

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company’s Request for Authority to) **Case No. WR-2024-0320**
Implement a General Rate Increase for)
Water and Sewer Service Provided In)
Missouri Service Area)

**STATEMENT OF POSITIONS OF
THE MISSOURI INDUSTRIAL ENERGY CONSUMERS**

COMES NOW the Missouri Industrial Energy Consumers (“MIEC”) and provides its
Statement of Positions as follows:

1. Overview and Regulatory Policy

**a. Production Cost Tracker (if not RSM): Should MAWC be allowed to
implement a production cost tracker?**

The Commission should reject the MAWC’s proposal to implement a
production cost tracker, which constitutes improper single-issue ratemaking
and would allow MAWC to recover costs without consideration of all relevant
factors that are required to set a just and reasonable rate. These costs are
normal operating costs that do not meet any standard for deferral accounting
treatment. *Direct / Surrebuttal Testimony of Jessica York*, pp. 27 – 28.

c. Regulatory Deferrals

**i. Should MAWC be allowed to defer depreciation expense as soon
as new plant investment is placed into service?**

The Commission should reject MAWC’s request to defer depreciation
expense as soon as new investment is placed into service.

ii. Should MAWC be allowed to capitalize post-in-service carrying costs?

The Commission should reject MAWC's proposal to capitalize post-in-service carrying costs.

3. Class Cost of Service (CCOS)/Rate Design

a. CCOS

i. What allocation factors should be used for allocating the revenue requirement among rate classes?

The Base-Extra Capacity CCOS method used by the Company should with the corrections identified by Jessica York as follows:

- The Public Fire protection class should receive an allocation of source of supply and water treatment costs
- Purchased power expense should be allocated both on a base and extra-capacity demand, and not only on base usage
- The Rate J distribution multiplier should be corrected to reflect the 6.5 percent supported in the MAWC's data responses
- The system load factor used to assign costs between the base and extra-capacity functions should be modified to make them consistent with the customer class load characteristics indicated by the customer class peaking factors and pursuant to the methodology described in the AWAA Manual M1.

ii. What is the appropriate allocation of revenue requirement among the rate classes? Should the Commission utilize the Class Cost of Service Studies filed in this case to determine the appropriate allocation of the revenue

requirement to each class? How should revenues associated with special contracts be treated in developing the class cost of service?

The revenue requirement should be allocated among the rate classes pursuant to the recommendations set forth in the Direct / Rebuttal Testimony of MIEC Witness Jessica York. Jessica York Direct / Rebuttal, pp. 5 – 6.

i. How should source of supply costs be allocated to the Public Fire protection class?

Both the Private and Public Fire service classes should receive an allocation of Source of Supply, Power and Pumping, and Water Treatment costs in the water CCOS using the allocation labeled by MAWC as Factor 3. Because MAWC uses treated water to provide fire protection service, it is just and reasonable to allocate a portion of water treatment to the Public Fire class just as MAWC has done for the Private Fire Class. Jessica York Direct / Rebuttal, pp. 8 – 9.

ii. How should Water treatment costs be allocated to the Public Fire Protection class?

Both the Private and Public service classes should receive an allocation of Source of Supply, Power and Pumping, and Water Treatment costs in the water CCOS, using the allocation factor labeled by the Company as Factor 3. The Company has confirmed that potable water is used to serve the Public Fire class. Because MAWC is using treated water to provide fire protection, it is just and reasonable to allocate a portion of water treatment costs to the Public Fire class, just as it has done for the Private fire class. *Jessica York Direct / Surrebuttal, pp. 8 – 9.*

iii. How should purchased power expenses be allocated?

These expenses should be allocated using Factor 3. Use of Factor 3 is consistent with the proper allocation of other Source of Supply, Water Treatment, and Power and Pumping expenses that have been classified as serving both base and maximum day-extra capacity requirements. Additionally, Factor 3 more accurately reflects purchased power expense between customer classes because it allocates costs between customer classes based on average flow and peak demand. *Jessica York Direct/ Rebuttal, pp. 10—12.*

iv. Rate J Distribution multiplier

For All other Missouri Water District which Rate J Distribution multiplier should be used?

For the Other Mo Water District, the Rate J Distribution multiplier should be 6.5 percent instead of MAWC's proposal of 11 percent. Based on the MAWC's response to MIEC Data Request 1-12, MAWC based its initial calculation was based on its distribution multiplier on water sales by main size for a subset of the industrial customers taking service in the Other Mo district. To reach a more appropriate multiplier, the following modifications should be made to MAWC's calculations. First, MAWC's calculation certain customers from the Rate J distribution multiplier without explanation. Correcting this to include all customer in the subset results in a multiplier of 6.5 percent that would be more appropriate to use in this case. Second, using water consumption to develop the distribution multiplier likely overstates the portion of distribution system investment and expenses that is required to provide service to large customers. MAWC should also consider the length of distribution main serving the Rate J customers, consistent with its past practice for St. Louis County Rate J customers. *Jessica York Direct / Rebuttal, pp. 13 – 14.*

2) Should MAWC study the length of distribution mains serving Rate J customers both inside and outside of St. Louis County?

Yes. It has been previously determined that even though Rate J customers may have a significant portion of water consumption served by small distribution mains, the actual length of distribution mains used to connect these customers to the transmission system represents a small fraction of the total distribution system. As a result, this should be recognized in developing an appropriate multiplier. MAWC witness Paul Herbert performed this type of study in for St. Louis County Rate J Customers in WR-2008-0311. Mr. Herbert concluded that, based on the size and length of distribution mains to serve Rate J customers, that although certain Rate J customers are connected to smaller mains, the length of those mains are only a fraction of the total distribution main system.

Since MAWC did not provide such a study in the present case, it would be appropriate to use the distribution multiplier of 6.5% as calculated from the MAWC response to Data Request MIEC 1-12 as the best available data. To better inform the CCOSS in future cases, the Commission should require MAWC to conduct a study of the length of distribution mains serving its Rate J customers. *Jessica York Direct / Rebuttal, pp. 13 – 14*

(1) For St. Louis County, what Rate J distribution multiplier should be used?

The Commission should use the Rate J distribution multiplier offered in the testimony of Jessica York.

v. For both districts, should system load factors be reduced to reflect peak demand that the water systems were designed to serve?

For the Other MO Water CCOSS, the system maximum day load factor should be modified to be consistent with the maximum day system load factor indicated by customer class

peaking factors. As shown in Table JAY-4, this results in a maximum day system load factor of 58.2 percent. This load factor aligns with the district specific load factors identified by MAWC in prior cases, which means it classifies and allocates capacity costs in a manner that is more aligned with cost-causation. *Jessica York Direct / Rebuttal, Table 4, pp. 18 – 22.*

(b) Rate Design: What is the appropriate rate structure and rate design for MAWC customers? What are the appropriate commodity rates?

MAWC's proposal to incorporate a declining block rate for Rate J is appropriate. Jessica York Direct / Rebuttal p. 23.

31. RSM: Should the Commission approve an RSM for MAWC? If so, how should it be structured?

The Commission should reject MAWC's request for an RSM. MAWC has failed to demonstrate that it has been unable to earn its authorized ROE under traditional ratemaking mechanisms. The RSM would increase customer bills without consideration of all relevant factors that must be considered for just and reasonable rates. *Jessica York Direct / Rebuttal pp. 24 – 26.*

Respectfully submitted,

Curtis, Heinz, Garrett & O'Keefe, P.C.

By: /s/ Diana M. Plescia
Diana M. Plescia #42419
130 S. Bemiston, Suite 200
St. Louis, Missouri 63105
Telephone: (314) 725-8788
Facsimile: (314) 725-8789
E-mail: dplescia@chgolaw.com

Attorney for the Missouri Industrial
Energy Consumers

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed to all parties on the Commission's service list in this case.

/s/ Diana M. Plescia