

Exhibit No.:
Issue(s): Rate Design
Witness: Melanie Marek
Sponsoring Party: MoPSC Staff
Type of Exhibit: Cross Rebuttal-Surrebuttal
Testimony
Case No.: WR-2024-0320
Date Testimony Prepared: January 10, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

CROSS REBUTTAL-SURREBUTTAL TESTIMONY

OF

MELANIE MAREK

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2024-0320

Jefferson City, Missouri
January 10, 2025

1 **CROSS REBUTTAL-SURREBUTTAL TESTIMONY**

2 **OF**

3 **MELANIE MAREK**

4 **MISSOURI-AMERICAN WATER COMPANY**

5 **CASE NO. WR-2024-0320**

6 Q. Please state your name and business address.

7 A. My name is Melanie Marek, and my business address is 200 Madison Street,
8 P.O. Box 360, Jefferson City, Missouri 65102.

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

10 A. I am employed by the Missouri Public Service Commission (“Commission”) as
11 a Lead Senior Utility Regulatory Auditor in the Auditing Department, Financial and Business
12 Analysis Division, a member of Commission Staff (“Staff”).

13 Q. Are you the same Melanie Marek who filed rate design direct/rebuttal testimony
14 on December 20, 2024, in this case?

15 A. Yes, I am.

16 **EXECUTIVE SUMMARY**

17 Q. What is the purpose of your cross rebuttal-surrebuttal testimony?

18 A. The purpose of my cross rebuttal-surrebuttal testimony is to comment on the
19 direct/rebuttal testimony of the Office of the Public Counsel’s (“OPC”) witness,
20 Dr. Geoff Marke, and Consumers Council of Missouri’s witness, Caroline Palmer,
21 regarding rate design.

22 **OPC’S WITNESS DR. MARKE**

23 Q. Does Dr. Marke support MAWC’s proposed customer charge?

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Melanie Marek

1 A. No. Dr. Marke states MAWC's proposed 113% increase in the monthly
2 customer charge is needless.¹

3 Q. Does Staff agree with Dr. Marke's assessment of MAWC's customer
4 charge proposal?

5 A. Partially. While Staff is not under the impression an increase in customer charge
6 is "needless," Staff also does not support a 113% increase in the monthly customer charge.

7 Q. What is Staff's proposal?

8 A. Staff applied an equal percentage increase to the monthly customer charge and
9 commodity rate for each tariffed area based on the calculated revenue requirement for the
10 applicable tariffed areas from Staff's Auditing Department.

11 Q. Why does Staff propose a smaller increase in the customer charge?

12 A. Most of MAWC's costs are fixed and have increased since the last rate case,
13 according to Schedule MWM-1 of MAWC's witness Max McClellan's direct testimony.
14 It is Staff's position that incrementally increasing the customer charge instead of a dramatic
15 increase like MAWC is proposing in this case, is the most reasonable approach.

16 Q. Does Dr. Marke provide reasons why the customer charge should stay at \$10.00,
17 besides calling MAWC's proposed "needless?"

18 A. No. Dr. Marke addresses this on page 23, line 19 through page 25, line 5.
19 He mentions the decrease in operational costs associated with deployment of AMIs, but the
20 redeployment of MAWC personnel from meter reading to other tasks is not an overall cost
21 decrease. He also mentions the deployment of paperless billing for some customers who opt in,

¹ Direct testimony of Geoff Marke page 24, lines 5-12.

1 and while this does decrease non-variable costs, it is relatively modest, and he does not show
2 that this cost savings is larger than the increases in MAWC's other costs.

3 **CONSUMERS COUNCIL OF MISSOURI'S WITNESS PALMER**

4 Q. Which portion of Consumers Council of Missouri's witness Ms. Palmer's
5 testimony is Staff responding to?

6 A. On pages 8-11, and reiterated on page 13, Ms. Palmer states her position of
7 MAWC's proposal of rates violating the principals of gradualism and efficiency. She goes on
8 to recommend a \$1.00 increase to the customer charge and suggests putting the rest of the
9 revenue requirement into the commodity charge.

10 Q. Does Staff's proposal violate those same principals?

11 A. No. In fact, Staff's proposal raises both the customer charge and the commodity
12 rate in the same manner, which spreads out the cost to the customer to decrease rate shock and
13 still encourage efficiency of use.

14 Q. On page 9 of her testimony, beginning on line 10, Ms. Palmer contends that
15 increasing the customer charge reduces customer efficiency of water use. Is Staff of the position
16 that putting all of the increase into the commodity rate will induce efficiency of use
17 by the customers?

18 A. No. It is Staff's position that customers know their bill will increase if they waste
19 water. Staff disagrees that increasing the customer charge inherently reduces water efficiency.

20 Q. Would raising the commodity charge cause customers to reduce water usage?

21 A. For some customers, who have the ability to invest in significantly more efficient
22 appliances, repair all leaks, reduce lawn irrigation, or otherwise change their daily needs to cut
23 water use, it is possible that some will attempt to decrease usage as commodity rates rise.

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1 However, it is Staff's position that most customers cannot, or will choose not to dramatically
2 alter their lifestyle as a result of this rate increase. Less affluent customers, and those customers
3 who rent, are limited in their ability to make such changes. Therefore, while having a significant
4 portion of the cost recovery in the commodity rate does allow customers more control over their
5 bill, simply including all or nearly all of the current and future increases in the commodity rate
6 is likely not a direct financial benefit for most customers.

7 **CONCLUSION**

8 Q. Please summarize your testimony.

9 A. While it is Staff's position neither Dr. Marke nor Ms. Palmer are wrong in their
10 proposals, Staff believes there is more than one way to design rates, and Staff's proposal creates
11 just and reasonable rates in a balanced manner.

12 Q. Does this conclude your cross rebuttal-surrebuttal testimony?

13 A. Yes it does.

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

AFFIDAVIT OF MELANIE MAREK

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW MELANIE MAREK and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Cross-Rebuttal / Surrebuttal Testimony of Melanie Marek*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



MELANIE MAREK

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of January 2025.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public