

**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-2024-0320

RESPONSE TO MAWC’S MOTION TO ESTABLISH TEST YEAR

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), through counsel, and states its non-opposition to the test year and true-up period proposed by Missouri-American Water Company (“MAWC”). However, in order to review them as part of this rate case, Staff requests that the Commission deny MAWC’s proposal to include in its revenue requirement anticipated future costs occurring past the true-up period. Staff states as follows:

1. On July 1, 2024 MAWC filed tariffs to increase its revenues. Simultaneously, MAWC filed its *Motion to Establish Future Test Year* (“Motion”).

2. In its Motion, MAWC proposes a historical test year of the twelve months ending December 31, 2023, and a true-up period of the twelve months ending December 31, 2024. Staff does not oppose these proposals.

3. MAWC also requests authorization to utilize a future test year of the twelve months ending May 31, 2026. MAWC states that the future test year includes a forecast of revenue and expenses, as well as a thirteen-month average of planned changes to rate base. According to MAWC that thirteen-month average is composed of both specific projects that are schedule to be in service during the future test year, and projected levels of other activity, such as main, services, meter replacements, etc.

4. Staff is opposed to the use of a future test year. Including in MAWC's revenue requirement future costs beyond the true-up period would violate the used and useful standard,¹ the known and measurable standard,² the matching principle,³ and §393.270.4, RSMo, which provides that in setting rates, the Commission must consider all relevant factors, including "a reasonable average return upon capital actually expended." For these reasons, Staff requests that the Commission deny that part of MAWC's motion requesting a future test year of the twelve months ending May 31, 2026.

5. Should the Commission decide against the use of a future test year, MAWC requests that, the Commission permit the parties to present "discrete adjustments" beyond the true-up period to help present a more complete picture of the Company's operations at the operation of law date. Staff is not opposed to allowing parties to present the use of discrete adjustments, as this has been permitted in MAWC's last three general rate cases.

WHEREFORE, Staff respectfully requests that the Commission grant MAWC's motion related to the test year and true-up period, and order a historical test year ending December 31, 2023 and a true-up period ending December 31, 2024. Staff further requests that the Commission deny MAWC's motion requesting a future test year of the twelve months ending May 31, 2026.

¹ "The property upon which a rate of return can be earned must be utilized to provide service to its customers. That is, it must be used and useful. This used and useful concept provides a well-defined standard for determining what properties of a utility can be included in rate base." *State ex el. Union Electric v. Public Service Commission*, 765 S.W.2d 618, 622 (Mo.App. W.D.1988).

² The known and measurable standard requires rates to be based upon known and measurable costs.

³ The matching principle states that a utility's revenues, expenses, rate base, and rate of return are analyzed over a common period of time.

Respectfully Submitted,

/s/ Casi Aslin

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and or counsel of record on this 26th day of July, 2024.

/s/ Casi Aslin