 Commission. As explained further by Company witness Rea, this mechanism stabilizes
2 changes in revenues resulting from changes in volumes of water sold to customers on an
3 ongoing basis due to factors largely beyond the control of the Company. Notably, the
4 Missouri legislature supports such adjustments based on its adoption of Section 386.266.4,
5 RSMo.

6 **Q. Please explain the production cost tracker the Company is seeking in this proceeding.**

7 A. As explained in greater detail by Company witness LaGrand, the Company is seeking to
8 implement a production cost tracker that would allow any differences in production costs
9 incurred and production costs in customer rates to be deferred to a regulatory asset or
10 liability. Missouri-American's proposed tracker would allow recovery to be addressed in
11 a future case, and if inclusion of the regulatory asset/liability in rates was approved, would
12 ensure that customers only pay for the expenses incurred, nothing more and nothing less,
13 while allowing the Company to collect the proper revenues to cover a portion of the
14 Company's expenses already experiencing volatility.

15 **Q. What is the Company proposing in this case to help further reduce regulatory lag on
16 plant investments?**

17 A. The Company has two proposals to reduce regulatory lag on plant investments. The first
18 is deferred depreciation, and the second is the capitalization of post-in-service carrying
19 costs. Both proposals not only mitigate the regulatory lag associated with plant
20 investments but also address the regulatory loss the Company experiences as result of the
21 delay in time between when these investments are placed in service and the Company can
22 begin to recover the costs associated with those investments. These are explained in
23 greater detail in the Direct Testimony of Company witness LaGrand.

1 **IX. COMMUNITY INVOLVEMENT**

2 **Q. Please describe Missouri-American’s outreach efforts in the communities that it**
3 **serves.**

4 A. Missouri-American is a responsible corporate citizen and is known for its community
5 involvement. We understand that it takes more than a one-time grant or volunteer effort to
6 make a lasting difference, so we seek out and support organizations that can best meet the
7 needs of our communities. On average, Missouri-American contributes roughly \$500,000
8 per year to communities and organizations to support programs and events that improve
9 the health and safety, quality of life, and education of our customers. Community support
10 is primarily provided at the local level, with Missouri-American teams identifying the
11 needs and priorities of their communities and providing support accordingly.

12 Our employees and their families are also passionate about giving back in the communities
13 we live in and serve, both financially and through volunteerism. In 2023 Missouri-
14 American employees donated more than \$66,000 to 157 nonprofit organizations as
15 reported through the Company’s MyGiving platform. This does not include special
16 employee-led donation drives. Employees also participate in river and park clean-ups, days
17 of service, and volunteer at community events throughout the year.

18 Many of our employees also serve their communities by being active members of
19 organizations, often holding leadership positions, including boards of directors and
20 committees for state and local chambers of commerce, economic development
21 organizations, rotary clubs, United Ways, hospitals, the arts, and environmental
22 organizations.

23 Missouri-American provides support to those in need in our communities, including, but

1 not limited to: The Covering House, the Samaritan Center in Jefferson City, and the United
2 Way of Greater St. Louis. In 2023 Missouri-American provided more than \$112,000 to
3 local community action agencies to fund the Company's H2O program that provides
4 financial assistance to customers struggling to pay their bills. We also support programs
5 for the youth in our communities, including but not limited to: Boys and Girls Club, STL
6 Artworks, St. Louis Youth Sports Outreach, Bright Futures, Fostering Hope and Mexico
7 Area Family YMCA and Jaycees.

8 Missouri-American also provides support for local emergency responders and fire
9 department through its annual Firefighter Grant Program. In 2023 the Company provided
10 over \$50,000 to support to 46 fire and rescue organizations. Funding provided was used
11 for training, equipment and tools, and community fire prevention programs. About 200
12 grants have been awarded in the communities we served since the program was launched
13 in 2016.

14 Supporting environmental organizations that improve, protect and/or restore drinking
15 water supplies and surrounding watersheds is another key focus area of our community
16 involvement and support. This not only aligns well with our core business of water and
17 wastewater service, but it also provides an opportunity to work with community partners
18 to educate our customers and develop sustainable solutions to local environmental issues.
19 Environmental organizations we support include Missouri River Relief, Forest Relief of
20 Missouri, St. Louis Audubon Society, Wildcat Glades Friends Group in Joplin, Open Space
21 Council, and the St. Louis Earth Day festival. Missouri-American also sponsors the World
22 Bird Sanctuary's presence at local community and environmental events and in schools.
23 Bird handlers teach children and adults about the importance of keeping local watersheds

1 clean, both for drinking water purposes and for the health and well-being of the birds.

2 **Q. Are there other community related efforts MAWC is making?**

3 A. Yes. In 2023 Missouri-American accepted applications for its second annual Hydration
4 Station Grant Program to improve on-the-go access to quality drinking water, especially in
5 underserved communities. The program also promotes environmental stewardship by
6 reducing single-use plastic bottles that frequently end up in landfills or bodies of water. In
7 June 2023, the Company announced over \$42,000 in funding was awarded to schools,
8 cities and non-profits in the communities we serve that will receive funding for bottle-
9 filling hydration stations.

10 We also offer speakers and plant tours to schools and civic organizations to help educate
11 our customers on how river water and/or groundwater is transformed into drinking water
12 that consistently meets or surpasses state and federal regulations. Operations team
13 members collaborate with local schools to educate students on career opportunities and
14 issues relevant to the water industry, including watershed protection, conservation, and the
15 importance of clean water to their daily lives. In addition, as funding for field trips in
16 school district budgets continues to decrease, we offer an online, 360-degree tour of our
17 Central Plant, the largest water treatment plant in the American Water family, which allows
18 students to learn virtually about aspects of the water treatment process. It provides the
19 ability to digitally explore the water treatment plant, with pop-up bubbles, videos and
20 photos offering information about the treatment process and the plant itself.

21 **Q. Does this conclude your Direct Testimony?**

22 A. Yes.