#### **MEMORANDUM**

**TO:** Missouri Public Service Commission

Official Case File, Case No. WO-2025-0182

Missouri American Water Company

**FROM:** Russell Drury – Water, Sewer, Gas & Steam Department

Keri Roth - Water, Sewer, Gas & Steam Department

/s/ Russell Drury 02/05/2025

Senior Utility Regulatory Analyst Date

SUBJECT: Staff Recommendation for Commission Approval of the Agreement to Sell

and Deliver Water for Resale

**DATE:** February 5, 2025

## Case Background

On December 11, 2024, Missouri-American Water Company ("MAWC" or "Company") filed its Application for the Approval of Agreement and Tariff and Motion for Waiver ("Application"), in which it seeks approval of an Agreement to Sell and Deliver Water for Resale ("Agreement") between MAWC and the City of St. Peters, Missouri ("St. Peters" or "City"). MAWC and St. Peters are collectively referred to as "Parties" hereafter. The Company included a copy of the Agreement and a proposed tariff sheet P.S.C MO No. 13, Original Sheet No. RT 31. MAWC currently provides water service to approximately 484,000 customers in several counties throughout Missouri. MAWC also provides sewer service to approximately 24,000 customers in several counties throughout Missouri. MAWC presently has a rate case application pending with the Missouri Public Service Commission ("Commission"), but the Agreement with St. Peters allows for adjustment based on the cost to provide service as described below. MAWC has no other pending cases that will impact this Application.

St. Peters has requested to purchase water from MAWC at wholesale to sell and deliver for resale in order to supplement the City's water supply. The City is not subject to the jurisdiction of the Commission. The Agreement entered into between the Parties provides for an agreed-upon delivery of water from MAWC to the City from one point of delivery for an initial term of twenty years. Upon expiration of the initial twenty-year period, the Agreement will automatically renew for ten-year terms unless discontinued by the Parties. The agreed-to commodity charge will be

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adjusted in each calendar year on the anniversary of the Service Date for the duration of the

Agreement. This adjustment will be performed using the formula provided in Appendix B within

Appendix B-C of the Agreement to Sell and Deliver for Resale Signed by St. Peters.

On December 12, 2024, the Commission issued its Order Directing Notice and Setting

Intervention Deadline and Directing Filing of Staff Recommendation, which set January 9, 2025,

as the date by which interested parties could intervene in this case. No intervenors filed for this

case. The Commission ordered Staff to file its Recommendation or request for additional time no

later than February 10, 2025.

Staff's Review of the Application

Staff has reviewed a copy of the Application and its appendices, including Appendix A, which

included the City's Ordinance No 8006 ("Ordinance"), approving the Agreement on behalf of

St. Peters Board of Alderman and the St. Peters Mayor.

The City will purchase water from MAWC via a connection to be constructed by MAWC at a

specific location to be determined at the sole discretion of St. Peters but generally located within

the area of St. Charles County. This connection will be supplied by the MAWC Central Plant

through a 36" water main expected to be substantially completed around December 31, 2025, and

will be referred to as the MAWC Boone Missouri River Crossing. The construction of this

connection will include:

• The installation of 150 feet of 36" pipe that will supply water directly into a pump station

in St. Peters.

• A meter that will be located inside the pump station.

• One valve along the 150-foot water main.

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MAWC's Application, identified the Central Plant's maximum daily output for 2021-2023 was:

• 2021 – 163.9 million gallons

• 2022 – 166.9 million gallons

• 2023 – 158.5 million gallons

The Central Plant's average daily output for 2021-2023 was

• 2021 – 89.3 million gallons

• 2022 – 93.9 million gallons

• 2023 – 91.3 million gallons

The maximum capacity of the Central Plant is 217 million gallons per day ("MGD").

The Agreement states that St. Peters agrees to purchase an average of 500,000 gallons of water per day. However, failure to receive less than an average of 500,000 gallons per day will not be deemed as a breach of the agreement. The total volume of water delivered to St. Peters shall not exceed 5.0 MGD. During periods of peak usage, MAWC shall have the right to restrict that maximum volume to 1.0 MGD. Staff does not have any concerns with the MAWC plant meeting the City's needs. MAWC can safely and adequately supply water to St. Peters, in addition to supplying its existing customers, without exceeding the current capacity of the water plant.

MAWC currently has two other customers that have special contract rates for the large volume of water utilized at their specified locations. Additionally, MAWC currently has four other customers with special contract rates for the large volume of water purchased from MAWC and re-sold to customers at the respective systems. Generally speaking, it is less expensive per gallon to serve customers who consistently use a large volume of water through dedicated mains than it costs to serve small customers through a complex distribution system with variable usage due to costs for plant, customer service, billing, field technicians, maintenance, etc.

MAWC used total operating expenses for the Central Plant to determine the cost of water production. The total operating expenses include: fuel and power, chemicals, employee related MO PSC Case No. WO-2025-0182 Official Case File Memorandum February 5, 2025 Page 4 of 4 Pages

expenses, contracted services, building maintenance, telecommunication, office supplies, miscellaneous expenses, transportation, insurance, and general tax. Staff agrees that these are the correct accounts to be used in calculating the cost of water production. The Company stated in its Application that the net marginal cost of water production at the Central Plant is \*\*

\*\*. The water production cost is significantly lower than the commodity rate set out in the Agreement of \*\*

\*\*. The difference between the commodity charge and the operating cost covers the depreciation, property tax, and pre-tax return for the investment needed to provide St. Peters with the quantity of water the City has requested.

These additional revenues collected by the Company will reduce the amount of monies required to be collected in a future rate proceeding from the other customers served by the Central Plant. This Agreement will therefore help to offset some costs for other customers, and will not raise other customers' rates.

## **Staff Conclusion and Recommendation**

Staff determines that the Agreement entered into between MAWC and the City is in the public interest. Staff recommends that the Commission approve the Agreement and Tariff Sheet as filed with MAWC's Application.

### BEFORE THE PUBLIC SERVICE COMMISSION

# **OF THE STATE OF MISSOURI**

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AFFIDAVIT OF RUSSELL DRURY				
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**COMES NOW RUSSELL DRURY,** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation*, in *Memorandum Form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Pussell Drun/ RUSSELL DRURY

### **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 30th day of January 2025.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaust Notary Public

### BEFORE THE PUBLIC SERVICE COMMISSION

## **OF THE STATE OF MISSOURI**

In the Matter of the Application of	)
Missouri-American Water Company for	)
The Approval of an Agreement with the	) Case No. WO-2025-0182
City of St. Peters, Missouri to Sell and	)
Deliver Water for Resale and Related	)
Tariff Sheets	)
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AFFIDAY	VIT OF KERI ROTH
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STATE OF MISSOURI )	
) ss.	
COUNTY OF COLE )	W
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COMES NOW KERI ROTH, and on	her oath declares that she is of sound mind and lawful

Further the Affiant sayeth not.

KERI ROTH

### **JURAT**

age; that she contributed to the foregoing Staff Recommendation, in Memorandum Form; and that

the same is true and correct according to her best knowledge and belief.

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 \_\_\_\_\_\_ day of February 2025.

DIANNA L. VAUGHT
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