

Exhibit No.:  
Issues: Cost of Service, Revenue Allocation,  
and Rate Design  
Witness: Jessica A. York  
Type of Exhibit: Cross-Rebuttal/Surrebuttal Testimony  
Sponsoring Party: Missouri Industrial Energy Consumers  
Case Nos.: WR-2024-0320 / SR-2024-0321  
Date Testimony Prepared: January 10, 2024

**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 Nos. WR-2024-0320 &  
SR-2024-0321**

Cross-Rebuttal/Surrebuttal Testimony of

**Jessica A. York**

**on Cost of Service, Revenue  
Allocation and Rate Design**

On behalf of

**Missouri Industrial Energy Consumers**

January 10, 2024



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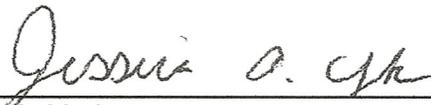
STATE OF MISSOURI )  
)  
COUNTY OF ST. LOUIS )

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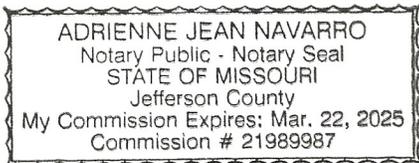
**Affidavit of Jessica A. York**

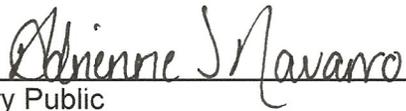
Jessica A. York, being first duly sworn, on her oath states:

1. My name is Jessica A. York. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my Cross-Rebuttal/Surrebuttal Testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case Nos. WR-2024-0320 and SR-2024-0321.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

  
\_\_\_\_\_  
Jessica A. York

Subscribed and sworn to before me this 10<sup>th</sup> day of January, 2024.



  
\_\_\_\_\_  
Notary Public





1 consumers in Missouri rate matters. The MIEC represents the interests of companies  
2 purchasing substantial amounts of water from Missouri-American Water  
3 Company (“MAWC” or “Company”).

## 4 **I. INTRODUCTION AND SUMMARY**

### 5 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A The purpose of my testimony is to respond to Class Cost of Service Study (“CCOSS”)  
7 recommendations made by Consumers Council of Missouri (“CCM”) witness  
8 Caroline Palmer, as well as the Missouri Public Service Commission’s (“MOPSC” or  
9 “Commission”) Staff (“Staff”) witness Melanie Marek. Specifically, I will address CCM  
10 witness Ms. Palmer’s recommendations regarding the allocation of distribution main  
11 costs. In addition, I will address Ms. Marek’s recommendation to rely on Staff’s water  
12 CCOSS models from the last rate case to allocate costs in this case.

13 My silence regarding any position taken by any other party in their  
14 Direct/Rebuttal Testimony or other filings in this proceeding does not indicate my tacit  
15 endorsement of that position.

## 16 **II. RESPONSE TO CCM WITNESS MS. PALMER**

### 17 **Q PLEASE DESCRIBE MS. PALMER’S RECOMMENDATIONS REGARDING THE** 18 **ALLOCATION OF DISTRIBUTION MAINS COSTS TO ST. LOUIS COUNTY** 19 **CUSTOMERS.**

20 A Ms. Palmer believes the Company’s CCOSS does not allocate enough distribution  
21 main costs to Rate B and Rate J customers<sup>1</sup> and recommends increasing the

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<sup>1</sup>Direct/Rebuttal Testimony of Ms. Palmer at page 3, lines 6-9.

1 distribution multiplier for the Rate J class from the Company's 11%, as proposed by  
2 MAWC, to 44%.<sup>2</sup>

3 **Q WHAT IS THE BASIS FOR MS. PALMER'S RECOMMENDED INCREASED**  
4 **DISTRIBUTION MULTIPLIER FOR THE ST. LOUIS COUNTY RATE J CLASS?**

5 A She states that the Company's distribution multiplier of 11% is lower than the multiplier  
6 indicated in its workpapers.<sup>3</sup> Further, Ms. Palmer raises concerns about the sample of  
7 Rate B and Rate J customers used to develop its distribution multipliers.<sup>4</sup> She  
8 ultimately recommends the Commission direct the Company to develop distribution  
9 multipliers based on a more detailed review of the usage characteristics of Rate J and  
10 Rate B customers.<sup>5</sup>

11 **Q DO YOU AGREE THAT THE DISTRIBUTION MULTIPLIER FOR RATE J**  
12 **CUSTOMERS IN ST. LOUIS COUNTY SHOULD BE INCREASED TO 44% AS**  
13 **RECOMMENDED BY MS. PALMER?**

14 A No. As described in my Direct/Rebuttal Testimony, the Company previously conducted  
15 a detailed study of the St. Louis County Rate J customers and determined that while  
16 Rate J customers have a significant portion of water consumption served by small  
17 distribution mains, the actual length of distribution mains used to connect these  
18 customers to the transmission system represents a very small fraction of the total

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<sup>2</sup>CCM\_MO COSS St. Louis Workpaper, Usage Statistics tab.

<sup>3</sup>Direct/Rebuttal Testimony of Ms. Palmer at page 5, lines 8-11.

<sup>4</sup>*Id.* at lines 20-21.

<sup>5</sup>*Id.* at page 7, lines 9-13.

1 distribution system, and this should be recognized in developing an appropriate  
2 distribution multiplier.<sup>6</sup>

3 As a result of that study, the Company determined a 10% distribution multiplier  
4 was appropriate for the St. Louis County Rate J class<sup>7</sup> and this 10% distribution  
5 multiplier was subsequently used by the Company and Staff in multiple rate cases since  
6 it was developed in the 2008 rate case.<sup>8</sup>

7 **Q IS THERE REASON TO BELIEVE THAT AN UPDATED STUDY CONSISTENT WITH**  
8 **THE APPROACH USED IN THE 2008 RATE CASE WOULD INDICATE THAT A**  
9 **DISTRIBUTION MULTIPLIER LESS THAN 10% IS APPROPRIATE FOR THE**  
10 **ST. LOUIS COUNTY RATE J CLASS?**

11 A Yes. As explained in my Direct/Rebuttal Testimony, I calculated a distribution multiplier  
12 of 1.17% for the St. Louis County Rate J class.<sup>9</sup>

13 **Q DOES MS. PALMER'S DIRECT/REBUTTAL TESTIMONY CHANGE YOUR**  
14 **RECOMMENDATIONS REGARDING THE ST. LOUIS COUNTY RATE J**  
15 **DISTRIBUTION MULTIPLIER?**

16 A No. I continue to recommend that the St. Louis County Rate J distribution multiplier be  
17 set at 1.17% (if the Company's definition of distribution mains is adopted), or 1.04% if  
18 my recommended definition of distribution mains is adopted.<sup>10</sup> However, in any event  
19 the distribution multiplier for the St. Louis County Rate J class should not be greater

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<sup>6</sup>Direct/Rebuttal Testimony of Jessica A. York at page 14, lines 13-17; page 15, lines 3-19; and page 16, lines 1-2.

<sup>7</sup>*Id.* at page 14, lines 19-20 through page 15, lines 1-2.

<sup>8</sup>*Id.*

<sup>9</sup>*Id.* at page 16, lines 15-20 through page 17, lines 1-6.

<sup>10</sup>*Id.*

1 than 10%, consistent with the Company's and Staff's recommendations in the prior  
2 case.<sup>11</sup> In addition, I recommend the Commission direct the Company to conduct an  
3 updated study of the length of distribution main serving its Rate J customers, like the  
4 study that was described by MAWC witness Paul Herbert in the 2008 rate case.<sup>12</sup>

### 5 **III. RESPONSE TO STAFF WITNESS MS. MAREK**

6 **Q DID STAFF PREPARE WATER CCOSS MODELS IN THIS CASE?**

7 A No. Staff did not prepare water CCOSS models for MAWC's water and sewer  
8 operations in this case.<sup>13</sup>

9 **Q WHY DID STAFF DECIDE NOT TO PREPARE WATER CCOSS MODELS IN THIS**  
10 **CASE?**

11 A Ms. Marek asserts that this determination was made because, "it appears with MAWC's  
12 submitted CCOSS and the Staff prepared CCOSS from the last rate case, there was  
13 not much difference in the cost allocations."<sup>14</sup> For reference, the last rate case occurred  
14 in 2022 and was Case No. WR-2022-0303 (i.e., 2022 rate case).

15 **Q IS IT REASONABLE FOR STAFF OR THE COMMISSION TO RELY ON STAFF'S**  
16 **WATER CCOSS MODELS FROM THE LAST RATE CASE TO INFORM COST**  
17 **ALLOCATIONS AND RATE DESIGN IN THIS CASE?**

18 A Absolutely not. Staff's water CCOSS models for both districts in the last case contained  
19 at least one significant error in addition to several unsupported data points that were

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<sup>11</sup>*Id.* at page 17, lines 10-14.

<sup>12</sup>*Id.* at page 16, lines 9-12.

<sup>13</sup>Direct/Rebuttal Testimony of Melanie Marek at page 3, lines 8-9.

<sup>14</sup>*Id.* at lines 9-10.

1 used in the development of allocation factors. As a result, Staff's CCOSS models did  
2 not produce an accurate measure of the cost of providing service to each customer  
3 class. Therefore, it is unreasonable to conclude that if Staff had updated its water  
4 CCOSS models in this case that they would be consistent with the Company's. Further,  
5 as I testified in my Direct/Rebuttal Testimony in this case, I have identified several  
6 issues with the Company's water CCOSS models that need to be corrected in order to  
7 produce a more accurate assessment of the cost of providing service to each rate class.

8 **Q DID YOU PROVIDE TESTIMONY ON STAFF'S WATER CCOSS MODELS IN THE**  
9 **2022 RATE CASE?**

10 A Yes. I filed Rebuttal and Surrebuttal Testimony in that rate case addressing Staff's  
11 water CCOSS models.

12 **Q WHAT ISSUES DID YOU IDENTIFY IN STAFF'S WATER CCOSS MODELS IN THE**  
13 **2022 RATE CASE?**

14 A I addressed the fact that Staff did not actually apply the distribution multipliers it  
15 supported in its Direct Testimony to its CCOSS models for the Rate J and Sale for  
16 Resale classes.<sup>15</sup> I showed that Staff's CCOSS models included maximum day and  
17 maximum hour demand ratios by customer class from a prior rate case, with no  
18 evidence or discussion to prove that these factors were still representative of the load  
19 characteristics of each customer class.<sup>16</sup> Lastly, I pointed out that there were other  
20 unsupported data points used in Staff's CCOSS, including the source of average day

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<sup>15</sup>Case No. WR-2022-0303. Surrebuttal Testimony of Jessica A. York at page 2, lines 8-17.

<sup>16</sup>*Id.*

1 rate of flow used to develop Factor 3, and the horsepower of pumps used to develop  
2 Factors 6 and 7.<sup>17</sup>

3 **Q DID STAFF CORRECT THE ISSUES YOU HAD IDENTIFIED WITH ITS WATER**  
4 **CCOSS MODELS IN THE 2022 CASE?**

5 A Staff presented updated CCOSS models with its Rebuttal Testimony in that case. My  
6 Surrebuttal Testimony on Staff's updates to its models in the 2022 rate case was as  
7 follows:

8 I found that Staff had applied its recommended distribution multipliers to  
9 the Industrial and Sale for Resale classes. Staff had updated the  
10 customer class maximum day and maximum hour demand ratios used  
11 in its CCOSS models. In addition, it had modified several other data  
12 points used to develop allocation factors in its CCOSS. Examples of  
13 some of the changes made by Staff included the following:

- 14 • Annual usage by customer class used to develop Factor 1.
- 15 • Maximum day demand ratios, including a significant reduction in the  
16 ratio for the Residential class.
- 17 • Maximum hour demand ratios by class.
- 18 • Weightings of the base, maximum day extra capacity, and fire  
19 protection components used to develop Factor 3.
- 20 • Weightings of the base, maximum hour extra capacity, and fire  
21 protection components used to develop Factor 4.
- 22 • Weightings of the base, maximum hour extra capacity, and fire  
23 protection components used to develop Factor 5.<sup>18</sup>

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<sup>17</sup>*Id.*

<sup>18</sup>*Id.* at page 3, lines 1-17.

1 **Q DID STAFF OFFER ANY TESTIMONY IN THE 2022 RATE CASE DISCUSSING THE**  
2 **CHANGES THAT WERE REFLECTED IN THE UPDATED WATER CCOSS MODELS**  
3 **THAT WERE FILED WITH ITS REBUTTAL TESTIMONY?**

4 A Staff provided limited explanation of the modifications it made to its water CCOSS  
5 models that were provided with Staff witness Roth's Rebuttal Testimony in that case. I  
6 provided the following discussion of this issue in my Surrebuttal Testimony in that case.  
7 Specifically, I testified that:

8 Staff's rebuttal testimony only discussed one of the many changes it  
9 made to its COSS models, and that is the distribution multiplier issue.  
10 While Staff's rebuttal testimony notes that it has corrected the  
11 distribution multiplier issue, it is completely silent with respect to all other  
12 changes it made to its COSS models. Therefore, Staff has not provided  
13 any support whatsoever for any of the changes it made to its COSS  
14 models between its direct testimony filing and its rebuttal testimony  
15 filing. As a result, Staff's COSS models should be rejected.<sup>19</sup>

16 **Q GIVEN THE CIRCUMSTANCES SURROUNDING STAFF'S WATER CCOSS**  
17 **MODELS DURING THE LAST RATE CASE, SHOULD THE COMMISSION**  
18 **CONCLUDE IT IS REASONABLE TO RELY ON THOSE MODELS IN THIS CASE?**

19 A No. As explained above, Staff's water CCOSS models in the last case contained at  
20 least one major error and relied on unsupported data to derive customer class  
21 allocation factors. In addition, while Staff did make modifications to its water CCOSS  
22 models to try to resolve some of these issues, there was no explanation of the changes  
23 (other than the correction to the distribution multiplier) included in Staff's Rebuttal or  
24 Surrebuttal Testimony in that case.<sup>20</sup> Nor have those modifications been addressed by  
25 Staff in this case.

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<sup>19</sup>*Id.* at page 3, lines 21-24 through page 4, lines 1-3.

<sup>20</sup>Case No. WR-2022-0303. See Rebuttal and Surrebuttal Testimonies of Staff witness Keri Roth.

1 Further, given that Staff claims the results of its models would be similar to the  
2 Company's, Staff's water CCOSS models presumably would require corrections  
3 consistent with those that I recommended for the Company's water CCOSS in my  
4 Direct/Rebuttal Testimony.

5 **Q PLEASE DESCRIBE STAFF'S PROPOSED RATE DESIGN.**

6 A Staff opposes further consolidation of rates between districts and customer classes.<sup>21</sup>  
7 In addition, Staff proposes to apply an equal percent increase across all rates in each  
8 district based on its proposed revenue requirement increase.<sup>22</sup>

9 **Q DO YOU AGREE WITH STAFF'S PROPOSED RATE DESIGN?**

10 A No. Staff's proposed rate design reflects an across-the-board increase in each district,  
11 which does not move classes toward cost of service. I continue to support a greater  
12 movement toward cost of service based on my recommended corrections to the  
13 Company's CCOSS models, as described in my Direct/Rebuttal Testimony.

14 **Q DOES THIS CONCLUDE YOUR CROSS-REBUTTAL/SURREBUTTAL**  
15 **TESTIMONY?**

16 A Yes, it does.

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<sup>21</sup>Direct/Rebuttal Testimony of Ms. Marek at page 6, lines 13-18.

<sup>22</sup>*Id.* at lines 21-22.