Exhibit No.: _____
Issue(s): Regulatory Principles/Rate Design/ Income Eligible Programs/Lead Line Replacement/ Customer Experience/Universal Affordability Tariff
Witness/Type of Exhibit: Marke/Direct Rebuttal
Sponsoring Party: Public Counsel
Case No.: WR-2024-0320

CLASS COST OF SERVICE/RATE DESIGN

DIRECT/REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

FILE NO. WR-2024-0320

December 20, 2024

TABLE OF CONTENTS

DIRECT TESTIMONY

OF

GEOFF MARKE

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2024-0320

I. INTRODUCTION

Q. Please state your name, title and business address.

A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. What are your qualifications and experience?

A. I have been in my present position with OPC since 2014 where I am responsible for economic analysis and policy research in electric, gas, water, and sewer utility operations.

Q. Have you testified previously before the Missouri Public Service Commission?

A. Yes. A listing of the Commission cases in which I have previously filed testimony and/or comments is attached in Schedule GM-1.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to articulate my concerns over what I perceive to be the slow erosion of fundamental regulatory principles in this case (and in recent utility filings in general) as well as opine on Missouri American Water's ("MAWC") proposed rate design, income eligible programs, lead service line replacement status, certain customer experience concerns, and universal service tariff raised at the Company's recent public hearing.

My silence in regard to any issue should not be construed as an endorsement of MAWC's or any other party's position.

II. THE SLOW EROSION OF BASIC REGULATORY PRINCIPLES

Introduction

Q. Are you concerned with the general requests embedded in MAWC's rate case to shift risks away from investors onto ratepayers in light of the large rate increase request?

A. I am. To be fair, this concern is not limited to MAWC, but they are top of mind in light of their initial request for a 42.9% rate increase.[1]

In my experience appearing before this Commission, I have seen a number of issues continually put forward by various utilities that has, over time, resulted in a steady decline of what I consider to be important, basic regulatory principles. The result is that public utility regulation in Missouri seems to be headed toward a type of "cruise control" mindset that enables an environment of increasingly shorter review periods and a willingness to abandon general rate making principles that ultimately results in a greater shift of risk from the profit-seeking utility onto the captive ratepayer.

Q. Can you provide any examples of the types of issues that result in this cruise control regulation?

A. The increasing and ever-expanding inclusion of a single-issue ratemaking trackers, riders, various surcharge mechanisms are obvious examples. Regardless of whether or not these examples are the result of past Commission order or legislative mandate, the effect of these accounting and cost recovery mechanisms reduce the utility's incentive to control costs, minimize the regulatory review process, violate fundamental accounting and ratemaking principles, and increase the likelihood customers are overpaying for their service.

Another clear example in this case is the request for a future test year ("FTY") that was proposed in this case by MAWC witness Brian LaGrand. This request was strenuously

[1] Admittedly, this number is in-flux given the change in test year adopted.

opposed by most of the intervenors to this case, and, fortunately, the Commission denied the use of a future test year.

Q. Given that the Commission has denied MAWC's request for a FTY, do you still feel it is necessary to address it?

A. Even though a FTY is technically no longer in play in this case, I believe it's reoccurring request in Missouri American Water rate cases over the past decade and the impact those attempts have had on the continuous pressure to erode a balanced regulatory process merit further discussion. This is especially true considering MAWC's existing cost recovery mechanisms that minimize regulatory oversight (e.g., the Company's Water and Sewer Infrastructure Rate Adjustment "WSIRA"), and the additional requested risk mitigation actions (e.g., the production cost tracker, the revenue stabilization mechanism, etc…) in this case. All of which, when taken together, present a distorted picture of what public utility regulation is supposed to accomplish. As such, I would like to expound on the topics of future test years, regulatory lag, the Commission's matching principle, the Commission's known and measurable standard, and finally over non-traditional revenue recovery. These issues are often interdependent in setting rates prospectively and their presence or absence are strongly correlated with how costs are ultimately priced to consumers for service.

Additionally, I fundamentally disagree with Mr. LaGrand's arguments around a future test year, and I have been around public utility regulation long enough to know that if a rebuttal is not put forward towards suggestions to abandon core regulatory principles, then those suggestions slowly start to become accepted, inevitable realities.

Q. How does a future test year relate to the fundamental economic regulatory principles on which the PSC is meant to function?

A. Adoption of a future test year would just continue the path of further eroding the fundamental economic regulatory principles historically adopted by the Missouri Public Service Commission and affirmed by the Missouri courts that were designed to protect

captive customers and ensure utility rates are set at a level no more than necessary to provide safe and adequate service at a just and reasonable price.

At a general level, I believe a future test year exacerbates asymmetric informational challenges, effectively eliminates regulatory lag, and requires a fundamentally different skill set ("forecasting") to be utilized by regulators. I do not believe it is good economic policy and, if adopted, it will almost certainly, needlessly, increase rates for captive customers. I will expound on each of these points in greater detail in my testimony, but first I would like to level-set the purpose of public utility regulation—which is first, and foremost, economic regulation.

Consider for a moment the Missouri Public Service Commission's Misson Statement reprinted here with emphasis:

> **We [MO PSC] will:**
>
> - ensure that Missourians receive safe and reliable utility services at just, reasonable and affordable rates;
> - support economic development through either traditional rate of return regulation or **competition**, as required by law;
> - establish standards so that **competition** will maintain or improve the quality of services provided to Missourians;
> - provide the public the information they need to make educated utility **choices**;
> - provide an efficient regulatory process that is responsive to all parties, and perform our duties ethically and professionally.[2]

Two of the five bulleted "Mission Statements" emphasize "competition" and a third emphasizes "choice."

[2] Missouri Public Service Commission (2024) About the PSC. https://psc.mo.gov/General/About_The_PSCv

An outsider looking in might be puzzled why "competition" and "choice" permeate across the Missouri Public Service Commission's Mission Statement. After all, what competition do our regulated utilities have? What choice do consumers exercise in selecting a utility?

The answers of course are that *there is no competition* as utilities operate as natural monopolies and *consumers have no choice* in who provides these essential services.

To appreciate why competition and choice are emphasized in the Commission's mission statement one needs to recognize why the Commission and this regulatory review process exists to begin with.

Q. Why is that?

A. Basic economic theory demonstrates that when firms must compete for customers, it leads to lower prices, higher quality goods and services, greater variety, and more innovation. When there is insufficient competition, or no competition, the dominant firm can use its market power to charge higher prices, offer decreased quality, and block potential competitors from entering the market.[3] The argument for natural monopolies (e.g., utilities) is that a single company can produce an essential service at a significantly lower cost than multiple competing firms due to high fixed costs and economies of scale, ultimately benefitting consumers with lower prices by allowing one entity to serve an entire designated service area. Both the argument for scale economies as well as the "essential" service that

[3] This was comically illustrated in a popular *Laugh-In* TV show sketch in the early-70s featuring the actress Lily Tomlin who played a (at-the-time) regulated phone operator in a commercial:

> Ernestine (Lily Tomlin): A gracious hello. Here at the Phone Company, we handle eighty-four billion calls a year. Serving everyone from presidents and kings to the scum of the earth. So, we realize that, every so often, you can't get an operator, or for no apparent reason your phone goes out of order, or perhaps you get charged for a call you didn't make. We don't care!
>
> Watch this… [she hits buttons maniacally] We just lost Peoria.
>
> You see, this phone system consists of a multibillion-dollar matrix of space age technology that is so sophisticated — [she hits buttons with her elbows] even we can't handle it. But that's your problem, isn't it? So, the next time you complain about your phone service, why don't you try using two Dixie cups with a string? **We don't care. We don't have to. We're the Phone Company**. (emphasis added). SNL Transcripts (2018) Lily Tomlin: 09/18/76: The Phone Company. https://snltranscripts.jt.org/76/76aphonecompany.phtml

is being provided to the public provide justification for an exclusive franchise of service territory to a single provider of service.

The exclusive right to provide the only available service to a captive customer base should not be taken lightly. In the free market, competition provides the financial incentive for companies to operate efficiently and innovate. Competition is a good thing for everyone as it forces the actors in a market to perform their best. The absence of competition opens the opportunity for price gouging and complacency. As such, a government endorsed franchise to exclusively serve captive customers comes with strings attached in the form of economic regulatory oversight. That regulatory oversight is supposed to provide a proxy for the market. Hence the emphasis on competition and choice in the MO PSC's Misson Statement.

The literal absence of competition and choice for consumers means that economic regulation is required to scrutinize costs and service performance in setting appropriate rates as if the utility were operating in a competitive environment and customers had choice. If regulators abdicate that responsibility do not be surprised if costs needlessly increase.

Information Asymmetry

Q. What is information asymmetry and how does a future test year exacerbate this problem?

A. Information asymmetry is an example of a market failure. It occurs when one party in a transaction has more or better information than the other regarding the issue at hand. Information asymmetry is inherent in most, if not all, markets to some degree. Hospitals, for example, typically have more information about illness, costs, and recovery options than the patient does.

Information asymmetry is at the heart of the economics of public utility regulation. A fully informed regulator with complete authority could simply order the utility to choose the first-best outcome. However, regulators are never fully informed and must rely on their staff to perform audits, issue discovery, and receive sufficient information from the utility to inform

their independent decisions. Whether or not that information is timely, accurately, and completely received varies considerably. As such, this challenge creates an imbalance where the regulator struggles to effectively monitor and set fair prices for services due to opaque or untimely information. In effect, the regulator (and subsequent parties to a given case) are allowed an opportunity to perform discovery on a company and review its accounting records, performance scores, and quality of service and then compare it against available market alternatives and/or scrutinize the costs on the "reasonableness" of the available information at the time management made its decision. This process is both time and labor intensive but critically important to providing the public the assurance that rates are set at just and reasonable levels. Both historical and future test year cases can and do fall victim to asymmetric information challenges but the opportunity for further opaqueness is amplified under a future test year given the challenges inherent in forecasting.

Q. What do you mean?

A. The use of a historical test year has been the basis for setting rates in Missouri for over one-hundred years. It is premised on actual data, and is simpler to calculate, verify, and analyze. Moreover, it deliberately incorporates regulatory lag as a mechanism to mimic a competitive market. By relying on historical data, there is a reasonable assurance that ratepayers will not be overcharged moving forward. This option has been overwhelmingly endorsed by the non-utility parties to this case.

In contrast, because a future test year is based on forecasted data, it increases the chance for significant cost uncertainty given the high likelihood for inaccuracies and minimizes regulatory lag by deemphasizing cost savings from operational efficiencies.

It should also be noted that, to my knowledge, neither the MO PSC Staff nor the OPC are versed in forecasting cost expenditures at the scale necessary to reasonably adopt a future test year construct. This skill set will need to be trained if the PSC and other stakeholders are directed to operate in it.

Simply put, utilities own and control all information about its current and future costs. The company has as much time as it feels necessary to prepare and request rate increases. Conversely, intervening parties are largely thrust into a reactive role with multiple filings occurring simultaneously (e.g., I am currently involved in rate case proceedings with Missouri American Water, Ameren Missouri Electric, Ameren Missouri Gas, Liberty Electric, and Spire East and Spire West, and numerous other contested cases currently pending before the Commission) which necessitates a discovery process that is dependent on asking and receiving competent information from the company in a timely manner.

Unless a party to the case asks the "correct" data request about a specific future cost decrease, and a utility is responsive to that data request, there is minimal opportunity for a party such as OPC to obtain knowledge of that potential cost decrease. Presently, utilities make it difficult to process the "historical" test year cases by including costs and other projections beyond the test year through true-up. Including cost and other projections beyond the date new rates take effect as contemplated with a future test year scheme will merely exacerbate this glaringly bad problem. This option is clearly better for utilities.

Both test year cases can and do fall victim to asymmetric information challenges, but regulators can at least rely on their professional experience and expertise as well as tangible historical costs as data points of certainty in setting rates prospectively. The same cannot be said for a future test year scheme which introduces a level of uncertainty and utility-centric bias into the setting. Importantly, as Mr. LaGrand points out, a future test year will mitigate regulatory lag which will be the next subject of my testimony.

Q. Can you point to any specific study that measured information asymmetry and its impact on rates across public utilities and time?

A. Yes, at least in part. Fremeth and Holburn (2010) performed a longitudinal study examining the relationship between regulatory informational environments and changes to regulated

rates for all investor-owned utilities in the United States from 1980 to 2000.[4,5] Although the study is a bit dated, the study's results are informative and can be seen in Table 1.

Table 1: Results of Fremeth & Holburn (2010) Multinomial Logit Model of Electric Utilty Rate Changes, 1980-2000[6]

	Model 1		Model 2 (IV)	
DV = rate change (j = 0, 1, 2)	Rate increase (j = 1)	Rate decrease (j = 2)	Rate increase (j = 1)	Rate decrease (j = 2)
Average Commissioner Tenure (Hypothesis 1)	−0.0545** (0.0279)	0.1247*** (0.0488)	−0.0494** (0.0276)	0.1216*** (0.0486)
PUC Staff (Hypothesis 1)	2.4651 (2.7967)	5.2013* (3.1781)	3.3425 (2.9233)	5.8595** (3.2256)
NRC Penalty × Nuclear (Hypothesis 2)	−0.3263** (0.1931)	0.5776 (0.3785)	−0.3229** (0.1927)	0.5388 (0.3766)
Nuclear Generator (Hypothesis 2)	−0.1368 (0.2367)	−0.1409 (0.4445)	−0.2686 (0.2296)	−0.1595 (0.4586)
Other State Rate Increase (Hypothesis 2)	0.0026*** (0.0007)	−0.0024 (0.0025)	0.0024*** (0.0007)	−0.0025 (0.0024)
Other State Rate Decrease (Hypothesis 2)	−0.0020 (0.0059)	0.0054** (0.0028)	−0.0030 (0.0061)	0.0049** (0.0027)
Utility Share of Total Electricity Sales within State	1.5804 (1.7912)	5.4689 (7.5023)	3.7605** (2.0017)	7.7639 (6.8942)
Consumer Advocate (Hypothesis 3)	−0.7100*** (0.2863)	1.2667 (0.8131)	−0.6149** (0.2851)	1.2175 (0.8036)
Sierra Club Membership (Hypothesis 3)	−0.2971** (0.1664)	0.1799 (0.2200)	−0.3250** (0.1746)	0.1714 (0.2209)
Urbanization (Hypothesis 3)	−0.3637 (4.4998)	9.5943 (7.4446)	−0.8435 (4.4139)	9.2248 (7.3384)
Industrial Sales (Hypothesis 3)	−8.5266*** (2.6000)	10.8962** (5.8319)	−8.2267*** (2.5872)	10.7493** (5.7784)
Legislature Party Competition (Hypothesis 4)	−2.2476*** (0.4704)	1.5530 (1.0377)	−2.0723*** (0.4618)	1.5728 (1.0232)
Governor Competition (Hypothesis 4)	−0.0767 (0.3851)	0.7290 (0.7677)	0.0204 (0.3801)	0.8093 (0.7783)
Change in Interest Rate	0.1218*** (0.0250)	−0.3347*** (0.0668)	0.1092*** (0.0254)	−0.3468*** (0.0665)
Change in Fuel Cost	0.0069** (0.0041)	−0.3925** (0.2171)	0.0559 (0.0623)	−0.3333* (0.2061)
Change in Net Utility Plant	0.8321*** (0.2712)	0.8033 (0.5679)	3.0566*** (0.8199)	1.9006 (1.4934)
Deregulation	−1.4566** (0.7671)	0.9341** (0.4186)	−1.5367** (0.7690)	0.9353** (0.4140)
Election Year	0.0534 (0.0945)	0.0952 (0.1675)	0.0581 (0.0944)	0.0994 (0.1673)
Merger and Acquisition	−0.3799 (0.3135)	−0.0167 (0.3700)	−0.4313 (0.3078)	−0.0225 (0.3691)
Other Utility Rate Increase	0.0016*** (0.0003)	−0.0015** (0.0007)	0.0016*** (0.0003)	−0.0015** (0.0007)
Other Utility Rate Decrease	−0.0042** (0.0019)	0.0047*** (0.0016)	−0.0049*** (0.0020)	0.0045*** (0.0016)
Fuel Cost	−0.1173** (0.0524)	−0.0801 (0.1298)	−0.0898** (0.0517)	−0.0577 (0.1230)
1990s Decade	−0.5131*** (0.1526)	−0.8137*** (0.2628)	−0.5631*** (0.1550)	−0.8639*** (0.2707)

The Journal of Law, Economics, & Organization

[4] Fremeth, A. & G.L.F. Holburn (2010) Information Asymmetries and Regulatory Decision Costs: An Analysis of U.S. Electric Utility Rate Changes 1980-2000. *Journal of Low, Economics, and Organization* , 28(1), 127-162. https://www.ivey.uwo.ca/media/3780247/regulatory-decision-costs.pdf

[5] A longitudinal study is a type of research design that involves repeated observations of the same variables over an extended period of time. This can be contrasted with cross-sectional studies, which collect data from a different group of people at a single point in time.

[6] Modeled results with a single asterisk (or P-value less than 0.05) signifies there's a 5% chance or less that the observed relationship or difference occurred by chance. Double asterisk (or P-value less than 0.01) signifies there's less than 1% probability that the results is due to chance. A triple asterisk (or P-value less than 0.001) is the highest level of significance among the commonly used asterisks and signifies there's less than a 0.1% chance of random occurrence.

Readers are encouraged to see GM-2 for a copy of the study and a greater explanation of the independent variable descriptions and results.

Fremeth & Holburn concluded:

> When regulators are less knowledgeable about the firms they regulate, they incur greater costs of collecting and assessing information, constructing logical arguments, and documenting the evidence necessary to support their policy position such that it will subsequently withstand judicial review. Such decision costs insulate policies against regulator-initiated change [e.g., rate reductions] but make firm-induced proposals [e.g., rate increases] more likely. . . .
>
> Regulatory agencies with more experienced commissioners, with larger staffs, and with the ability to observe other agencies' related rate rulings on the same utility all tended to implement more frequent rate reductions. Similarly, our results suggest that utilities behave strategically in their decisions to initiate policy reviews: they were significantly less likely to request and obtain rate increases in environments where regulatory agencies were arguably better informed, notably those agencies with more experienced commissioners and when there was publicly available evidence from other agencies of asset mismanagement.[7]

Q. How can Commissioners mitigate the challenge of information asymmetry?

A. Having a healthy degree of skepticism is the first step. As a rule, Commissions should apply caution in interpreting information that is asymmetrical, insufficient, uncertain, and/or originating from one party with definite self-interest motivations. That is why parties have to scrutinize the utility's filing and frequently supplement it with information from other sources.

[7] Fremeth, A. R., & Holburn, G. L. (2012). Information asymmetries and regulatory decision costs: an analysis of US electric utility rate changes 1980–2000. *The Journal of Law, Economics, & Organization*, *28*(1), 127-162. https://www.ivey.uwo.ca/media/3780247/regulatory-decision-costs.pdf See also GM-2.

The next step would be to empower the Commission's Staff. Building regulatory capacity through specialized training and ensuring regulators have access to the data they need to do their job are fundamental to ensuring just and reasonable rates. Additional actions the Commission should take, above and beyond this docket, include requiring increased transparency in utility filings and disclosures, and engaging public participation in regulatory proceedings.

Further, the Commission should focus on ensuring sufficient time for parties to conduct independent audits and verify least cost planning and proper cost allocation. Removing rounds of testimony and allowing the utility to have the last word may result in less paperwork, but its puts non-utility parties and the public at large at an incredible disadvantage.

All of these actions can help mitigate the inherent information asymmetry of natural monopolies that economic regulation is, in part, designed to combat.

Q. You referenced the fact that the Commission has utilized a historical test year for over a hundred years as a reason not to change it. Isn't there an argument to modify it to reflect what other Commissions have adopted?

A. Not before you understand why that practice was put there in the first place. A core component of making sound decisions is understanding the rationale behind previous decisions. If we don't understand how we got "here," we run the risk of making things much worse. This does not mean that regulatory changes are never necessary, but the Commission should be cognizant why we have regulated public utilities the way we have before alterations are embraced.[8]

[8] This principle is also known as Chesterton's Fence, Described by G.K. Chesterton himself as follows:
In the matter of reforming things, as distinct from deforming them, there is one plain and simple principle; a principle which will probably be called a paradox. There exists in such a case a certain institution or law; let us say, for the sake of simplicity, a fence or gate erected across a road. The more modern type of reformer goes gaily up to it and says, "I don't see the use of this; let us clear it away." To which the more intelligent type of reformer will do well to answer: "If you don't see the use of it, I certainly won't let you clear it

Regulatory Lag

Q. What is regulatory lag?

A. Regulatory lag is the time between when a utility's rates are put into effect and when they are next reviewed. It can also refer to the time between a utility's request for new rates and when the utility commission grants them. Regulatory lag embeds risk in the regulatory process by design and offers both upside and downside potential for a utility. It is a key element to traditional regulation because it introduces incentives similar to how a competitive market operates. In short, regulatory lag is a purposeful cost control/reward introduced by deliberate design. External economic conditions, such as economic growth or decline will tend to magnify or mask the effects of regulatory lag; however, this is also entirely true for free market actors operating in a competitive environment. They are also impacted by external economic conditions that will mask or magnify their operations.

In terms of risk, regulatory lag introduces both downside and upside to a utility. Since rates are set prospectively lag will be advantageous to a utility in the context of declining costs and disadvantageous to a utility with increasing costs. Again, I will point out that this is entirely true for free market actors. Regardless of the present state of the economy, regulatory lag incentivizes utility management to operate as efficiently as possible by allowing the utility to reap the operational efficiencies that also occur in the free market under competition.

Importantly, regulatory lag is often vilified, in part, because of the reactive nature of public utility regulation. Simply put, a utility is far more likely to bring attention to underearning than overearning. Regulators and other stakeholders are grossly disadvantaged in terms of

away. Go away and think. Then, when you can come back and tell me that you do see the use of it, I may allow you to destroy it."
The Society of G.K.Chesterton (2012). Taking a Fence Down. https://www.chesterton.org/taking-a-fence-down/
Chesterton also alluded to the all-too-common belief that previous generations were bumbling fools, stumbling around, constructing fences wherever they fancied. Should we fail to respect their judgement and not try to understand it, we run the risk of creating new, unexpected problems.

bringing attention, let alone a direct case as it pertains to overearning. In other words, regulatory lag can and does work to the advantage of utilities.

To the extent that the Commission considers regulatory lag a "bad" feature for utilities, it must also recognize that removal or minimization of that mechanism must be married to an explicit reduction in the Company's allowed return on equity to reflect the departure from free market principles and the shift of risk from utility management to captive ratepayers.

If risk is reduced, so should the risk premium we reward the Company with.

Q. Could you provide an illustrative example of what you are talking about?

A. Sure. Under a historical test year, costs are set prospectively based on historical data. There is a rationale for what costs should be moving forward. If management can find efficiencies in cost control they are rewarded. The free-market example might be cost savings realized from reducing overhead. In contrast, under a future test year, costs can be set based on a forecasted guess and then followed with a reconciliation. If costs go over that amount, the utility will eat it. If the costs go under, ratepayers will be refunded in a future proceeding. Given that outcome, a rationale actor would necessarily be inclined to overstate the costs of providing service because understating that amount would impact profit. The risk to ratepayers is thus further amplified when you consider that profit is premised on building out rate base, an unfortunate reality of cost-plus regulation.

Restated, a historical test year scheme better emulates the free-market economy where cost efficiencies result in profit outcomes. In contrast, a future test year better emulates a public agency that will be more likely to lose its annual budget if it doesn't spend it. Given the heightened concern expressed around government inefficiencies I am perplexed why such a scheme would somehow be more appropriate for our regulated utilities.

The Commission's Matching Principle

Q. What is the matching principle?

A. The matching principle is a fundamental principle in determining rates that simply states the costs incurred during a given accounting period should be matched against the revenue generated in the same period. Accordingly, unless there is a matching of costs and revenues, the test year is not a proper one for fixing just and reasonable rates. A rate case historical test year is used to ensure a matching of rate base investment, utility revenues and utility expenses. If rate base, revenues and/or expenses are mismatched in the rate-setting process, the resulting rates will either over or under recover costs, causing rates to be unjust and unreasonable. This "reasonableness" of rates is what is at risk here if the Commission abandons its longstanding rate case matching principle in favor of a future test year.

Q. Has the Commission previously articulated the importance of the matching principle in ratemaking?

A. Yes. In the Findings of Fact section of its September 2, 2015 Report and Order in Case No. ER-2014-0370, Kansas City Power & Light Company ("KCPL"), the Commission described the importance of the matching principle as follows:

> 114. In Missouri, rates are usually established based upon a historical test year where the company's expenses and the rate base necessary to produce the revenue requirement are synchronized. The deferral of costs from a prior period results in costs associated with the production of revenues in one period being charged against the revenues in a different period, which violates the "matching principle" required by Generally Accepted Accounting Principles (GAAP) and the Uniform System of Accounts approved by the Commission. The matching principle is a fundamental concept of accrual basis accounting, which provides that in measuring net income for an accounting period, the costs incurred in that period should be matched against the revenue generated in the same period. Such matching creates consistency in income statements and balance sheets by

preventing distortions of financial statements which present an unfair representation of the financial position of the business. One type of deferral accounting, a "tracker", has the effect of either increasing or decreasing a utility's earnings for a prior period by increasing or decreasing revenues in future periods, which violates the matching principle.

115. A tracker is a rate mechanism under which the amount of a particular cost of service item actually incurred by a utility is tracked and compared to the amount of that item currently included in a utility's rate levels. Any over-recovery or under-recovery of the item in rates compared to the actual expenditures made by a utility is then booked to a regulatory asset or liability account and would be eligible to be included in the utility's rates in its next general rate proceeding through an amortization to expense.[170]

116. The broad use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri.

Q. Was this Commission's policy on the matching principle recognized by the courts?

A. Yes. The Missouri Court of Appeals' September 6, 2016 Opinion in Case No. WD79125 (consolidated with WD79143 and WD79189), the Court recognized:

> The PSC has decided that the "use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri."

Q. Why are you discussing the matching principle in this case?

A. Mechanisms such as the future yest year, and the surcharges imposed by Missouri utilities such as the ISRS, WSIRA, RSM, etc., distort the matching principle in ways that overwhelmingly

benefit the utilities by recognizing cost and expense increases without recognizing cost and expense savings during the same period.

By ordering the use of a historical test year in this case, the Commission is better promoting the matching principle than if it had ordered a future test year as requested by MAWC. Under the historical test year approach, any savings achieved between rate cases will benefit a utility until those savings are later passed on to ratepayers. With a future test year, however, those savings can be easily lost by a utility's future projections that do not include any cost savings achieved since the last rate case.

Commission's Known and Measurable Standard

Q. What is the Commission's known and measurable standard?

A. This standard requires the rate case components (revenue, expense, gain or loss, etc…) to be known, to have occurred, and be measurable with a high degree of accuracy.

Q. Are forecasted future costs or expenses capable of meeting this longstanding Commission rate case standard?

A. No.

Q. How has the Commission Staff defined the known and measurable standard?

A. In testimony in Case No. ER-2001-299 the Staff defined this standard that both it and the Commission have used since:

> Q. What does the term "known and measurable" mean?
>
> A. A "known and measurable" expense is an expense that is 1) "known," meaning that the amount did or definitely will be an actually incurred cost and 2) "measurable," meaning that the rate impact of the change (for example, property tax expense) can be calculated with a high degree of accuracy. The significance of this term is that historically the Commission has only reflected

> in rates those revenue requirement changes that were known and measurable at the time the rate decision was made.[9]

Q. Are you aware of any examples where the Commission has defined and described the known and measurable standard?

A. Yes. In Case No. WR-2000-844, St. Louis County Water Company, the Commission stated:

> The Commission traditionally, and properly, allows recovery of cost increases that are projected to occur after the end of the test year (including any adjustment periods) only if those costs are known and measurable. A cost increase is "known" if it is certain to occur, and it is "measurable" if the Commission is able to determine the amount of the increase with reasonable precision. The Company's projected property tax increases are neither known nor measurable. [. . .] Because any increase in the Company's property tax expense is not known and measurable, the Commission will not adopt the Company's proposal.[10]

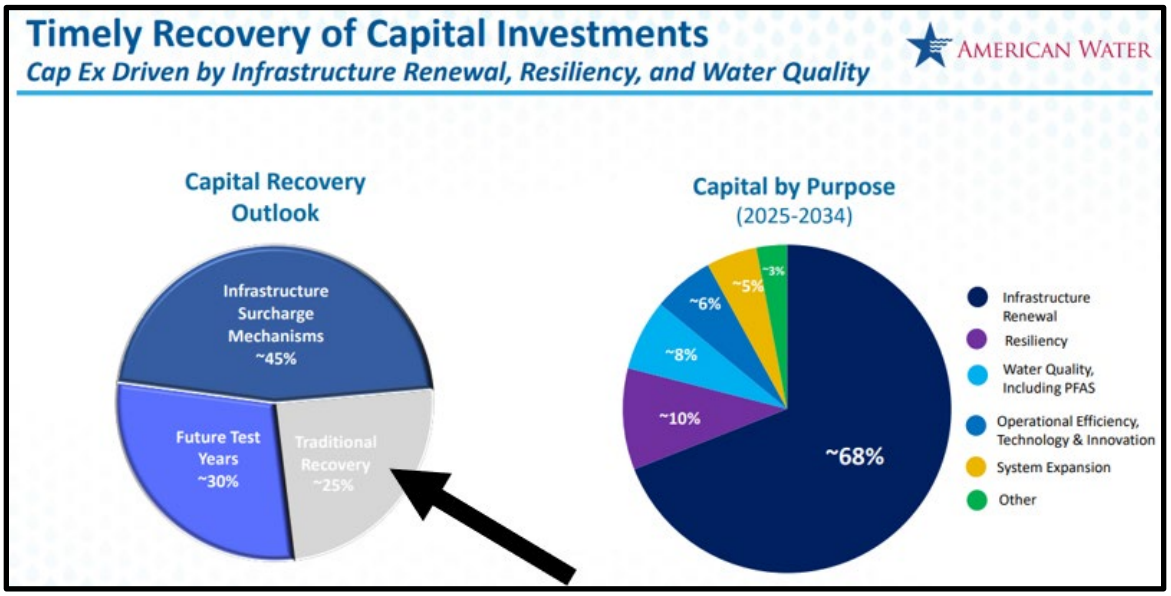
Non-Traditional Revenue Recovery and Competition for Attracting Capital

Q. Mr. LaGrand argues that a future test year will make Missouri more competitive relative to other American Water affiliates in its ability to attract capital. Do you agree?

A. I agree that a risk-free regulatory environment would clearly attract investors to Missouri but understand that this would come at the expense of captive ratepayers. But let's examine how MAWC is performing relative to the other American Water affiliates. First, I would like to direct your attention to Figure 1 taken directly from American Water's 3rd quarter Earnings call on October 31, 2024 which highlights capital investment recovery.

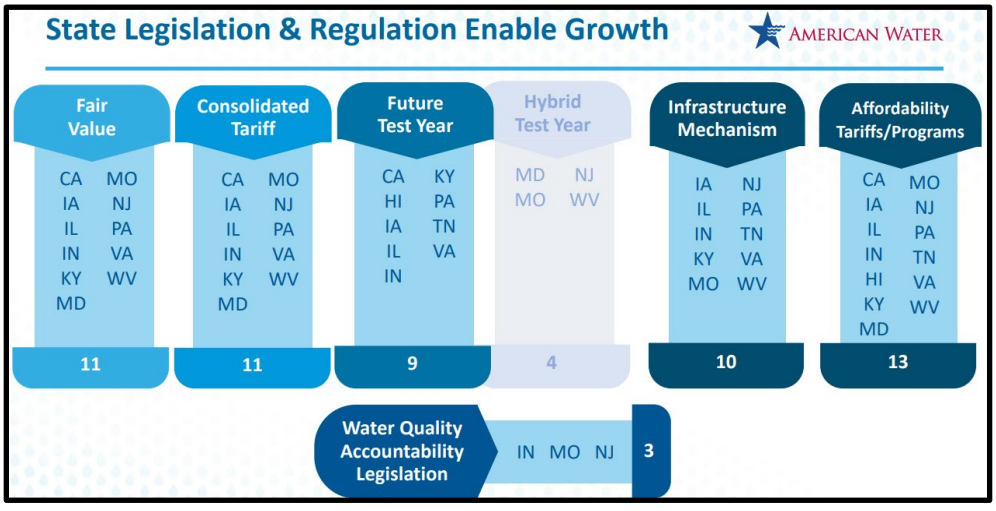
[9] ER-2001-299 True-Up Surrebuttal Testimony Roy M. Boltz, Jr page 6, 4-10.
[10] Case No. WR-2000-844 Report and Order p. 22.

Figure 1: Capital Recovery Status (emphasis added)[11]



Astute readers will note that 75% of American Water's capital recovery is through non-traditional mechanisms or schemes. Figure 2 highlights the various regulatory mechanisms American Water believes investors value across each of its affiliates.

Figure 2: Approved Regulatory Mechanisms Favored by Investors[12]



[11] American Water (2024) 2024 Third Quarter Earnings & 2025 Outlook Conference Call. October 31, 2024. https://s26.q4cdn.com/750150140/files/doc_financials/2024/q3/Q3-2024-Earnings-Presentation-Final-10-30-24.pdf
[12] *Ibid*.

Table 2 below provides a further breakdown of Figure 2 showing each of the investor-centric features by affiliated state with an emphasis on Missouri. It is important to note that I gave a half-credit for a hybrid test year (which I interpret as a historical test year and true-up) scheme as that appears to be what American Water has done with this illustrative graphic.

Table 2: Further breakdown of "positive" regulatory schemes by American Water affiliate

American Water Affiliates	Fair Market Value	Consolidated Tariff	Future or Hybrid Test Year[13]	Infrastructure Mechanism	Affordability Tariff/ programs	Water Accountability Legislation	Total
Indiana	X	X	X	X	X	X	6 out of 6
Missouri	X	X	X	X	X	X	5.5 out of 6
New Jersey	X	X	X	X	X	X	5.5 out of 6
Iowa	X	X	X	X	X		5 out of 6
Illinois	X	X	X	X	X		5 out of 6
Kentucky	X	X	X	X	X		5 out of 6
West Virginia	X	X	X	X	X		5 out of 6
Virginia	X	X	X	X	X		4.5 out of 6
Pennsylvania	X	X	X	X	X		4.5 out of 6
California	X	X	X		X		4 out of 6
Maryland	X	X	X		X		3.5 out of 6
Tennessee			X	X	X		3 out of 6
Hawaii			X		X		2 out of 6

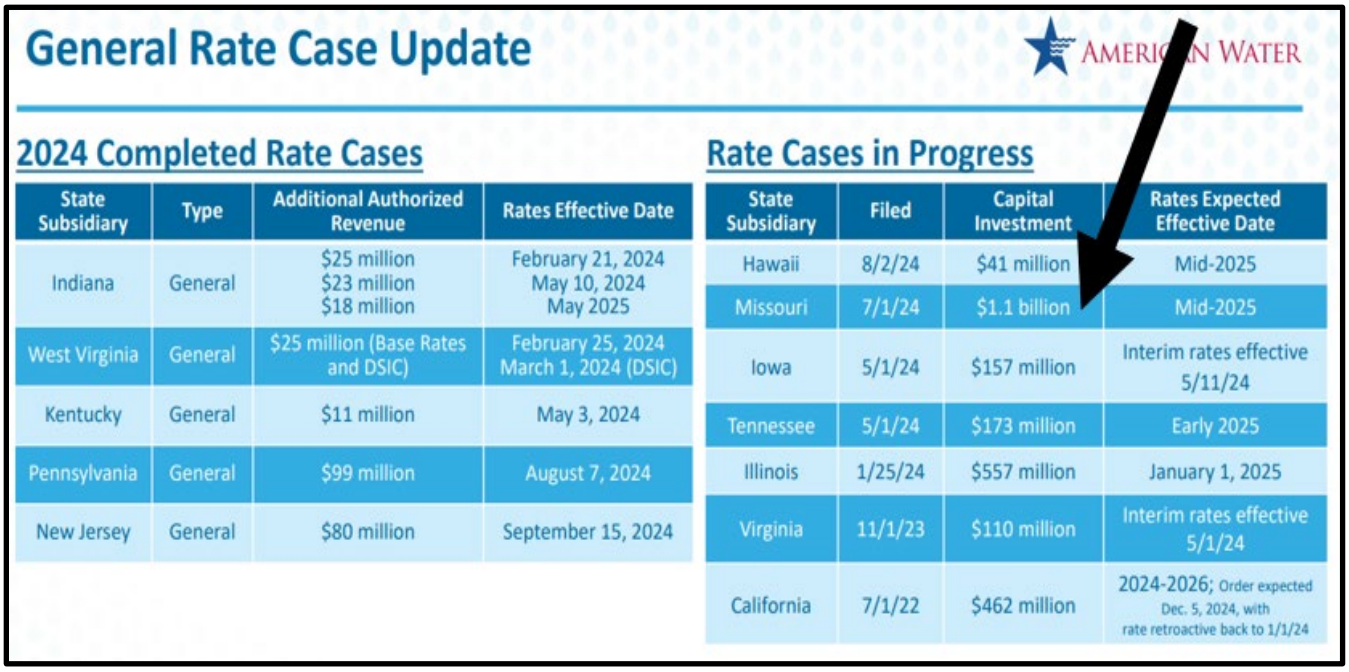
As can be seen by Table 1, only Indiana American Water can claim to have a more friendly utility environment than Missouri. With the only difference being Indiana adopting a future test year option and Missouri adopting a hybrid test year.

[13] An "X" on the left-side of the column denotes a "Future Test Year" while an "X" on the right-side denotes a "Hybrid Test Year."

Q. Do you have any examples that illustrate capital cost allocation across affiliates that align with those favorable regulatory schemes?

A. Yes. Figure 3 from that same presentation provides a rate case update across each of its affiliates.

Figure 3: General Rate Case Update with Capital Investment amounts (emphasis added)[14]



General Rate Case Update

AMERICAN WATER

2024 Completed Rate Cases

State Subsidiary	Type	Additional Authorized Revenue	Rates Effective Date
Indiana	General	$25 million $23 million $18 million	February 21, 2024 May 10, 2024 May 2025
West Virginia	General	$25 million (Base Rates and DSIC)	February 25, 2024 March 1, 2024 (DSIC)
Kentucky	General	$11 million	May 3, 2024
Pennsylvania	General	$99 million	August 7, 2024
New Jersey	General	$80 million	September 15, 2024

Rate Cases in Progress

State Subsidiary	Filed	Capital Investment	Rates Expected Effective Date
Hawaii	8/2/24	$41 million	Mid-2025
Missouri	7/1/24	$1.1 billion	Mid-2025
Iowa	5/1/24	$157 million	Interim rates effective 5/11/24
Tennessee	5/1/24	$173 million	Early 2025
Illinois	1/25/24	$557 million	January 1, 2025
Virginia	11/1/23	$110 million	Interim rates effective 5/1/24
California	7/1/22	$462 million	2024-2026; Order expected Dec. 5, 2024, with rate retroactive back to 1/1/24

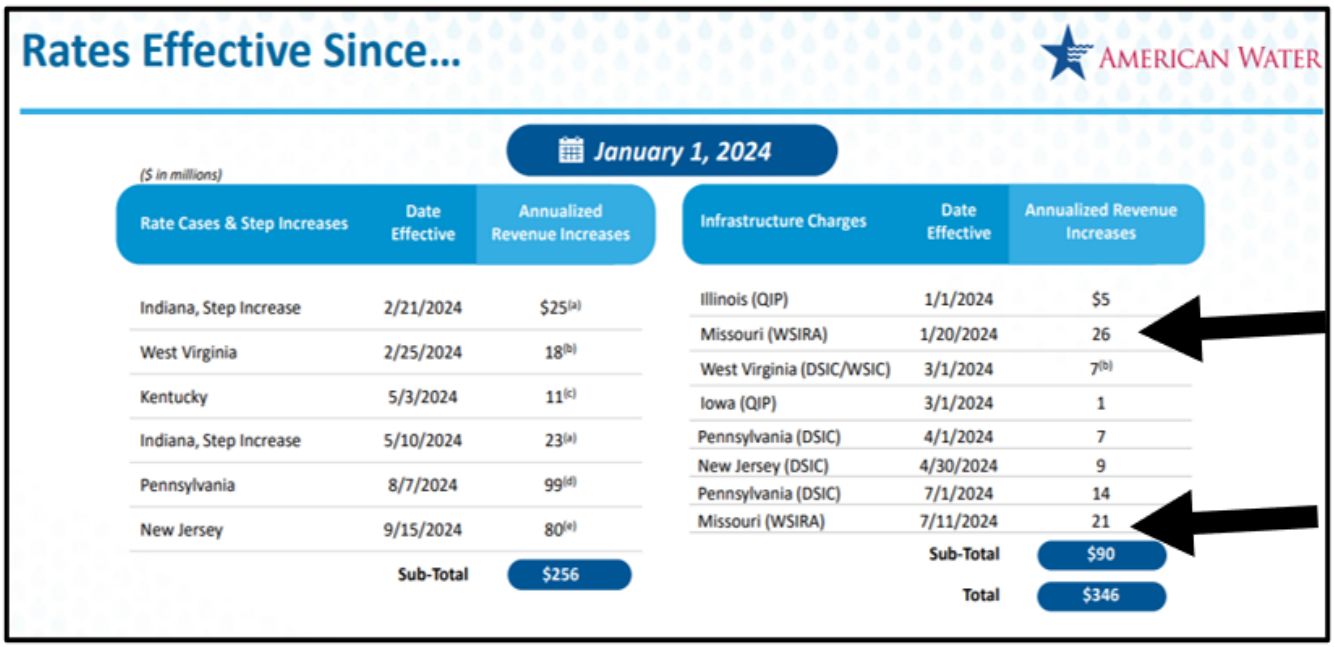
Again, astute readers will note that American Water has deployed $1.1 billion in capital investments through mid-2025 into Missouri. This is approximately 50% more than the next closest affiliate (Illinois).

Q. Has MAWC benefited from favorable recovery mechanisms in Missouri to date?

A. Yes. Again, from that same presentation Figure 4 shows cost recovery that has occurred just in a seven-month window of 2024.

[14] *Ibid*.

Figure 4: American Water Affiliate Cost Recovery 1/1/24 thru 7/11/2024 (emphasis added)[15]



Rates Effective Since...

AMERICAN WATER

January 1, 2024

($ in millions)

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases
Indiana, Step Increase	2/21/2024	$25[a]
West Virginia	2/25/2024	18[b]
Kentucky	5/3/2024	11[c]
Indiana, Step Increase	5/10/2024	23[a]
Pennsylvania	8/7/2024	99[d]
New Jersey	9/15/2024	80[e]
	Sub-Total	$256

Infrastructure Charges	Date Effective	Annualized Revenue Increases
Illinois (QIP)	1/1/2024	$5
Missouri (WSIRA)	1/20/2024	26
West Virginia (DSIC/WSIC)	3/1/2024	7[b]
Iowa (QIP)	3/1/2024	1
Pennsylvania (DSIC)	4/1/2024	7
New Jersey (DSIC)	4/30/2024	9
Pennsylvania (DSIC)	7/1/2024	14
Missouri (WSIRA)	7/11/2024	21
	Sub-Total	$90
	Total	$346

As seen in Figure 4, MAWC has already recovered $47 million in infrastructure costs through its Commission-approved WSIRA mechanism this year. This amount dwarfs any other affiliate and approaches the levels recovered from Pennsylvania and New Jersey's rate cases.

Given this information, I don't know how Mr. LaGrand can reasonably argue that Missouri is somehow coming up short in terms of capital allocation relative to American Water's other affiliates. Clearly, American Water is investing in Missouri, and it is investing at levels that I believe threaten the long-term affordability of its service which I will address in my next section. The introduction of the WSIRA and the Company's request for a future test year, production cost tracker, revenue stabilization mechanism and other favorable regulatory treatment will merely expedite cost recovery, minimize regulatory oversight, and increase the risks to captive ratepayers that they are overpaying for its service.

[15] *Ibid*.

In fact, taken in its totality, it raises the question if there is no regulatory risk why are captive customers paying a risk premium?

Q. In summary, what is your position on the Commission adopting mechanisms, standards or speculative review periods that depart from traditional public utility regulation in setting new rates?

A. Have a healthy degree of skepticism before you tear down any regulatory fences.[16]

As it pertains to test years and the parameters and rules in how we elect to set rates I want to highlight that the use of a historic test year, as well as the update of financial information through a true-up, allows the Commission to measure and match MAWC's revenues, costs, rate base and rate of return all at the same date. This is the essence of the matching principle. Importantly, since all of these financial items are capable of being measured with certainty, there are no concerns that forecasted future rate base additions will not be made. This is important for several reasons but also because it maintains the integrity of the Commission's "known and measurable" standard. As such, the historic test year and adherence to the matching principle and the known and measurable standard are not only entirely consistent but required to maintain proper adherence to Missouri's historical standards and sound economic regulatory oversight.

A future test year exacerbates information asymmetries (reasonable minds can debate the extent of the truth to that statement over a long enough period, but no one should question the reality that the forecasting skill set necessary to effectively deploy a future test year is not present today in the Governor's Office Building at anywhere near the level approaching the historical test year scheme), minimizes regulatory lag and places utilities in an accounting predicament akin to what is seen with public agencies not the free market.

There is no doubt that the use of a future test year would be a major departure from past Commission practice. In addition, the resultant abandonment of the matching principle

[16] See Footnote 7.

(these are projections, not actual costs) and known and measurable standard, as well as the acceptance of another form of single-issue ratemaking, would be a "major" change in the Commission's approach to utility ratemaking. To justify such a departure, there must be a serious need. There is not. MAWC is arguably the second most investor-friendly affiliate in American Water's collection of regulated utilities and has overwhelmingly been the recipient of copious amounts of capital investments per American Water's own most recent earnings call.

In its *Report Regarding Policies to Improve Electric Utility Regulation*, Case No. EW-2016-0313, issued December 6, 2016, page 4, the Commission considered potential ratemaking changes and concluded "Missouri's current regulatory structure has functioned very effectively for over a century, and there is no need for a massive, radical overhaul." The use of a future test year would be a major change and would be contrary to the conclusions that the Commission reached in its report to the General Assembly. I believe the Commission is capable of establishing just and reasonable rates through a historical test year. The continued reliance on a historical test year will not only lead to just and reasonable rates, it would also preserve the numerous safeguards designed to protect Missouri ratepayers and keep rates affordable.

III. RATE DESIGN

Q. Is MAWC proposing to change the monthly customer charge?

A. Yes. According to the Direct Testimony of MAWC witness McClellan:

> The Company is proposing to change the meter charges across Rates A, B, and J, with the meter charges for all three rates being identical. For Rates A and B, **the Company is proposing to increase the 5/8" monthly meter charge from $10.00 per month to $21.34 per month, which is a 113% increase**. Percentage increases for Rates A and B meter charges for meters larger than 5/8" will vary between 57% and 167%. For Rate J, the Company

> is proposing to decrease the 5/8" monthly meter charge from $24.53 per month to $21.34 per month, which is a 13% decrease. Percentage changes for Rate J meter charges for meters larger than 5/8" will vary between a 36% decrease and a 9% increase. (emphasis added)[17]

Q. Do you support a 113% increase to the monthly customer charge?

A. No. To be clear, seven years ago the Company lowered their monthly customer charge from $15.00 to $10.00, now, without any context or rationale, the Company is reversing its position.

I have long supported reasonable cost-causative recovery of customer related expenses in the monthly customer charge. Needlessly raising fixed cost recovery diminishes the ability for customers to control their bills. It also increases revenue certainty for the Company and reduces overall risk.

Q. Can you make a plausible argument why the residential customer charge should remain the same or even be lowered?

A. Yes. MAWC customers have invested millions of dollars into Advanced Metering Infrastructure ("AMI") in both hardware and software that has been capitalized on the utility's books and with which they are receiving a healthy profit from. One of the strongest arguments for AMI deployment by the Company was the ability to minimize operational expenses in the form of meter readers. Importantly, meter reader expenses are costs typically recovered in the customer charge. The continued emphasis on paperless billing further supports a lower monthly customer charge.

Q. Are you advocating for a lower residential customer charge?

A. I am not. My recommendation is to maintain the current amounts, but I am not opposed to the other recommendations put forward regarding consolidation of 5/8 inch and ¾ inch meters.

[17] Direct Testimony of Max W. McClellan p. 29, 12-22.

Q. Is there a scenario where you would support a larger monthly customer charge?

A. I would be more inclined to support a greater customer charge conditioned on those costs including the first 2,500 gallons of monthly water usage as is in place with many of American Water affiliates (Iowa, Indiana, and Tennessee). This is not a recommendation I am supporting outright in this case, but I offer it up as possible consideration in future cases.

IV. INCOME ELIGIBLE PROGRAMS

Q. What income-eligible programs were approved in MAWC's last rate case?

A. Per the terms of the stipulation and agreement entered into by parties in Case No. WR-2022-0303:

> MAWC will participate in the Critical Needs Program and the Rehousing Pilot Program. MAWC will provide $250,000 of annual funding to the Critical Needs Program and $100,000 of annual funding to the Rehousing Pilot Program. Such funding will be shared 50/50 between the Company and its customers.[18]

Q. Has MAWC adhered to these terms?

A. Not in a meaningful manner. To date, it has been 524 days since the Commission ordered new rates to go into effect following the conclusion of MAWC's last general rate case. Only one of the three Critical Medical Needs Programs (St. Louis, Kansas City, and Joplin) has a contract in place with MAWC, and I would be genuinely surprised if any money has been spent to date. Furthermore, no funds have been executed in the Rehousing Pilot Program. Both programs were funded at 50/50 ratio by ratepayers and shareholders.

Q. What do you think the problem is?

A. There is a fair amount of blame that can be leveled at all stakeholders (including myself) to that stipulation but I will suggest that one of the primary reasons lies in how we (collectively)

[18] Case No. WR-2022-0303 Stipulation and Agreement p. 5.

have treated water utilities historically in terms of affordability. In short, we haven't. At least not at the same level as we have historically viewed electric and natural gas service.

Q. What do you mean?

A. Both Staff and OPC (and often other stakeholders) meet with Spire East/West, Ameren Missouri, and Evergy Metro/West, and Liberty on a reoccurring basis throughout the year over their respective income eligible programs. We have been doing that for years. There are no collaborative meetings with MAWC, in part, because water has been much more affordable than electric or natural gas.

Missouri stakeholders are not unique in that respect. Federal funding for the Low-Income Housing Energy Assistance Program ("LIHEAP") has been around since 1981 and helped supplement electric and natural gas bills, but outside a brief period during and immediately after COVID-19 lockdowns, there has been no comparable bill assistance programs for water and wastewater service.

But times are changing. A 40% rate increase request that was preceded by two WSIRA surcharge increases in 2024 means that affordability for MAWC's most vulnerable customers are a much greater concern moving forward.

Q. What do you recommend?

A. I recommend that MAWC begin holding quarterly meetings with Staff, OPC, and any other interested intervenors similar to what is in place with other regulated utilities. I also recommend that funding remain at its current level, but that tariff be adjusted to allow for fungibility between the two programs and the Company's H2O bill assistance program (which has been critically underfunded the past two years).

I am also operating under the assumption that moving forward the balance from the past year and a half rolls over and can be applied prospectively with at least a portion of those funds being directed towards the state-wide Critical Medical Needs Study that is being funded collectively by each of our participating utilities.

V. LEAD LINE REPLACEMENT STATUS

Q. Have you filed testimony on lead service line replacement policy for Missouri American Water in the past?

A. Yes, extensive testimony in the following dockets:

- WR-2022-0303
- WR-2020-0344
- WR-2017-0285
- WU-2017-0296

Q. Have you been actively engaged in Missouri American Water's lead service line replacement program since the Company's last rate case?

A. Yes, per the terms of the stipulation and agreement entered into by parties in Case No. WR-2022-0303, MAWC agreed to hold bi-annual Lead Service Line Report meetings on the status of its projects.

Q. How would you characterize those meetings?

A. They have been productive. Although the eradication of lead service lines will take additional time, I have found MAWC to be transparent, proactive, and successful to date at creating a working inventory of its service territory and removing lead service lines ahead of schedule.

Q. Is there any additional information worth noting for the Commission?

A. Yes. The documentation and removal of lead service lines can be a costly and labor intensive endeavor. Although the U.S. Environmental Protection Agency has recently taken the position that "no lead levels" are acceptable for ingestion, the fact remains that lead exposure to the blood stream is orders of magnitude worse for pregnant women and children due to children's developing brain and nervous systems, which tend to absorb a much larger portion of ingested lead due to their smaller body size. As such, I am pleased to state that Missouri American Water has recognized this reality and prioritized all known daycares

registered with the Department of Elementary and Secondary Education in Missouri as priority replacement locations. According to OPC DR-2027, MAWC has inspected 854 registered children daycare facilities in its service territory. 43 locations were identified as having lead service lines in operation. As of October 31, 2024, 35 of the 43 locations have had the lead service lines removed, with the remaining 8 scheduled to be removed by the end of the Quarter 1 of 2025.[19]

MAWC, and MAWC's point-of-contact for this operation, Christopher Parrish deserve praise for their work in prioritizing this vulnerable population. I for one appreciate the due diligence and hope that this information is made aware to the Commission.

VI. CUSTOMER EXPERIENCE COMMENTS

Q. Have you had any correspondence with a MAWC customer about their experience that merits discussion at this time?

A. Yes. On November 12, 2024 at the St. Louis Missouri American Water local public hearing MAWC customer Jim Moriarty spoke publicly about his customer experience frustrations. Mr.Moriarty's comments are as follows :

> MR. MORIARTY:· My name is Jim Moriarty. That's spelled M-o-r-i-a-r-t-y. I'm a customer, and I live in Warson Woods, and I'm here to testify tonight that this company should not get any increase until it provides what I think the Commission called in the handouts, adequate service, and the Public Counsel called good service. And I don't think the company is providing either of these. And I want to point, first of all, to two documents. This is a document I printed off the website today. It talks about advanced metering infrastructure. **And in two places, they say it's going to improve the customer experience, and that's hogwash because last November, when I tried to get my water shut off, it took three crews to get my water shut·off.**

[19] See GM-3.

A third crew actually replaced the curb shutoff. In the process, they moved my meter from a basement to a meter pit in the front yard. And I stress my concern about being able to read my meter, and they said, oh, you can get all this information online. When I couldn't find the information online, I called the so-called customer service number. Let me tell you some of the responses I've gotten. I've been hung up on so many times by the customer service, I think it's part of their training.

The first time, one of the times I called, I said, I wanted to shut off the water, and they said, well, it will be two weeks. I said, that's not adequate, and they said we'll refer it to the local office.· And they wouldn't give me the number of the local office, and I never got a call from the local office. So, two weeks later, they showed up later and finally got the water shut off, and they moved my meter from the basement. Let me tell you what the experience is in trying to read a meter in a pit. You got to get virtually on your hands and knees; you got to remove the lid from the cover from the pit; then, you got to reach into a dark pit and lift the lid on the meter; and then you may have to wipe off the screen just to see what it's reading. And you're going to do all this in the daytime, obviously, because it's a dark pit. You're not going to see anything at night unless you got a flashlight. You're going to do all this and then -- while not dropping your glasses or your flashlight or whatever you got into the pit because you may never get it back. **The other thing it says on this thing, it says, "Enhances our ability to quickly detect and notify customers of leaks." That's more hogwash.** I experienced in January of this year, the last three days of January, I used almost 3,000 -- over 3,000 gallons of water. I was never notified by the company, and that's ten times of what my normal usage is. So, I figured it out: it was a faulty valve. I quickly repaired the valve.· The manufacturer replaced it free of charge, and it was – I think it was the third day I finally got it stopped.

This document I printed out today. First of all, let me tell you about this second document. Oh, it's a flier that I got. It's dated October 17. **This was e-mailed to me**

> **by the water company, and it says, "The AMI meters are high-tech water meters that allow customers to track their up-to-the-hour water meter."Well, this thing I printed out today, this is the daily 30-day report and the 24-hour report. They never agree. The 24-hour never adds up to the 30 days. The 30 days has never got 30 days on it. I don't think in the year I've been checking this, that I've ever seen a 30-day report that had 30 days. It's usually 28, 29, and the last day is always a zero. And I know that's false.**
>
> REGULATORY LAW JUDGE SEYER:· Mr. Moriarty, you are bumping up against your time limit, so if you could kind of conclude your comments.
>
> MR. MORIARTY: **In my dealings with the ·customer service department, I've been told everything that is -- that we can't answer your question is the responsibility of the metering department, but they don't have a number for in all the metering department, and they never call you. Other times they told me it was -- it's web services; that's who responsible for that, but they don't have a number**. And the last time I went through this I asked for a supervisor, and I asked her what state are you in? She wouldn't tell me, because I -- from an experience, I've gotten them in North Carolina; I've gotten them in New Jersey; never a local person. So, the customer service doesn't exist. Any questions? [20]

Q. What should the Commission note from this transcript?

A. There are several points worth addressing above including:

- Poor customer service experience at multiple levels of Company operations;
- Inaccurate and/or fluctuating hourly/daily/monthly water usage;
- Inability to read customer meter usage information either at the meter or on the MyWater software application;

[20] Case No. WR-2024-0320: Transcript of Proceedings Local Public Hearing, St. Louis, MO. (November 12, 2024) Volume 6. p. 6, 10-25 thru p. 10, 11.

Q. Is Mr. Moriarty aware that you are raising his concerns in your testimony?

A. Yes. I have spoken with Mr. Moriarty on two separate occasions and explained to him his options moving forward to address his grievances. Those options include:

- Testifying at the local public hearing
- Filing comments within the rate case
- Requesting an informal complaint
- Requesting a formal complaint
- Utilize OPC to raise these concerns in the rate case.

Mr. Moriarty has exercised all of these options to date as he is presently in the process of filing a formal complaint with the Commission.

Q. Can you summarize Mr. Moriarty's main concern?

A. I believe Mr. Moriarty wants to receive what he has paid for—the promise of accurate, visible water usage data on his MyWater account and a responsive customer service experience.

Q. Have you been able to verify whether or not Mr. Moriarty's claims regarding the MyWater account are accurate?

A. Mr. Moriarty has kept records of the fluctuating changes to his MyWater software application. Unfortunately, I have not been able to verify if this is an accurate representation for all customers.

Q. What recommendations do you have for the Commission?

A. Missouri Public Service Commission Staff member Charles Tyrone Thomason had filed testimony earlier raising concerns regarding the Company's push to move customers to paperless billing and subsequent concerns over customer confusion. I believe those concerns are further amplified in light of Mr. Moriarty's experience.

Like Mr. Moriarty, I want customers to receive what they were promised and what they have paid for. My correspondence and knowledge of this issue came late in my rate case review process. As such, further discovery is warranted on my end, as such I will address

any recommended cost disallowances related to Mr. Morarity's concerns regarding the MyWater application and his customer experience in the next round of testimony which will still allow the Company an opportunity to have the final word on this issue.

VII. UNIVERSAL AFFORDABILITY TARIFF

Q. MAWC witness Charles B. Rea recommends a universal affordability tariff which will function as a low-income discount tariff. Do you support this proposal?

A. I do. However, I share the same sentiments around execution as expressed by Staff witness Scott J. Glasgow filed in the revenue requirement round of direct testimony.

Q. Will you update your recommendation based on discovery and other party's positions in this round of testimony.

A. If need be, I will.

Q. Does this conclude your testimony?

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 a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas	))))	Case No. WR-2024-0320

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct/rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Geoff Marke
Chief Economist

Subscribed and sworn to me this 18th day of December 2024.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.